NATIONAL OPEN UNIVERSITY OF NIGERIA

SCHOOL OF MANAGEMENT SCIENCES

COURSE CODE: BHM 402

COURSE TITLE: PRACTICE OF MARKETING MANAGEMENT

BHM 402 PRACTICE OF MARKETING MANAGEMENT

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NATIONAL OPEN UNIVERSITY OF NIGERIA

BHM 402: Practice of Marketing Management is a one semester two credit unit course. It is available for all 400 levels under graduate programmes in School of Management Sciences. The courses consist of sixteen (15) study units and subdivided into three modules covering such areas as: an overview of marketing, marketing mix, marketing planning, consumer behavior, branding, marketing of services, marketing channel management, new product development, competitive analysis, competitive marketing strategies, product mix strategies, overview of international marketing, international marketing-mode of entering and international trade.

This course guide tells you briefly what the course is about, relevant textbooks to consult, and how you can work your way through this course material. It also contains some guidelines on your tutor marked assignments and as well as self assessment exercises.

What you will learn in this Course

The major aim of practice of marketing management is to expose learners to marketing practices and strategies. The field of marketing is challenging, most so we are in a dynamic world where modern technologies have made the operations of marketing activities much easier than olden days.

Marketing can be engaged by any interested persons. However, it should be noted that it operational practices need to be learned in order to succeed in the competitive world of today. Most people engaged in marketing activities without prior knowledge of marketing philosophies and concepts underlying marketing decisions. This therefore lead to business failures. This course provides foundation for professionals who desired to study marketing as a discipline.

Course Aims

The course aimed to give learners a broad knowledge of marketing practices and strategies. Competition is inevitable especially when the whole world have been turn to a global village. Any rational businessman can not afford to invest huge money into business without returns. Therefore, strategies and marketing decisions is worth studying. This is achieved through studying of;

1. Overview of marketing
2. Marketing mix
3. Marketing planning
4. Consumer behavior
5. Branding
6. Marketing of services
7. Globalization and Marketing
8. Marketing channel management
9. New product development
10. Competitive analysis
11. Competitive marketing strategies
12. Product mix strategies
13. International marketing
14. International marketing-mode of entering
15. Bases of international trade and

Course Objectives

In order to achieve the aims set out above, the course sets overall objectives. You will also realize that each course unit objective is always included at the beginning of each unit. Hence, you are encouraged to kindly read through the specific objectives before studying through the unit. However, the following are some of the broad objectives of this course. Thus, after thorough studying of the course, you should be able to:

1. Differentiate between marketing and marketing management
2. Explain concepts underlying marketing
3. Explain marketing philosophies
4. Explain components of marketing mix
5. Explain factors that influence consumers' choices
6. Explain branding and types of branding
7. Describe marketing management
8. Describe new product development
9. State competitive strategies

10. Define international marketing
11. State mode of entering international markets and
12. Explain bases of international trade

Working through this Course

It is important that you patiently read through the units and consult the suggested texts and other related materials. The units consist of self assessment exercises and tutor marked assignments to help your studies.

Course Material

The major components of these course materials are:

1. Course Guide
2. Study Units
3. Main text
4. Tutor marked assignments
5. References and Further readings

Study Units

There are fifteen (15) study units in this course. This are

Module One: Introduction

This module examined the fundamental factors that must be considered before engaging in marketing. This is very imperative in order to avoid losing huge resources invested in business by interested individuals. This module composes of:

1. Overview of marketing
2. Marketing mix
3. Marketing planning
4. Consumer Behaviour
5. Branding

Module Two: Marketing Operations

This module which comprises of five units examined marketing activities as they affects goods and services. This is because marketing has taken a new dimension because of globalization and technological breakthrough, which has aid marketing activities. This module thus comprises of:

1. Marketing of services
2. Globalization and Marketing
3. Marketing channel management
4. New product development and
5. Competitive analysis

Module Three: Marketing Strategies

This module comprised of five units. It discusses strategies necessary to succeed in the modern competitive world. This module therefore consists of:

1. Competitive marketing strategies
2. Product mix strategies
3. International marketing
4. International marketing: Mode of entering and
5. Bases of international trade

Textbooks and References

You should note that there are no compulsory textbooks for the course. However, you are encouraged to consult some of the listed texts for further readings at the end of each unit.

Assignment File

The assignment file will be made available to you through your study directors. Thus, you will find all the details of the work you must submit to your tutors for marking. The marks you obtained in these assignments will count towards the final marks you will obtain in the course.

Assessment

Your performance in this course will be based on two major components. These are tutor marked assignments (TMAs) and written examination.

The tutor marked assignment -------------------------------- 30%

Final Examination-- 70%

Grand total 100%

The self assessment exercises are designed to aid your studies. They are not required to submit them for grading; however they are very important that you attempt them.

Tutor Marked Assignment

At the end of each unit, there is a tutor marked assignment which you are encouraged to do. The centre director will inform you the number of tutor marked assignments to be submitted.

Final Examination and Grading

At the end of the course, you are expected to sit for a final examination of three hours duration. The final examination grade is 70 percent while the remaining 30 percent is from TMAs. The final examination is a reflection of what you have read and learned from previous TMAs encountered.

How do get the most from this course

The distance learning system of education is quite different from the traditional university system. Therefore you are encouraged to study the units thoroughly. The physical absence of the teacher has been replaced with step by step studying of the units and the necessary built in self assessment exercises. Hence you are to read and understand the course, not reading the units like novels.

Facilitators/Tutorials

Detailed information about learning support services or tutorial contact hours will be communicated to you through the centre director of your respective centres. Other academic counseling will be offered to you by the academic counselors at the centre. However, you are encouraged to study the course material/units before attending any tutorial. This will help you to gain added advantage while the facilitator discusses such units. This will also enable you to contribute effectively on the discussion.

Summary

Practice of Marketing Management is a profession that encourages self employment and independence. It concerned itself with the exchange transactions. It therefore contributes to economic development and individual well being.

Conclusion

Welcome to the world of marketing, wishing you a successful studying.

Module One: Introduction

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Unit 1: Overview of Marketing

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1.0 Introduction

All organizations have customers, likewise all organizations need employees who can discover and understand their customers and engage them in mutually benefit for long-term relationships. Knowledge of marketing provides a better understanding of the flow of goods and services from producers to consumers in a way that effectively matches supply and demand and accomplishes the economic, legal, technological, political, environmental and social objectives of the society. Most people think of marketing management as finding enough customers for the company's current output, but this is too limited a view. The organization has a desired level of demand for its products. At any point in time, there may be no demand, adequate demand, irregular demand, or too much demand, and marketing management must find ways to deal with these different demand states. Marketing management is concerned not only with finding and increasing demand, but also with changing or even reducing it. Thus, marketing management seeks to affect the level, timing and nature of demand in a way that helps the organization achieve its objectives. Simply put marketing management is demand management. That is coping with exchange process calls for a considerable amount of work and skill. Marketing management takes place when at least one of party to a potential exchange thinks about the means of achieving desired responses from other parties. Marketing management can be practiced in any market. This unit therefore take a look at marketing and its activities in an economy.

2.0 Objectives

After successful studying of this unit, you should be able to:

1. Define marketing management
2. Explain concepts underlying marketing, and
3. Explain marketing management philosophies.

3.0 Main Text

3.1 Definitions of Marketing and marketing management

The term ‘Marketing’ has been defined in many ways by different authorities. It is useful to pause for a while and consult some of these definitions:

(a) Marketing consists of the performance of business activities that direct the flow of goods and services from producer to consumer or user (American Marketing Association).

(b) Marketing is the management function that organizes and directs all business activities involved in assessing and converting consumer purchasing power into effective demand for a specific product or service, and in moving it to the final consumer or user so as to achieve the profit target or other objectives set by the company (British Institute of Marketing).

(c) Marketing is a social process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others (Kotler, 1984).

(d) Marketing is a total system of business activities designed to plan, price, promote and distribute want-satisfying goods and services to present and potential customers (Stanton, 1964).

(e) Marketing is the business function that identifies customers' needs and wants, determines which target markets the organization can serve best, and designs appropriate products, services, and programmes to serve these markets (Kotler and Armstrong, 1996).

(f) Marketing is the business process by which products are matched with markets and through which transfer of ownership is effected (Cundiff and Still, 1964).

(g) Marketing management is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational goals.

(i) Marketing management is also defined as the analysis, planning, implementation, and control of programs designed to create, build and maintain beneficial exchanges with target buyers for the purpose of achieving organizational objectives. People think of marketing management as finding enough customers for the company's current output, but this is too limited a view.

These definitions are better explained through the examination of the following terms: needs, wants, demands, products, exchange, and some others.

3.2 Basic Concepts Underlying Marketing

Some of the basic concepts underlying marketing are explained below:

3.2.1 Needs

The most basic concept underlying marketing is that of human needs. Human needs are states of felt deprivation. These needs include basic physical needs for food, clothing, shelter and safety; social needs for belonging and affection; and individual needs for knowledge and self-expression. The needs are in-built in human nature itself. It is not invented by marketers. That is, they naturally exist in the composition of human biology and human condition. When the needs are not satisfied, a person will try to reduce the need or look for an object that will satisfy it.

Self Assessment Exercise

Briefly define marketing management

3.2.2 Wants

Human wants are desires for specific satisfaction of deeper needs. For example, a man in the village needs rain and food and wants fertilizer. Also, a man may want yam, rice, body cream, a bag, a wrist-watch, etc. but needs money. Human needs may be few, but their wants are numerous. These wants are continually shaped and re-shaped by social forces and institutions such as families, church, schools and business corporations. Marketers do not create needs; needs pre-exist in marketing. Marketers, along with other operatives in society, influence wants. They suggest and inform consumers about certain products and persuade them to purchase, stressing the benefits of such products.

3.2.3 Demands

People have almost unlimited wants but limited resources. They want to choose products that provide the most value and satisfaction for their money. When backed by purchasing power, wants become demand. That is, demand want for specific products that backed up by an ability and willingness to buy them. For example, many desire a car such as Mercedes Benz, Toyota, BMW, Honda etc. but only a few are really willing and able to buy one. It is therefore important for marketing executives to measure not only how many people want their company’s products, but also measure how many of them would actually be willing and able to buy them.

3.2.4 Products

People normally satisfy their wants and needs with products offered in the market. Broadly, a product can be defined as anything that can be offered to someone to satisfy a need or want. Specifically, a product can be defined as an object, service, activity, person, place, organization or idea. It should be noted that people do not buy physical objects for their own sake. For example a lipstick is bought to supply service (beautify); toothpaste for whiter teeth – prevent germs or give fresh breath or sex appeal. The marketer's job is to sell the service packages built into physical products. If one critically looks at physical products, one realizes that their importance lies not so much in owning them as in using them to satisfy our wants. For example, we do not buy a bed just to admire it, but because it aids resting better.

3.2.5 Exchange

Marketing takes place when people decide to satisfy needs and wants through exchange. Exchange is therefore the act of obtaining a desired object from someone by offering something in return. Exchange is only one of the many ways people can obtain a desired object. For example, hungry people can find food by hunting, fishing or gathering fruits. They could offer money, another food or a service in return for food. Marketing focuses on this last option. As a means of satisfying needs, exchange has much in its favour, people do not have to depend on others, nor must they possess the skills to produce every necessity for themselves. They can concentrate on making things they are good at in exchange for the needed items made by others. Thus, exchange allows a society to produce much more than it would.

However, Kotler (1984) states that for exchange to take place, it must satisfy five conditions, namely:

(i) There are at least two parties.

(ii) Each party has something that might be of value to the other party.

(iii) Each party is capable of communication and delivery.

(iv) Each party is free to accept or reject the offer.

(v) Each party believes it is appropriate or desirable to deal with the other party.

These five conditions make exchange possible. Whether exchange actually takes place, however depends on the parties coming to an agreement. It is often concluded that the act of exchange has left both of them better off, or at least not worse off. Hence, exchange creates value just as production creates value. It gives people more consumption possibilities.

3.2.6 Relationship Marketing

Relationship marketing is a process of creating, maintaining and enhancing strong value-laden relationships with customers and other stockholders.

3.2.7 Markets

A market is defined as a set of all actual and potential buyers of a product and service. These buyers share particular needs or wants that can be satisfied through exchange. The size of a market depends on the need of people with common needs and that has resources to engage in exchange, and is willing to offer these resources in exchange for what they want.

Originally, the term 'market' stood for the place where buyers and sellers gathered to exchange their goods, such as a village square. However, Economists often use the term to refer to a collection of buyers and sellers who transact in a particular product class, such as clothing market electronic market, cattle market, etc.

3.2.8 Marketers

A marketer is someone seeking a resource from someone else and willing to offer something of value in exchange. A marketer could be a buyer and a seller. For example Mr. X sells TV to Mr. Y or Mr. X produces TV sets in XYZ Company which he bought for personal use.

3.3 Functions of Marketing

The functions of marketing can be classified into three: namely merchandising function, physical distribution and auxiliary function.

(A) Merchandising Function

1. Product Planning and Development: Product planning starts with idea generation, idea screening and development of a prototype product. It also

takes into consideration the purchasing power of the consumers, taste and market segmentation. Research and development is established for the analyses of ideas generated.

2. Standardization and Grading: This is concerned with setting certain standards/levels to accomplish the produced goods. This is carried out by the production department and regulated by some government agencies, such as Standards Organization of Nigeria. For example, Sprite is 30 cl, Coke is 35 cl, etc.

3. Buying and Assembling**:** Here, we are concerned with the marketing institutions that purchase goods or services at cheaper prices in order to resell at minimum prices to the end-users. These marketing institutions include the wholesalers, retailers and agents.

4. Selling: This is concerned with selling of the finished goods to the end-users either through the manufacturers or the marketing channels. In order to get the attention of their target consumers, they embark on various promotional strategies, such as discounts, promo tools, bundle sales, bonuses, etc.

(B) Physical Distribution

1. Storage: Storing of goods to meet future demands and for time and other utilities.

2. Transportation: The movement of goods from the manufacturer down to the target consumers. This includes material handling, warehousing, etc.

(C) Auxiliary Function

1. Marketing Finance: That is, allowing credits to customers and as well as obtaining credit from customers, such as Banks, individuals etc.

2. Risk-Bearing: Risk means ‘uncertainty’. Entering into a business entails risks, such as loss of items, road attack, weather risk, etc.

3. Market Information: Gathering necessary information about the markets, the target consumers in terms of their purchasing power, taste, colour, choices, competition, and their products.

Self Assessment Exercise
State the distribution functions of marketing

3.4 The Role of Marketing

1. The first and foremost role is that it stimulates potential aggregate demand and thus enlarges the size of the market. You might ask how does it help in the economic growth of a country?. The answer is that through stimulation of demand people are motivated to work harder and earn additional money (income) to buy the various ideas, goods and services being marketed. An additional advantage which accrues in the above context is that it accelerates the process of monetizing the economy, which in turn facilitates the transfer of investible resources.

2. Another important role which marketing plays is that it helps in the discovery of entrepreneurial talent. Peter Drucker, a celebrated writer in the field of Management, makes this point very succinctly when he observes that marketing is a multiplier of managers and entrepreneurs.

3. It helps in sustaining and improving the existing levels of employment. You may ask, how does it happen? The answer is that when a country advances

economically, it takes more and more people to distribute goods and proportionately a lesser number to make them. That is, from the employment point of view, production becomes relatively less significant than marketing and the related services of transportation, finance, communication, insurance, etc. which spring around it.

3.5 Marketing Management philosophies

Marketing management has been described as carrying out tasks to achieve desired exchange with target markets. But then what philosophy should guide these activities. What weight should be given to the interests of the organization, customers and society that carry out these activities? This section examined five philosophies that underlie marketing activities.

1. Production Concept

The production concept holds that consumers would favour products that are available and highly affordable. Management therefore should focus on improving production and distribution efficiency. This concept is one of the oldest philosophies that guide sellers. The production concept is a useful philosophy which applies to:

a). When the demand for a product exceeds the supply. This is very common to most of goods/services available in Nigeria markets. Examples of these are petroleum products, food stuffs, and educational books. It therefore implies that management should look for ways of increasing production of such products.

b). When the product's cost is too high and improved productivity is needed to bring it down. For example, Henry Ford's whole philosophy was to perfect the production of the model 'T' so that its cost could be reduced and more people could afford it. Another example is the cost of earlier Mobile Phones and their accessories. They were very costly and access was limited to only few privilege individuals in Nigeria as compared to present situation whereby an average individual has one. In order to maintain the market turnover, it thus implies that management should endeavour to improve facilities and reduce prices of their products/services.

2. The Product Concept

The product concept holds that 'consumers will favour products that offer the most quality, performance, and innovative features, and that an organization should thus devote energy to making continuous product improvements'. In modern marketing, the product concept plays an important role. This is because; consumers are diverse in their needs and wants and sparsely distributed. Thus, they need to be served base on their peculiarity of needs and environmental consideration. For example, the Toyota and Honda companies adopt this concept for their brands of cars for Nigeria markets. In hospitality industry, services are provided base on the expectation of the guests. This is why rooms in the same hotel are not charged equally.

However, marketing executives should be careful in applying this concept. Quality and innovative features may involve additional production costs, which in the long-run, the consumers might be compel to bear the burden. Thus, income of the consumers and their willingness to pay for these new features should be sought. Otherwise, the product concept can lead to 'market myopia'. For instance, rail road management once thought that users wanted <u>trains</u> rather than <u>transportation</u> and overlooked the growing challenge of airlines, buses, trucks and automobiles. In this same way, many colleges have assumed that high school graduates want a liberal arts education and thus overlooked the increasing challenge of vocational schools.

3. The Selling Concept

The selling concept or sales concept is another common approach adopted by some firms in penetrating their target markets. The selling concept holds that consumers, if left alone will ordinarily not buy enough of the organization's products. The organization must therefore undertake an aggressive selling and promotion effort.

The concept assumes that consumers having show buying inertia or resistance and has to be coaxed into buying more, and that the company has various strategies of effective selling and promotion tools to stimulate more buying. This selling concept is being practiced by both profit and non-profit making organizations. For instance, in an insurance industry, the selling concept is practiced aggressively with 'unsought goods'. These are goods that buyers normally do not think of buying, such as insurance policies. Thus, various sales techniques are used to locate potential and prospective buyers.

In addition, in automobile industries, the moment the customers walk into the show room, the auto-salesperson ‘psyches him out’. If the customer likes the floor model, he may be told that there is another customer about to buy it, and that he should decide now otherwise when comes back next time you will not meet it again. If the customer balks at the price, the salesperson offers to talk to the manager to get a special concession. The customer waits ten minutes and the salesperson returns with ‘the boss does not like it, but l got him to agreed.’ The aim is to ‘work up the customer and close the sale.’

The selling concept is also practice by non-profit organizations such as fund raisers, colleges/universities, politicians, and host of others. For example, a political party will vigorously sell her candidates to the electorates as the best candidate for the position/job as obtained in PDP, ANPP, ACN, etc. After the election, the elected officials continue to take a sales-oriented view toward the citizens. There is little research into what the public wants, rather adopting selling concept to get the public accept policies that politicians or the party wants as practiced by the largest party in Africa-PDP.

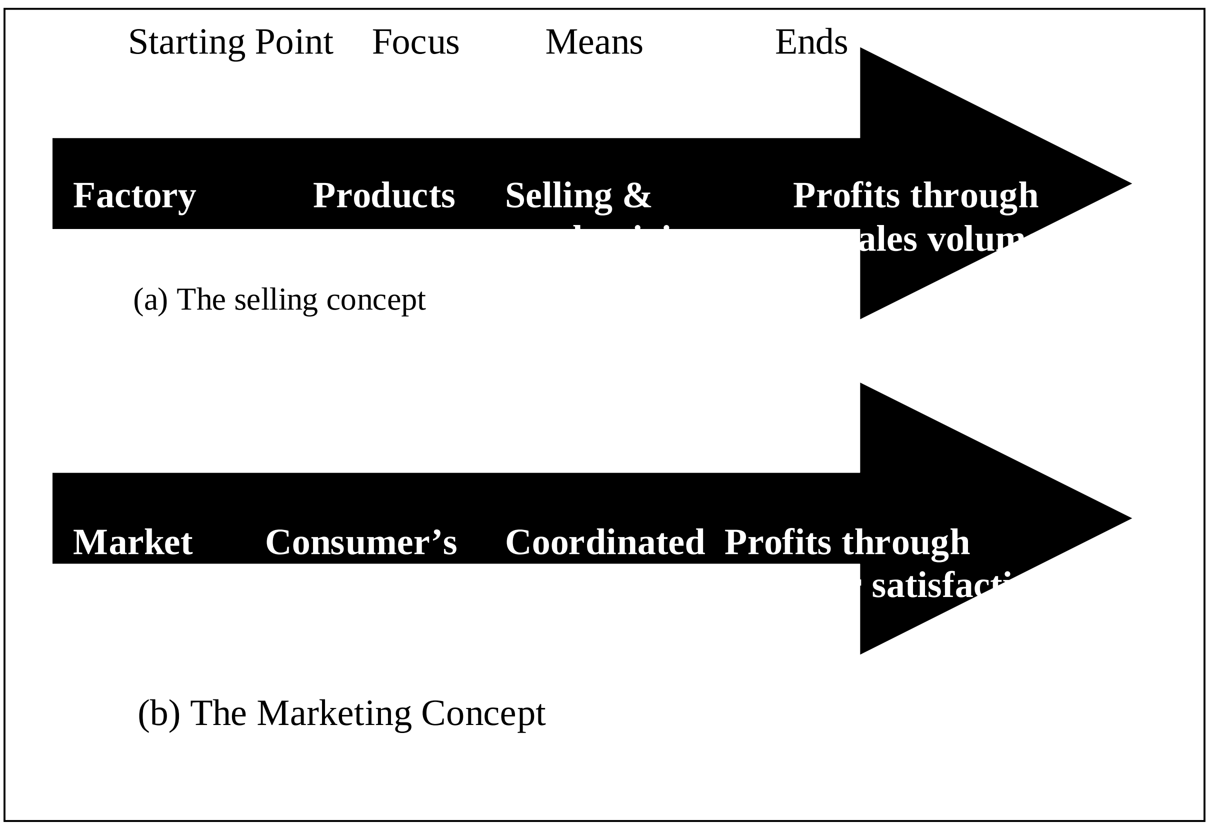
Most firms practice the selling concept when they have overcapacity. Their aim is to sell what they have rather than make what they can sell. In modern economy, productive capacity have been built up to a point where most markets are buyers’ markets, thus sellers have to sellers have to scramble hard for customers. Prospects are bombarded with television commercials, newspaper ads, direct mail and sales calls. At every turn, someone is trying to sell something. As a result, the public identifies marketing with hard selling and advertising as obtained in the baking and telecommunication industry. For example, there is what is called ‘target’ in baking industry in Nigeria, whereby the bankers or sales person must get customers for the bank irrespective of whether the customer has interest on the bank or not.

However, for selling to be effective, it must be preceded by several marketing activities such as need assessment, marketing research, product development, pricing and distribution. Marketing executives can achieve these by identifying customers’ needs, developing appropriate products and pricing, distribute them through appropriate channels and promoting them accordingly.

4. The Marketing Concept

The marketing concept is a business philosophy that arose to challenge the previous concepts. The marketing concept holds that the key achieving organizational goals consists in determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors. This concept concern it with::

- Find wants and fill then
- Make what will sell instead of trying to sell what you can make
- Love the customer and not the product, etc



(a) The selling concept

(b) The Marketing Concept

Source: Kotler, P (1994): <u>Principles of Marketing</u>, 6th edition, New Jersey, Paramount Communications Company.

The selling and marketing concepts contrasted.

- Selling focuses on the needs of the sellers; marketing focus on the needs of the buyers.
- Selling is pre-occupied with the sellers' need to convert his product into cash; marketing concerned itself with idea of satisfying the needs of the customers by means of the product and whole cluster of things associated with creating, delivery and finally consuming it.
- In selling, management is sales-volume oriented; while in marketing, management is profit oriented.
- In selling, planning is short-run oriented in terms of today's products and markets. However, in marketing, planning is long-run oriented in terms of new products, tomorrow's markets and future growth. (That is, the marketing concept is a philosophy of business that states that the customers' want-satisfaction is the economic and social justification for a firm's existence). This thus implies that all company's activities must be devoted to finding out what the customers want and then satisfying those wants, while making profits in the long-run.

The marketing concept rests on four main pillars, namely:

- A market focus
- Customer orientation
- Coordinated marketing and
- Profitability

These concepts are briefly examined below:

a. Market Focus: No company can operate in every market and satisfy every need, nor can it do a good job within one broad market. For example, in automobile industry, Toyota Company has Luxury buses, passenger buses, variety brands of all kinds to satisfy their target markets. Also, in soft drink industry, Coca-Cola Nigeria Plc has 25cl and 35cl bottles of coke for its target markets. All these aimed at meeting the specific needs of the target consumers.

b).Customer Orientation: A company can define its market carefully and still fail at customer-oriented thinking. Customer oriented thinking requires the company to define customer needs from the customer point of view, not from its own point of view. Every product involves trade-offs, and management cannot know what these are without talking to and researching into customers needs. For instance, a car buyer (Toyota) would like a high performance car that would never break down. That is attractively styled and cheap. Since all of these features may not be in one car, the car designers must make hard choices not on what pleases them, but rather on what customers prefer or expect. The aim; after all is to make a sale through meeting the customer's needs.

One may ask this question-why is it important to satisfy the customers? It should however be noted that a company's sales each period, come from two groups- New customers and repeat customers.

It always costs more to attract new customers than to retain current customers. Hence, customers-retention is more critical than customer attraction. The key customer retention is customer satisfaction. Satisfied customers do the following:

a. Buys again
b. Talks favourably to others about the company and it products.
c. Pays less attention to competitive brands and advertisements
d. Buys others products from the same company.

To buttress theses views, one Japanese businessman once stated that:

> "Our aim goes beyond satisfying the customer. Our aim is to delight the customer. Infact, this is a higher standard and a deeper question and may be the secret of the greater marketers." They go beyond meeting the mere expectations of the customer. When they delight a customer, the customer talks to even more acquaintances about the fine company. The delighted customers are more effective advertisers than the advertisements placed in the media."

Consequently when a company creates a dissatisfied customer, they spread their feelings to others without being asked. This is because, bad word of mouth travels faster and further than good word of mouth and can easily poisoning the public's attitude about the company. In sum, a customer-oriented company would tracks its customer-satisfaction level each period and set improvement goals.

c). Coordinated Marketing

Coordinated marketing involve two issues:

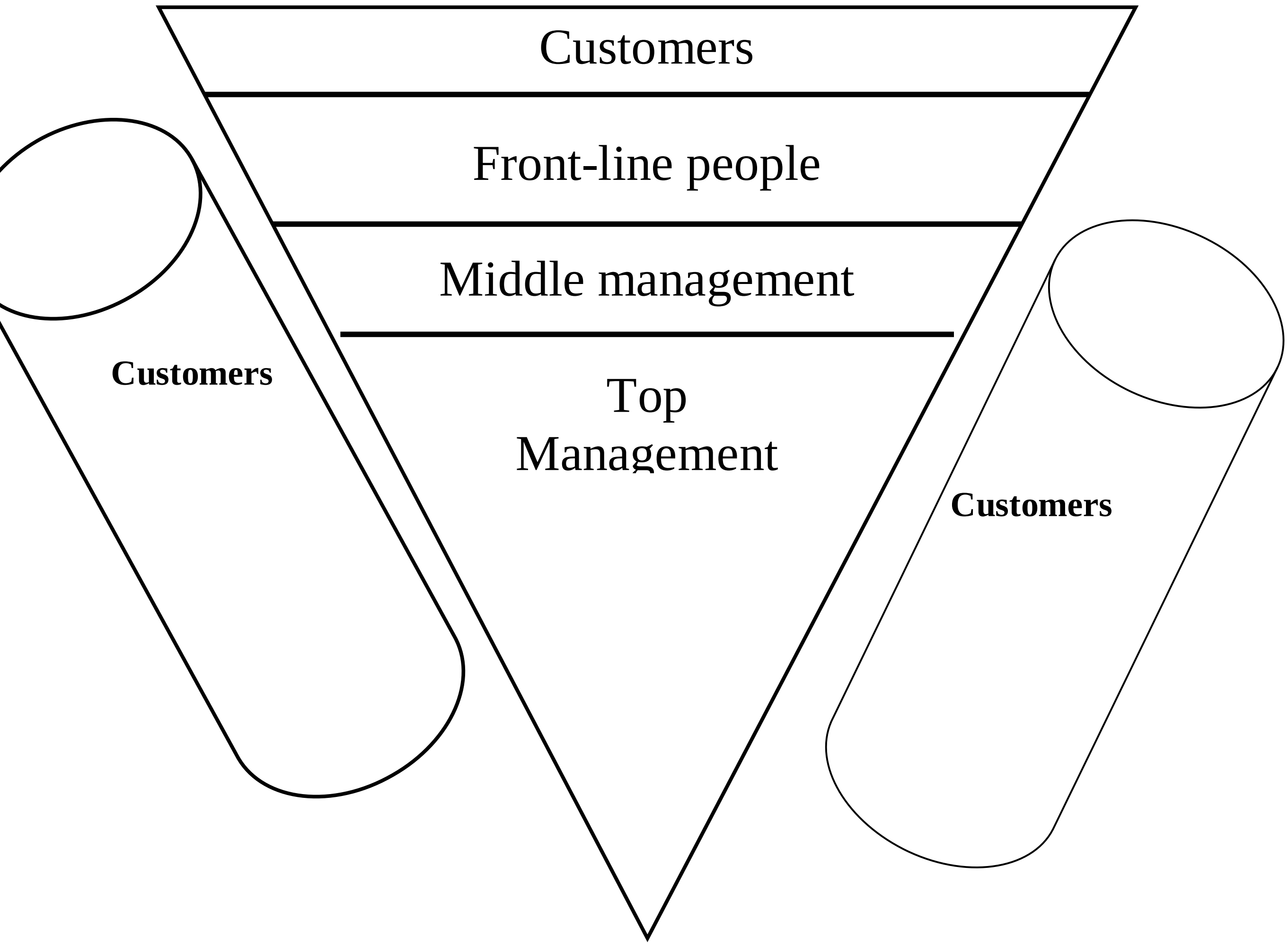
1. The various marketing functions- sales force, advertising, product management, marketing research and host of others, must be coordinated among themselves. These marketing functions must be coordinated from the customer point of view.

2. Marketing must be well coordinated with other company departments. Marketing does not work when it is merely a department; it only works when all employees appreciate the effects they have on customer satisfaction.

Let us examine this case:

A story about how Bill Marriott, Jr., chairman of Marriott Hotels, interviews prospective managers: Bill Marriott tells the job candidate that the hotel chain wants to satisfy three groups, namely: customers, employees, and stakeholders. While all the groups are important, he asks - in which order the groups should be satisfied? Most candidates say first satisfy the customers. Bill Marriott, however, reasons differently. First, the employees, if the employees love their jobs and feel a sense of pride in the hotel, they will serve the customers well. Satisfied customers will return frequently to Marriott. This repeat business, in turn, yields a level of profits that satisfy the Marriott stockholders, he concluded.

In sum, Bill Marriott is still saying that the customer is the key to profitability. This is further stressed in the diagram below:



The 'correct' view of the company organization chart

Source: Kotler, P (19994): Principles of Marketing, 6th edition, New Jersey, Paramount Communications Company.

From the diagram above, at the top of the organization are the customers. Next in importance are the front-line people, who meet, serve and satisfy the customers. Under them are the middle mangers, whose job is to support the front-line people so that they can serve the customers better. And finally, at the base is the top management, whose job is to support the middle managers, so that they can support the front-line people, who make all the difference in whether the customers end up feeling satisfied with the company. You would also notice that customers are found by the sides, which indicate that all the mangers in the company are personally involved in knowing, meeting and serving customers' needs effectively.

d).Profitability: The purpose of the marketing concept is to help organization achieve their goals. In private firms, the major goal is profit, while in non-profit and public organizations, it surviving and attracting enough funds to perform their work. In essence, the key is not to aim for profits as such, but to achieve them as a by-product of doing the job well. For example, the General Motors Executive said "we are in the business of making money, not cars." He is misplacing the emphasis. A company makes money by satisfying customer needs better than her competitors. This why in Nigeria, parents no longer interested in public schools, rather private schools, because they do not get quality education as expected for their children.

However, it should be noted that marketers are on concerned with 'profits'. Quite contrary, they are highly involved in analyzing the profit potential of different marketing opportunities. The sales-force/people focus on achieving sales-volume goals, while marketing people focus on identifying profit making opportunities.

Organization Resistance

Some company departments, often manufacturing, finance, R and D, etc. do not like to se marketing built up, because it threatens their power in the organization. However, it was argued that "Marketing is the major function of the enterprise, for without customers, there would be no company." This implies that marketing is put at the center, with other business functions serving as supporting functions.

Limitations of the marketing concept

1. Brownlie and Saven in Jobber (2007) book observed that the marketing concept has assumed many of the characteristics of an ideology or an article of faith that should dominate the thinking of organizations. They recognize the importance of a customer orientation for companies, but ask why after 40 years of trying; the concept has not been fairly implemented. They argue that there are other valid considerations that companies must take into account when making decisions (e.g economies of scale) apart from giving customers exactly what they want marketers' attention should therefore be focused not only on propagation of the ideology, but also on its integration with the demands of other

core business functions in order to achieve a compromise between the satisfaction of consumers and the achievement of other company requirements.

2. The second limitation of the marketing concept concerns its focus on individual market transactions. Since many individuals weigh heavily their personal benefits, while discounting the societal impact of their purchases, the adopt of the marketing concept will result in the production of goods and services that do not adequately correspond to societal welfare. Providing customer satisfaction is simply a means to achieve a company's profit objective and does not guarantee protection of the consumer's welfare. However, Wensley regards consumerism as a challenge to the adequacy of the atomistic and individual view of market transaction. This was collaborated by Bloom and Greyser, who regard consumerism as the ultimate expression of the marketing concept compelling marketers to consider consumer needs and wants that hitherto may have been overlooked.

3. The third criticism of marketing concept was raised by Tauber in an article 'how marketing research discouraged major innovation'. The thrust of his argument was that relying on customers to guide the development of new products has severe limitations. This is because customers have difficulty articulating needs beyond the realm of their own experience. This suggests that the ideas gained from marketing research will be modest compared to those coming from the 'science push' of the research and development labouratory. Brownlie and Saren agree that for discontinuous innovations, the role of product development ought to be far more proactive. However, McGee and spiro point out that these criticisms are actually directed at the marketing concept itself, but towards its faulty implementation; an overdependence on customers as a source of new product ideas.

4. A fourth criticism of marketing is that its focus on analyzing customers and developing offerings that reflect their needs leads to dull marketing campaigns, me-too products, copycat promotion and marketplace stagnation. Instead, marketing should create demand rather than reflect demand. Brown concluded that consumers should be 'teased, tantalized and tormented by deliciously insatiable desire'.

In spite of these arguments, marketing concept is the capstone marketing practionals. Marketing practionals and professionals base their marketing strategies and promotions around marketing concepts philosophy.

5. The societal marketing concept

The societal marketing concept holds that the organization should determine the needs, wants, and interests of target markets. It should then deliver the desired satisfactions more effectively and efficiently than competitors. The societal marketing concept is the newest of the five marketing management philosophies. The societal marketing concept questioned whether the pure marketing concept is adequate in an age of environmental problems, resource wastages, rapid population growth, world wide economic crisis and neglected social services?

The societal marketing holds that a pure marketing concept overlooks possible conflicts between short-run consumer wants and long-run consumer welfare.

Kotler (1994) reported that "Coca-Cola Company, most people see it as a highly responsible corporation producing fine soft drinks that satisfy consumer tastes". Yet, certain consumer and environmental groups have voiced concerns that Coke has little nutritional value, can harm people's teeth, contains caffeine, and adds to the problem of disposable of bottles and cans.

In similar manner, Niger delta, South-South of Nigeria cried out for long neglect of the oil companies for their social responsibilities, thus leading to all manners of human degradations.

What is the concern of the societal marketing concept?

4.0 Conclusion

Understanding of marketing and basic concepts and philosophies is pertinent for success of any organization, most especially production outfits. This is because we are found in a competitive world, where your survival in the markets where you trade in depends on your ability to satisfy target consumers better and far convenient than the competitors. Hence these concepts and philosophies come to play in practice.

5.0 Summary

This unit is an overview of marketing and marketing management definitions, concepts and philosophies underlying marketing activities.

4.0 Conclusion

Marketing is an important profession, most especially in modern business where marketing play a vital role in satisfying consumers needs and wants.

5.0 Summary

This unit examined various definitions of marketing; concepts underlying marketing and marketing philosophies.

6.0 Tutor Marked Assignment

Briefly highlight the arguments against marketing concept as discussed in this unit.

7.0 References/Further Reading

Jobber, D. (2007) Principles and Practice of Marketing, 5th Edition, Berkshire (UK) McGraw-Hall Education

Kotler, P (1997) Marketing Management-Analysis, Planning, Implementation and Control, 9th Edition, New Jersey, Prentice-Hall, Inc.

Answers to Self Assessment Exercises

Distribution functions of marketing are:

a. Storage: Storing of goods to meet future demands, time and other utilities.
b. Transportation: This is the movement of goods from the manufacturer down to the target consumers. This includes material handling, warehousing, etc.

The concern of the societal marketing concept is on the well being of the society. It emphasized social responsibilities of corporations to their immediate communities.

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UNIT 2: Marketing Mix

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1.0 Introduction

Understanding of marketing mix served as a gateway of understanding consumers' beahviour. But as professionals who are operating in a dynamic environment, it is equally important to understand the composition of marketing mix in order to appropriately serve the target markets better. These marketing mixes consist of key decision areas that marketers must manage so that they can satisfy or exceed customers' needs better than the competitors. Therefore, this unit examined the 4ps/marketing mix as they affect marketing activities.

2.0 Objectives.

After thorough studying of this unit, you should be able to

1. Explain 4ps of marketing mix
2. List the 4ps and
3. Explain criticism of the 4ps

3.0 Main text

3.1 Marketing Mix

Once the company has decides on it overall competitive marketing strategies, it is ready to begin planning the details of the marketing mix. The marketing mix is one of the major concepts in modern marketing. Marketing mix is defined as the set of controllable, tactical marketing tools that a firm blends to produce the response it wants in the target market. The marketing mix consists of every thing the firms do to influence the demand for its product. These are refers to as 4ps. These elements are known as 4ps. That is the product; price, place, and promotion are thus discussed below.

3.1.1 Place:

The product decision involves deciding what goods or services should be offered to a group of customers. Product means the 'goods and services' combination the company offers to the target market. It is an important element in new product development. As technology and tastes change, products become out of date and inferior to those of the competition; so companies and marketing executives must replace them with features that customers value. As new products are developed which give greater benefits than old ones, market leadership can change. This is because new customers are attracted to new products in the market offered by the competitors. For example with the invention and launching of MTN and GLO communication networks in Nigeria, Nigeria Telecommunication (NITEL) whose used to be a leading leader in the communication industry collapsed. It is MTN and GLO Communication Networks that are the leading leaders in the industry nowadays. Likewise in the postal transportation industry, the advent of E-mail and internet services, local postage services becomes inefficient.

It should however be noted that product must give benefit that customers value. This is why consumers choose or prefer one product to another. For example, the advertisement for Lucozade sports 'Hydro Active' explains how, by replacing lost salts sport fluid, the brand provides the benefit of getting the most out of game exercise. Product decisions also involve choices regarding brand names, guarantees, packaging and the services that should accompany the product offering. Guarantees can be an importance component of the product offering. For example, refrigerators and motor cars are bought under guarantee between 6 months to 1 year depending on the seller. All these aimed to satisfy customers' values.

Some product failed most especially in the developing countries, Nigeria in particular because these products could not satisfied the needs of the target markets. For example, the MTN network communication could not get enough customers because of limited area coverage. Recently NTA launched star time, a new decoder without a disc hence, competing with the DSTV Service providers, thus attractive new customers, because of easy of installation, cheap re-service charge and clear pictures.

Therefore, the needs and the socio-cultural environment of the consumer should be taking into consideration while providing products or services to a particular target market. This therefore calls for various classifications of products, which have been discussed extensively in principles of marketing. For details of there, you wish to read more fro the course material.

3.1.2 Price

Price is a key element of the marketing mix. This is because it represents on a unit basis what the company receives for the product or service that is being marketed. Price is the amount of money customers have to pay to obtain the product. All other elements represent cost. For example expenditures design (product), advertising and sales people (promotion) and transportation and distribution (place). Therefore, marketers need to be very clear about pricing objectives, methods, and other factors that influence pricing setting. For instance, marketers have to decide on wholesale and retail prices, discounts, allowances and credit terms. They must also take into account the necessity to discount and give allowance in some transactions. These requirements can influence the level of list price chosen, perhaps with an element of negotiation margin; built in. payment period and credit terms also affect the real price received in any transaction.

These kinds of decisions can affect the perceived value of a product. This is why most commercial drivers in Nigeria prefer ‘Hire-purchase’ for motor-cars because of advantage of payment periods.

Because price affects the value that customers perceived or they get from buying a product, it can be an important element in the purchase decision. Some companies attempt to position themselves as offering lower prices than their rivals. For example service-charged of Glo Networks is considered cheaper than other networks in Nigeria, hence, most people prefer Glo Network. Besides, goods sold in open markets in Nigeria are considered to be cheaper than those sold in super-markets. Therefore, most Nigerians prefer open markets for their shopping than through super markets.

Since price is a sensitive element to consumers most especially in the developing countries, Nigeria in particular, marketing executives should be concerned about the target market reactions and needs. This therefore calls for differentiated prices for different markets. Another strategy is to launch a low-price version of an existing product targeted at price-sensitive consumers. For example peak-milk powder have been packaged into different sizes in order to take into consideration income variance that existed among the target consumers.

Since price is determined by demand and supply in Nigeria's market rather than through government policies or its agencies, marketing executives should therefore monitor the demand and supply forces of their products and services while fixing the price considered appropriate for the products.

It also noted that the stage of a product life cycle is equally paramount in fixing a price. Hence, this should be taking into consideration. The environment of the consumer is equally important. This is because consumers environment are never the same.

Self-Assessment Exercise

In your own word, define price.

3.1.3 Promotion

Different company products are made available to target consumers and prospective consumers through promotional techniques. Goods and services produced by various companies by different countries are made available to us through promotional methods. Therefore, decisions have to be made with respect to the promotional mix: advertising, personal selling, sales promotion, public relations, direct marketing and internet and on-line promotion. By these means the target audience is made aware of the existence of a product or service, and the benefits (both economic and psychological) it confers to customers.

Promotion therefore means activities that communicate the merits of the product and persuade target customers to buy it. In Nigeria for example, both electronics and non-electronic media are saturated with different kinds of promotion aimed at retaining existing customers and attracting new customers for their products or services offered into the market.

Each element of the promotional mix has its own set of strengthen and weakness. For example, advertising has the potential of being able to reach wide audience very quickly. This is why most consumer goods especially convenience goods are promoted through personal selling and advertisement as a way of creating general awareness among the public.

The promotional mix to be chosen is a function of the company’s resources (income) availability of the prescribed media, target audience environment, nature of the product/service offered and some other variables.

A growing form of promotion is the use of the internet as promotion tool. A great advantage of the internet is its global reach. This means that companies that did not have the resources to promote overseas, can reach consumers worldwide by creating a website. In business-to-business markets, suppliers and customers can communicate using the internet, and purchases can be made using e-market place. The internet has also proven to be powerful communication tool, sometimes replacing traditional media. For example, during presidential campaign of U.S, President Obama used internet to reached wide-audience of youths.

Since promotion is an important element in marketing mix, it should be critically studied and examined otherwise it over-usage would amount to additional costs which would be added on the price of such product.

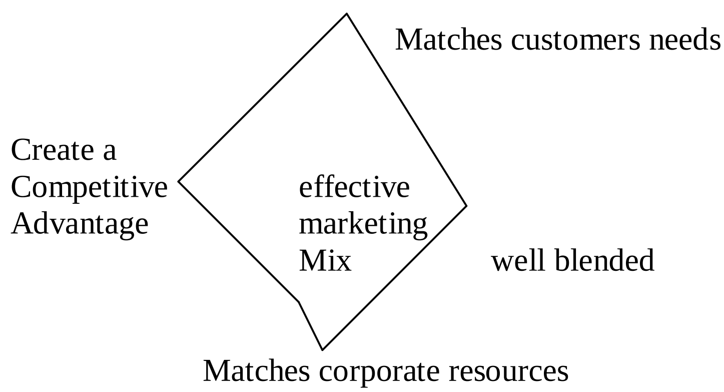
3.1.4 Place

Place is a crucial element of a marketing mix. Place include company activities that make the product available to target consumers. These company’s activities is evitable in supply – chain management. Therefore, place involves decisions concerning the distribution channels to be used and their management, the locations of outlets, methods of transportation and inventory, levels to be held. The objective is to ensure that products and services are available in the proper quantities, at the right time and place.

Distribution channels consist of organization such as retailers or wholesalers through which goods pass (on their way) to customers. Producers need to manage their relationships with these distribution networks (organizations) such that cost–effective access to the market place can be achieved. They also need to be aware of new methods of distribution that create a competitive advantage. For example, vital form and Mouka form companies adopted wholesaler and retailer outlet strategy for selling their Mantras. Choosing any of these agents depends on the nature of the products offered for sale and location of the target audience/market. Some companies sell directly to target markets eliminating these agents. For example furniture companies sell their products to the target consumers directly. Therefore, consumers' preference and nature of products should be taking into consideration while taking decisions that surround place element.

3.2 The Marketing Mix Matches Customers Needs

Marketing mix decisions can be made only when target customers is understood. Figure 3.2.1 below illustrates the link between customer choice criteria and the marketing mix.



Source:
Jobber D, (2007) Principle and Practice of Marketing 5 Edition
McGraw – Hill Education Berkshire

The starting point is the realization that customers evaluate products on economic and psychological criteria. Economic criteria include factors such as performance, availability, reliability, durability and productivity gains to be by using the product. Examples of psychological criteria are self-image, a desire for a quite life, pleasure, convenience and risk reduction. The important point at this stage is to note that an analysis of customer choice criteria will reveal a set of key customer requirements that must be met in order to succeed in the market place. Meeting or exceeding these requirements better than the competition leads to the creation of a competitive advantage. A competitive advantage may be derived from decisions about the 4-ps. A competitive advantage is the achievement of superior performance through differentiation by providing superior customer value or by managing to achieve lowest delivery cost. The example of less tariff charged services is Glo-Network service as an evidence of a company using product features to convey customer benefits in execs of what the competition is offering.

The strategy of using advertising as a tool for competitive advantage is often employed when product benefits are particularly subjective and amorphous in nature. Hence, the advertising for perfumes such as those produced by channel, Givenchy etc is critical in preserving the exclusive image established by such brands. Similarly advertisements for five star hotels and other hotels are subjective because the same service can be obtained in other hotels. The size and quality of the sales force can act as a competitive advantage. A problem that a company such as Rolls-Royce, the Aero-engine manufacturer faces is the relatively small size of its sales force compared to that of its giant competitors such as General Electric. In conclusion, distribution decisions need to be made with the customer in mind, not only in terms of availability but also with respect to service levels, image and customers convenience

The third characteristic of an effective marketing mix is that the four elements –product, price, promotion and place, should be well blended to form a consistent theme. If a product gives superior benefits to customers, price, which may send cues to customers regarding quality, should reflect those extra benefits. All of the promotional mix should be designed with the objective of communicating a consistent advantage to the target audience about these benefits; and distribution decisions should be consistent with the overall strategic position of the product in the market place.

The marketing mix should match corporate resources. The choice of marketing mix strategy may be constrained by the financial resources of the company. A second internal resource constraint may be the internal competence of the company.

3.3 Criticism of 4ps.

Some critics of the 4ps approach to the marketing mix argue that it oversimplifies the reality of marketing management. Booms and Bitner for example, argue for a 7ps approach for services marketing. The 4-ps do not take sufficient account of people, process and physical evidence. In service, people often are the service itself; the process or how the service is delivered to the customer is usually a key part of the service, and the physical evidence-the décor of the restaurant or shop, for example is so critical to success that it should be considered as a separate element in the service-marketing mix.

Rafiq and Ahmed argued that this criticism of the 4-ps can be extended to include industrial marketing. The interaction approach to understanding industrial marketing stresses that success does not come solely from manipulation of the marketing mix components, but long-term relationship building, whereby the bond between buyer and seller becomes so strong that it effectively acts as a barrier to entry for out-suppliers. This phenomenon undoubtedly exists to such an extent that industrial buyers are now increasingly seeking long-term supply relationships with supplier. For example, car manufacturers have drawn up long-term contracts with preferred suppliers that provide stability in supply and improvement in new component development.

Nevertheless, there is no absolute reason why these extensions cannot be incorporated within the 4-ps framework. People, process and physical evidence can be discussed under product and long-term relationship building under promotion.

What do understand by the marketing mix?

4.0 Conclusion

The basis of serving the target consumers better is to critically study the marketing mix. Marketing mix provides marketing executives and manufacturers' opportunity of classifying consumers' needs in form of products/services as a means of providing consumer satisfaction. Consumers obtained their satisfaction only when the marketing mix matches with their expectations. Proper understanding of marketing mix served as an added advantage of serving the consumers better than the competitors. Hence to reduce product rejection when it is finally launched, marketing mix should be critically studied.

5.0 Summary

This unit examined the components of marketing mix, which is the product, place, promotion and the price. It also looked into criticism for and against marketing mix.

6.0 Tutor Marked Assignment

In marketing mix, Place mean what?

7.0 Reference

Jobber D, (2007) Principle and practice of marketing 5 Edition McGraw – Hill Education.

Answers to Self Assessment Exercises

Price is a key element of the marketing mix. Price is the amount of money customers have to pay to obtain the product. All other elements represent cost. For example expenditures design (product), advertising and sales people (promotion) and transportation and distribution (place).

Marketing mix simply means combinations of place, product, price and promotion tools used by marketing executives to satisfy target consumers better the competitors.

UNIT 3: Marketing Planning

Table of Contents

1.0 Introduction

Proper planning prevents poor performance (5ps). Business activities are carried out in a dynamic environment subject to changes without notice. Therefore as the business activities transform from one level to another, so also the entire business must adapt to new changes in order to maintain strategic fit between their capabilities and the market place. The process by which business analysis the environment and their capabilities, decide upon courses of marketing actions and implement those decisions is called marketing planning. Marketing planning is part of a broader concept known as strategic planning, which involves not only marketing, but also the link between production, finance, and personnel strategies and environment. The aim of strategic planning is to shape and reshape a company so that its business and products continue to meet corporate objectives. Since marketing management is charged with the responsibility of managing the interface between the company and its environment, it has a key role to play in strategic planning process. Thus, this unit discussed marketing planning process, marketing objectives, rewards of marketing planning and problems of (marketing) planning.

2.0 Objectives

After through studying of this unit, you should be able to:

1. Define marketing planning
2. Explain marketing planning process
3. List marketing, objectives.
4. Explain rewards of marketing planning and
5. Identify some of the problems of (marketing) planning.

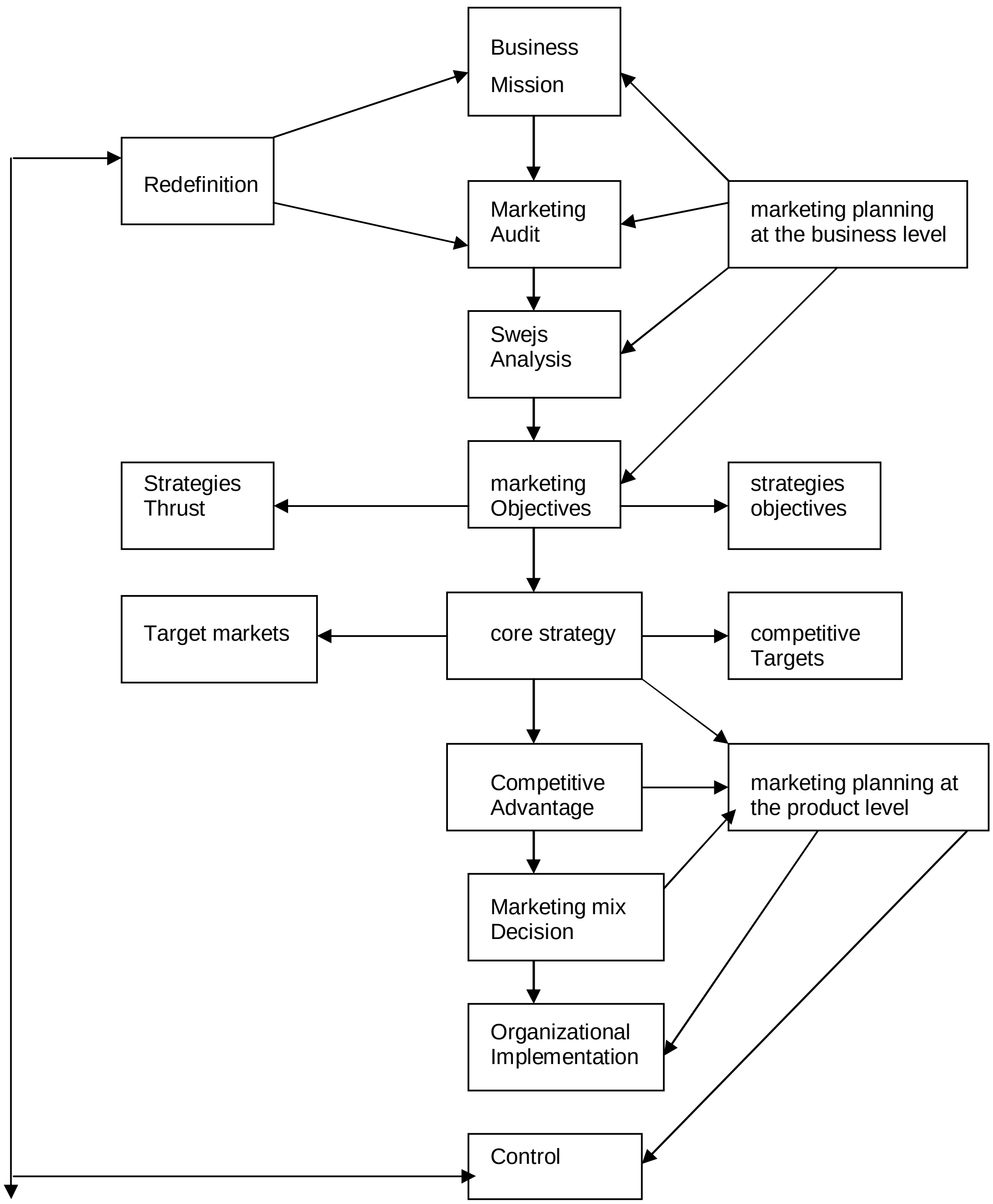
3.0 Main Text

3.1 Marketing Planning

Planning is most important especially due to competitive nature of business environment. Adequate planning contributes to business success. Planning is drawing from the past to decide in the present what to do in the future, or deciding now what we are going to do later, when and how we are going to do it, and how well do it. If we do not have plan, we cannot get anything done, this is because we do not know what needs to be done, or how to do it. Planning can also be defined as taking decisions for tomorrow's actions. Planning may cover long or short business to be accomplished.

Therefore, marketing planning involves setting goals and strategies for he marketing effort in the firm. This planning would include the development of long rang programs for the major ingredients in the marketing mix. Marketing planning involves deciding on marketing strategies that will help the company achieve its overall strategy objectives.

3.2 The Process of Marketing Planning



Source:

Jobber, D (2007) Principle and Practice of Marketing,
5th Edition, Berkshire (UK), McGraw Hill Education.

From the diagram above, these elements are briefly explained below:

a). Business Mission:

Jobber (2007) defined business mission as “enduring statement of purpose that distinguished a business from other of its type”. The market reflects the customers groups being served, needs refer to the customer needs being satisfied and technology describes the process by which a customer need can be satisfied. The inclusion of market and needs ensures that the business definition of market focus rather mission is influenced by environmental change. Change provides opportunities and theats that influences mission definition. The fine determinants of business mission are the background of the company and the personalities of its senior management. Business that have established themselves in the marketplace over many years, and that have a clear position in the minds, of the customer may ignore opportunities that are at variance with that position. The personalities and beliefs of the people who run business also shape the business mission. Therefore, the mission should be based on the vision that top management and its subordinates have, and the mission should be based upon the strong personal conviction and motivation of the leader who has the ability to make their vision contagious. Hence, a well-defined mission statement is a key, element in the marketing planning process by defining abundances within which new opportunities are sought and by motivating staff to succeed in the implementation of marketing strategy.

b). Marketing Audit

The marketing audit is a systematic examination of a business marketing environment, objectives, strategies and activities with a view to identifying key strategic issues, problem areas and opportunities. The marketing audit is therefore the basis upon which a plan of action to improve marketing performance can be built. The marketing audit provides answers to the following questions

1. Where are we now?
2. How did we get there?
3. Where are we going?

Answers to these questions depend upon an analysis of the internal and external environment of a business. The marketing audit should be an ongoing activity, not a desperate attempt to turn round on ailing business. Some companies conduct an annual audit as part of their annual planning system, others operating in less turbulent environments may consider two or three years an adequate period between audits. Whatever method adopted depends on the decision of the top management as considered appropriate.

c). SWOT Analysis

A SWOT analysis is a structured approach to evaluating the strategic position of a business by identifying its strengths, weaknesses, opportunities and threats. It provides a simple method of synthesizing the results of the marketing audit. When evaluating strengths and weaknesses, only those resources or capabilities that would be valued by the customer should be included. For example

(1) We are an old established firm

(2) We are a large supplier and

(3) We are technologically advanced should be questioned for their impact on customer satisfaction. It is believed that such blend generalizations confer as many weaknesses as strengths. Also opportunities and threats should be listed as anticipated events or trends outside the business that have implications. For performance let us take a look at a SWOT chart as shown below.

Strengths	weaknesses
1. Reliable products 2. Competitive prices, etc	1. Production limited to 20 cars per month resulting in One year waiting lists 2. Outdated production methods 3. Lack of marketing expertise. 4. Limited marketing research information 5. Law profit margin
Opportunities	**Threats**
1. Growing marketing in Nigeria 2. High market potential in Ghana, Egypt, Togo etc 3. Untapped market potential In Nigeria	1. Increasing number of Specialist car manufactures setting African 2. Tough African legislation on exhaust mission standards

Once a SWOT analysis has been completed thought can be given to how to turn weaknesses into strength and threats into opportunities. Another way a SWOT analysis is to match strengths with opportunities.

Self-Assessment Exercise:

Why do you think marketing managers find SWOT analysis so useful?

d. Marketing Objectives:

The results of the marketing audit and SWOT analysis lead to the definition of marketing objectives. Objectives are the specific aims, goals the company wishes to achieve at a specified period. For example, 20% sales by 1^{st} quarter of 2010; 15% increase in market stares, etc. There are two types of objectives, namely strategic thrust, and strategic objectives. Objectives should be set in terms of which product to sell in which markets; this thus describes the strategic thrust, of the business. The strategies used to achieve this objectives include-market penetration, product development and market development. Strategic objectives are specific strategies adopted entering and maintaining market of the company. This involutes four options, namely;-

1. Build
2. Hold
3. Harvest and
4. Direst.

For new products, the strategic objectives will inevitably be to build sales and market share. For exiting products, the appropriate strategic objective will depend on the particular situation associated with product. This will be determined by marketing audit, SWOT analysis and evaluation of the strategic options earlier mentioned.

In summary, strategic thrust and strategic objectives define where the business and its products intend to go in the future.

e). Core Strategy

Once objectives have been set, the means of achieving them must be determined. Core strategies focuses on how objectives can be accomplished and consists of three key elements, namely–target markets, competitor targets, and establishing a competitor advantage. These elements are briefly explained below

1. Target markets: marketing is not about chasing any customer at any price .A decision has to be made regarding these groups of customers that are attractive to the business and match its supply capabilities. The choice of target market will emerge as a result of the SWOT analysis and the setting of marketing, objectives. For example the marketing audit upon which SWOT analysis is based will include market segmentation among others. One way of segmenting such a market is to divide the markets into large, medium and small customers. Information regarding size, growth potential, level of competitor activity, customer requirement's and key factors for success is needed to asses the attractiveness of each segments. This may have been compiled during the marketing audit

and should be considered in the light of the capabilities of the business to compete effectively in each specific target market.

2. Competitor targets: - These are the organizations against which the company chooses to compete with directly. Weak competitors may be viewed as easy prey and resource channeled to attack them.

3. Competitive Advantage: - A competitive advantage is the achievement of superior performance through differentiation to provide superior customer value or to achieve lowest delivered cost. For example for a major success, business needs to achieve a clear performance differential over competition on factors that are important to target customers. The most successful methods are built upon some combination of three advantages namely:-

a. Being better-superior quality or service
b. Being faster-anticipate or respond to customers needs faster than the competition
c. Being closer: - Establishing close long-term relationships with customers.

For example, Samsung attempts to create a competitive advantage with E900 model handset through a combination of sleek design and powerful features (being better). Another way for attaining competitive advantage is through relative cost position of all competitors. Lowest cost can be translated into a competitive advantage through low prices, or by producing standard items of price parity when comparative success may be achieved through higher profit margins than those of competitors.

f). Marketing Mix Decision.

Marketing managers have at their disposal four broad tools with which they can match their offerings to customers' requirements. These marketing mix decisions consists of judgments about price levels, the blend of promotional techniques to be employed, the distribution channels and services levels to use, and the type of products to manufacture. Where promotional, distribution and product standards surpass those of the competition competitive advantage may be gained. Alternatively, a judgment may be made only to match or even undershoot the competition on some elements of the marketing mix. It therefore follow that choices have to be made about how the marketing mix can be achieved to provide a superior offering to the customer at reasonable cost.

g). Organization and Implementation:

No marketing plan will success unless it degenerates into work. Weakness discovered as part of the SWOT analysis may restrict the feasible range of strategic options. Reorganization may be the only feasible option which means the establishment of a marketing organization or department in the business.

Because strategy change and re-origination affects the balance of power in businesses, and the daily life and workloads of people resistance may occur. Consequently, marketing personnel needs to understand the barriers to change, the process of charge management and the techniques of persuasion that can be used to affect the implementation of the marketing plan.

h). Control:

The final stage in the marketing planning process is control. The aim of control systems is to evaluate the results of the marketing plan, so that corrective actions can be taken if performance does not match objectives. Short-term control can reveal results against objectives on a weekly, monthly, quarterly and or annual basis. Measures include sales, profits, cost and cash flow. Management should, therefore adopt most appropriate method either from week to week or month-by-month result to critically reassess whether their plans are in line with their capabilities and the environment requirements.

Lack of this long-term control perspective may result in the pursuit of plans that have lost strategy credibility. New competition, changes in technology and changes in customers needs etc may, have rendered old plans obsolete. This of course return the planning process to the beginning since this kind of fundamental review is conducted in the marketing audit.

3.3 The Reward of Marketing Planning

Jobber (2007) attributed the following benefits to marketing planning.

1. Consistency: - The plan provides focal points for decisions and actions. By references to a common plan, decisions by the same manager overtime and by different managers should be more consistent and actions better coordinated.
2. Encourage the monitoring of change:- The planning forces managers, to step away from day-to-day problems and review the impact of change on business from strategic perspective.

3. Encourage organizational adaptation: - The underlying premise of planning is that the organization should adopt a strategy to match its environment. Marketing planning therefore promotes the necessity of accepting the inevitability of change.
4. Stimulates achievement: - The planning process focuses on objective, strategies and results.
5. Resources allocation: - The planning process asks fundamental questions about resources allocation, for example, which products should received high investment?
6. Competitive advantage: - Planning promotes the research for source of competitive advantage.

3.4 Problems of Marketing Planning

Explained below are some of the problems that militate against marketing planning:-

1. Political:- Marketing planning is a resources allocation process. The outcome of the process is an allocation of more funds to some products and departments, the same or less to others. Thus it is not surprising that managers view planning as a highly political activity.
2. Information:- To function effectively, a systematic marketing planning systems needs informational inputs, market share, size and growth rates are basic inputs into the marketing audit, but they may be unavailable. Sometime, information may be willfully withheld by vested interests, who recognizing that knowledge is power distort the true situation to protect their position in the planning process.
3. Culture:- The establishment of a systematic marketing planning process may be at variance with the culture of the organization. For instance the strategic planning system may challenge the status quo and be seen as a threat. Sometimes, the values and beliefs of some managers may be hostile to a planning system.
4. Personalities:- Marketing planning usually involves a discussion between managers about the strategic choice facing the business and the likely outcomes. This can be a highly charged affair, where personality clashes and pent-up antagonisms can surface.
5. Lack of knowledge and skills: - Another problem that may arise when setting up a marketing planning system is that the management team may not have the knowledge and skills to perform the tasks adequately. For instances, basic marketing

knowledge about market segmentation , competitive advantage and the nature of strategic objectives may be lacking.

Self Assessment Exercise

List problems of marketing planning

4.0 Conclusion**:**

Failure to plan implies ready to fail. Planning is an essential element in marketing management. Business is no longer operate in a static environment, thus each components of the business activities must be adequately planned. Although some marketing executives considered it waste of time and effort, the rewards of adequate marketing planning would encourage marketing managers to plan their marketing activities to avoid wastage of resources.

5.0 Summary

This unit examined marketing planning as an essential tool for business success. Marketing planning was defined; types of objectives and plans were explained. The processes of marketing planning were extensively discussed, as well as benefits and problems of marketing planning.

6.0 Tutor Marked Assignment.

What are the problems of marketing planning?

7.0 **References**

Jobber, D (2007) Principle and Practice of Marketing,
5th Edition, Berkshire (UK), McGraw Hill Education.

Answers to Self Assessment Exercises

SWOT analysis help markets to identify opportunities, threats, weaknesses, and strength. This will go along way in help marketing executives to plan properly for their organizations

Problems of marketing planning include:

1. Political
2. Inadequate Information
3. Cultural bias
4. Personality clashes and
5. Lack of knowledge and skill on marketing planning

UNIT 4: Consumer Behaviour

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1.0 Introduction

One thing that is common to man is that we are all consumers. This thus implies that every body in this world is a consumer. On daily basis, we buys and consumed variety of goods and services. Not withstanding, we have different tastes, likes and dislikes and adopt different behavior patterns while making purchase decision. What you prefer may be quite different from your spouse, friends, neighbours; while your spouse may prefer colgate tooth paste, you may prefer Dabur. Similarly you may have a certain set of preferences in food, clothing, books, magazines, recreational activities, forms of savings and stores from where you prefer to shop, which may be different not only from those of your spouse, but also your friends, neighbor and colleagues. This therefore, imply that each consumer is unique and this uniqueness is reflected in the consumption behaviours and patterns and process of purchase. Hence the study of consumer behavior provides us with reasons why consumer differs from one another in buying and using products and services. This unit explains the major influences which shape consumer behavior and preferences.

2.0 Objectives

After successful studying of this unit, you should be able to:

1. Describe who is a consumer
2. Explain types of consumers
3. Explain importance of consumer behavior in modern business and
4. List factors influencing consumer behavior.

3.0 Main Text

3.1 Consumer

If goods and services produced are not consumed, then there would not be a need for further production. But the revise is the case, some of these goods and services are inadequate for consumption. If this is what is obtainable in our society, who is a consumer? A consumer therefore is defined as an individual or groups who buy products or service either for personal or organizational consumption.

Sometimes, it is not actual buyer of a product/service that consumed it. Therefore, it is evidence to briefly examine the buying process as it apples to an individual or an organization. For example, one person may assume multiple roles in the buying group. In purchasing a toy for example, a girl may be initiator, and attempt to influence her parents, who are the deciders. The girl may be influence by her sister to buy a different brand. The buyer may be one of the parents who visits the store to purchase the toy and brings it back to the home. This therefore, means that different and various kinds of people play one function or the other in buying, process. These individuals and groups one briefly explained below:

1. Initiator:- The person who begins the process of considering a purchase information may be gathered by this person to help the decision.
2. Influencer: The person who attempts to persuade others in the group concerning the outcome of the decision. Influencer typically gathers information and attempt to impose their choice criteria on the decision.
3. Decider: The individual with the power and/or financial authority to make the ultimate choice regarding which product to buy.
4. Buyer:- The person who conducts the transaction. The buyers call the supplier, visit the store, make the payment and effects delivery.
5. User:- The actual consumer/user of the product..

3.2 Importance of Consumer Behaviour in Modern Business. Brieflydiscussed below are some importance points of consumer behavior in modern business.

1. Consumer behavior is helpful in understanding the purchase behaviour and preference of different consumers. Consumers differs in eix, age occupation, income, religion, nationality, social status, etc. Because of these differences we have different needs and we therefore buys only those products and service which we think will satisfy our needs.
2. To successfully market products/services to different market segments, the marketing managers need appropriate marketing strategies which can be design only when he understands the factors which account for these differences in consumer behavior and testes.
3. Consumer behavior provides invaluable clues and guidelines to marketers on new technological frontiers which they should explore.
4. The importance of consumer behavior lies in the fact that behavior can be understood and influenced to ensure a positive purchase decision. The marketing manager’s interest lies exactly here, that is to ensure that his marketing strategy results into purchase of product/service

3.3 Types of Consumers

Consumers can be classified into two types, namely: (1) personal and (2) organization. When you buy a shirt for your own use, you are buying on the capacity as a personal consumer. However, whenever, you are buying a typewriter for use in office, you are making the purchase on the capacity as an organizational consumer.

However, whenever you buy goods and services for your own or for family use, you are a representative of a personal consumer. Therefore, individuals fall in the category of personal consumer. And business firms, governmental agencies and bodies, non-business organizations such as hospitals, schools, etc are regarded as organization consumers. It should be however be noted that the focus of this unit is on the personal consumer and factors influencing his/her behavior.

3.4 Factors Influencing Consumer Behaviour

Consumer behaviors is affected by a host of factors, ranging from personal motivations, needs, attitudes and values, personality characteristics, socio-economic and cultural background etc. The combinations of these various factors produce a different behavior in the market place. For example, you may considered the best way of utilizing your annual saving is to have a holiday, but your wife thinks it is wisest to invest in a house, while your colleague considers buying shares as the best way of spending such savings. This therefore, shows that each person has his/her own standards of judgments' and distinct behavior in every aspect of his role as a consumer. Discuss below are some of these factors which influence our buying behaviours

3.4.1 Psychological Factors

Psychological factors such as individual consumers need and motivations, perceptions, attitudes, the learning process and personality characteristics are the similarities which operate across different types of people and influence their behavior. These factors are thus discussed below.

a. Consumer need and motivation: We all have needs and we consume different goods and services with the expectation that they will help fulfill these needs. When a need is sufficiently pressing, it directs the person to seek its satisfaction, this is known as motive. All needs can be classified into two categories – primary and secondary primary needs or motives are the physiological needs which we are born with such as need for air, water, food, clothing, shelter, and sex. The secondary needs are acquired needs which are developed in response to the society and environment in which we live. The secondary needs may include the need for power, prestige, esteem, affection, learning, status, etc.

Human needs can be classified into five hierarchical categories according to Maslow hierarchy of needs. These are physiological needs (food, water, Air, safety, needs (protection, etc), social needs (affection friends, belonginess, etc) Ego needs (prestige, status, etc) and self actualization (self fulfillment). The theory of needs was propounded by Abraham Maslow according to him; all needs can be ranked in order of importance from the low biological needs to the higher psychological needs. Each level of unfulfilled need motivates the individual's behavior and as each successive level of need is fulfilled, people keep moving on the next higher level of needs.

Maslow's hierarchy of human needs helps us understood consumer motivations. It is useful for the marketers who can identify what generic level need his product is capable of fulfilling and accordingly position such products and back it up with relevant marketing inputs. Products such as food and clothes are bought to fulfill physiological needs, insurance, security services are bought to fulfill safety needs; most personal care products such as soap, toothpaste, perfume, etc are bought primarily for social needs, and luxury products such as jewelry, cars, etc are bought mainly to serve ego and self-actualization needs.

b. Perception:- Perception can be described as "how we see the world around us". We used five organs to received things around us, namely, eyes, ears, nose, mouth and skin. Perception helps to explain the phenomenon of why different individuals respond differently to the same stimulus and under the same condition. As a marketing manager, you are providing stimulus to your consumers through the physical shape, colour, size, taste, of your products, its package, advertisements and commercials. Your interest is to understand why and what different types of perception are associated with each of the stimuli so that you can highlight that particular stimulus or perception in maximum number.

c. Selective exposure:- When you are on the look-out for purchasing a specific product for example a camera or telephone set, you would suddenly seem to notice more than the usual number of advertisement pertaining to that specific product. This is because of your selective exposure. People are likely to notice stimulus which relate to their immediate needs; therefore markets should carefully and accurately identify potential customers, since other customers are not at all likely to notice the stimuli.
d. Selective Distortion:- Let suppose you have decided to purchase LG television. Since you have already made your decision, you would seek only that information which reinforce the correctness of your decision. However, if you hear positive remarks about Sony television, you would tend to find some shortcoming or flaw in that brand, so that you do not feel that you have made a wrong decision by buying Sony TV. When you attempt to fill information to suit your own ideas or personal meaning the process is known as selective distortion. Thus, a marketer may find out that his message is often not receive in the intended manner but it is twisted in different ways by different consumers.
e. Beliefs and Attitude: A belief is descriptive though that a person heard about something. A person may believe that certain cooking oil, for example vegetable oil has lowest fat content and best for health. This belief may be based on some real facts or it is merely based on an opinion that the person has. The belief that the customer has about a brand is important because it determines his behavior towards buying and using it. The beliefs constitute the brand image, and if the customer has the wrong beliefs, he is likely to generate a negative image about the brand. Therefore, marketers most ensure that consumers have all relevant and correct information about the brand to facilitate formation of a positive brand image.

Attitude is a person's enduring feeling, evaluation and tendency towards a particular idea or object. Starting from childhood, attitudes develop over time with each, fresh know edge input, experience and influence. Attitudes get settled into specific patterns and thus difficult to change. It is easier to market a product which fits in well with the existing patterns of attitudes rather than change the attitudes to fit a new product concept.

3.4.2 Personal Factors

A consumer's purchase decisions are also affected by his personal characteristics, such as age, sex, stage in family life-cycle, education, occupation, income, lifestyle his overall personality and overall self-concept. Some of these variables are thus discussed below:

a. Demographic factors and life-cycle stage: - The need for different products and service changes with age. Babies and children have special needs for product such as milk powder, baby foods and toys. Young adults need clothes, recreational and educational facilities, transportation and others.

There are certain physiological differences between men and women which results in their having different consumption needs. Women need specialized medical facilities for pregnancy and delivery. Their requirement of clothes and cosmetics is different from that of men. Each gender thus has it's own need for specific products and services. Consumption behaviour is also influenced by the specific stage of the family life cycle. For example young unmarried people living away from home, his behavior pattern would be-few financial burdens spend on rent, food, very basic kitchen equipment and furniture, an old married couples with dependent children, their spending patterns would be on education, more tasteful furniture, cars etc whilst a retired man, his behavior pattern would be on-spending on medical services

b. Education and Occupation:- Education widens a person's horizons, refines his tastes and make his outlook more cosmopolitan. An educated person as compared to less educated is more likely to consume educational facilities, books, magazines anis d other knowledge oriental products and services. For example, in Nigeria, it common that educated families are more inclined towards adopting family planning than families which have no educational background.

   The occupation also shapes the consumption needs. People who are in specialized profession, such as medicine, surveying, engineering, etc need special equipment. Besides, one's position in an organization also affects his/her consumption behavior. For example, a bank executive need more of suits them a driver. All these served as a pointer to marketing executives on whom to direct their products/services to.

c. Income: - The income which a person earns is an extremely important influence on his consumption behavior. He may aspire to buy certain goods and services, but his income may become a constraint. Income in this context refers to the income available for spending. For a messenger with one of the federal agencies in Nigeria who want to live in Lakki, Lagos state will end up being indebted to his creditors. In addition, the person's attitude towards spending versus sawing and his borrowing power are also important influencing factors in consumer behavior.

Products which are considered luxuries are more income sensitive than products which fall in the category of necessities. If you are marketing luxury products you must keep close watch on income and saving trends to avoid decrease in sales resulting from recession. Therefore, to avoid sales decline, you may need to re-position the product, and change the marketing mix.

d. Personality: - Personality is the sum total of an individual's psychological traits, characteristics, motives, habits, attitudes, beliefs and outlooks. Personality is the very, essence of individual differences. In consumer behavior, personality is defined as those inner psychological characteristics that both determine and reflect how a person responds to his environmental stimuli. Personality is enduring and ensures that a person's responses are consistent over time.

There has been a great deal of research into the concept of personality with the objective of predicting consumer behavior in terms of product and brand choice. The assumption in all personality related research has been that different types of personalities can be classified and each type respond differently to the same stimuli. Personality can be used to identify and predicting that response. In case of products such as cigarettes, bear, and cars, personality has been used to segment the market. Personality research on consumer behavior has either focused on total personality profile or a specific trait or attempted to find a correlation with product brand choice.

e. Life-Style:- Life-style is defined as patterns in which people lives as expressed by the manner in which they spend money and time on various activities and interests. Life-style is a function of motivation, leaning, attitude, beliefs and opinion, social class, demographic factors, personality, etc. For example, some people have formed lifestyle of watching sports each day that pass-by, no matter their tiredness.

Self-Assessment Exercise

Describe how income's affects consumer behavior with regards to product services competition.

3.4.3 Social Factors

People's interaction with is his/her environment, family peer-groups, etc influences his purchase decision. This section examined some of these variables as they affect consumers purchasing behaviours.

a. Reference Group:- As a consumer, your decision to purchase and use certain products and services, is influenced not only by psychological factors, your personality and life style, but also by the people around you with whom you interact and the various social groups to which you belong to. The groups with whom you interact directly or indirectly influence your purchase decision and thus their study is of great importance to marketers.

Let us examine two elements of this reference groups these are:

1. Family: The family is the most important of all these groups. It is the major source of influence on the individual members buying behavior. Two forms of families can be identified, i.e

a. The family of orientation. That is the family in which you are born and consists of your parents, brothers and sisters. It is from our parents that we imbibe most of our attitudes, beliefs and purchase behavour patterns. Even after an individual has seized to live with his parents, their influence on the sub-conscious mind still very prominent.

b. The family of procreation, which consists of the consumer spouse and children. Within the family, different members play different roles. Marketers should be concerned with finding out exactly the role played by such individual members, so that they appropriately design their promotion strategy to suit these different roles.

2. Opinion Leaders: A part from the family, a consumer is influence by the advice he receives from his friends, neighbours, relatives and colleagues about what products and service he should buy. This process of influence is know as opinion leadership process and is described as the process by which one person (the opinion leader) informally influences the actions or attitudes

of others (receivers). The advice of opinion leaders is sought in case of specific products. People who have acquired considerable knowledge and experience in a particular field are thought of as opinion leaders in that area. Marketers should take note of these groups of reference groups while designing and advertising their products and services.

Self Assessment Exercise

Describe an opinion leader

3.4.4 Cultural Factors

Culture is an extremely critical and all pervasive influence in our life. “It is a mould in which we all cast, and it controls our daily lives in many unsuspected ways”. The study of culture encompasses all aspects of a society such as its religion, language, laws, customs, traditions, music, art, technology, work patterns, products, etc. Culture can therefore be defined as the sum total of learned beliefs, values and customs which serve to guide and direct the consumer behavior and all members of that society.

The kind of products and advertising appeals that can work effectively in society depend largely on its cultural background. For example, in the American society, individualism freedom, achievement, success, materials, comfort, efficiency, and practicability are values which are followed and imbibed by the younger children. Products and services which fulfill these values are most successfully marketed in American. In Nigeria society on the contrary, respect for elders, traditionalism and education, afluence, are some of the dominant cultural values. This therefore call for alertness by marketers that people’s culture should be taking into account while designing and advertising products /services. Within the large framework of a society, there exist, many sub-cultures. A sub-culture is an identifiable distinct, culture group, which, while following the dominant culture values of the overall society also has its own beliefs, value and customs that set them apart from other members of the same society.

4.0 Conclusion

Consumer behavior is the study of why, how, what, when, where, and how often do consumer buy offered products and services. Knowledge of consumer behavior is helpful in understanding the needs of different consumer segments and developing appropriate marketing strategies respectively. It is also useful in developing an understanding of how consumers respond to the various marketing stimuli. It is important that marketing managers should understand consumers' preferences as a technique of serving them better.

5.0 Summary

In this unit, consumer behavior is considered as a crucial variable that must be critically studied. Who is a consumer was examined and defined. Important of consumer behavior on modern business was equality discussed. Various factors that influences consumers' behaviour were equally discussed..

6.0 Tutor-Marked Assignment

Describe how income affects purchasing decision.

7.0 References/Further Readings

Jobber, D (2007): Principles and Practice of Marketing 5th Edition, Berkshire (UK), McGraw-Hill Education.

Engel, James. Backwell, Roger D, and Miniard Paul, W. (1986), consumer Behavior, New York, CBS college Publishing.

Self Assessment Exercises

Income: - The income which a person earns is an extremely important influence on his consumption behavior. He may aspire to buy certain goods and services, but his income may serve as a constraint. Income refers to the income available for spending..A person's attitude towards spending versus sawing and his borrowing power are also important influencing factors in consumer behavior. Products which are considered luxuries are more income sensitive than products which fall in the category of necessities. If you are marketing luxury products you must keep close watch on income and saving trends to avoid decrease in sales resulting from recession.

An opinion leader is an individual or groups of persons who influence his actions and decisions on others. They include Emirs, Obas, professionals etc

UNIT 5: Branding

Table of Contents

1.0 Introduction

A change they say is constant and since man cannot stop this change the modern marketing executives believe that innovation is an alternative strategy for company survival. Modern companies engage in varies form of products and services innovation in order to either retain the share of the market or to gain new entry. These innovation strategies are achieved through branding. Consumers viewed branding as an important part of a product, and branding can add value to a product. Branding has become a major issue in product strategy. That is developing a branded product requires a great deal of long-term marketing investment especially for a advertising, promotion, and packaging Manufacture often find it easier and less expensive simply to manufactured the product and let others do the branding. However, most manufactures eventually learn that the power lies with the companies that control the brand names. This unit examined the importance of branding, types of brands and its benefits to consumers and manufacturers.

2.0 Objectives

After thorough studying of this unit, you should be able to:

1. Define a brand
2. Classified brand
3. State benefits to consumers
4. State benefits to manufacturers and
5. Explain co-branding and Global branding.

3.0 Main Text

3.1 Brand Defined

Some consumers are found of using a particular product brand. And whenever such brand usually consumed are not available they are always willing to postpone their purchase. One may quick to ask why are they not at home with other available brands? In answering this question, this now lead us to the definitions of a brand.

Branding is the process by which companies distinguish their product offerings from the competition. By developing a distinctive name packaging and design a BRAND is created. Some brands are supported by Logos. Therefore, a brand is a name term sign, symbol or design or a combination of these intended to indentify the goods or services of one seller or group of sellers and to differentiate them from these of competitors (Armstrong and Kotter 1994). A brand name consists of words. Letters, and her numbers that can be vocalized. Thus a brand identifies the maker or seller of a product. A brand is a sellers promise to consistently deliver a specific set of features, benefits and services, buyers. For example in soft drink industry, we have coca-cola, pepsi-cola, mountain Baw, Fanta, etc. but in Nigeria Coca cola captured the market an average Nigeria consumers asked for coke first except otherwise not available. While in the alcoholic industry, gulder is taking the lead, whole other brands such as star etc follows.

The word brand is derived from the old Norse word ‘Brand’, which means by which livestock owners mark their animals to identify ownership (Keller 2003) brands are not often developed in isolation. They normally fall within a company’s product line and mix.

A product line is a group of brands that are closely related in terms of their function and the benefits they provide. For example, lux, joy givs, premier soaps. Whilst a product mix is the total set of brands marketed in a company. It is the sum of the product lines offered. The management of brands and product lines is a key element of product strategy. We shall examine the major decision involves in management brand in this section.

3.2 Benefits of Branding

Branding a particular product goes with some benefits some of these benefits include:

1. Brand market easy for consumers to identify product s or services.
2. Brands also assure purchases that they are getting comparable, quality when they reorder.
3. Brands also help sellers to control their share of the market [this is because, buyers will not confuse one product with anther].
4. Branding reduces price comparisons because if is hard to compare prices on two items with different brands.
5. Branding add a measure of prestige to otherwise ordinary commodities. For example, Water; Nestle-pure-life, VGC water ,etc are consumed by rich men in Nigeria a class of drinking water as opposed to package known as Pure-water consumed by others.

Notwithstanding, some firms do not brand their products this is because they are unable to;

1. To promote the brand. And
2. To maintain a consistent quality of output.

3.3 Brand Types

The two major brand types are: manufacturer and own label brand or distributors brands Manufacturer brands are created by producer and bear their own (chosen) brand names. Examples of these are: Vital form, Moukwa form, Bata shoes etc. The responsibility for marketing the brand lies in the hands of the producers. The nature and location of the consumers also influence the type of brand to be adopted by a manufacturer. Some manufacturers are of the view that control ship of the products is most significant than the expenditure aspect of it.

Distributor Brand/Own-label brands are created and owned by distributors. For example most cars imported to Nigeria are sold under distributor brands. This is why the receipts you received after a purchased of a car bears the name of the distributor and not the manufacturer of the cars. Distributor brands, if associated with tight quality control of suppliers, can provide consistent high value for customers and it can be a source of retail power as supplier vies to fill excess productive capacity with manufacturing products. The issue of low-prices offered by super-market distributors as offered by the manufacturers serves as a 'fighting tools' against other manufacturers' products.

A major decision that producers face is whether they would agree to supply such products on their own-label or not. And if they do, the question is that should consumers find out, what would be their reactions. This led some companies, such as Kellog's to refuse to supply products on their own label for many years. For other producers, supplying own-label goods may be a means of filling excess capacity and generating extra income from the high sales volumes contracted with distributors.

Self -Assessment Exercise excise.

Briefly explain the term 'fighter brands'.

3.4 Reasons for Strong Brands

Some individual consumers buys a particular brand of a product because of importance it command in their eye and by the society. Like wise some shareholders are ready at any time to invest their money on some companies they considered strong and reliable. Strong brands, typically they are considered important to the consumers and investors. This section examines strong brand benefits as it apples to consumers and manufactures. Some of these benefits are listed below:

1. Company Value:

The financial value of companies can be greatly enhanced by the possession of strong brands. For example, Nestle paid E2.5 billion (E3.6 billion) for Bownree, a UK confectionery manufacturer, a sum that was six times its balance sheet value. Besides, Procter &Gamble paid E31billion for Gillette. Here again, Gillette's brands were valued at a far higher level than its physical assets. Coming down home, MTN and Glo communication networks were ready to pay any amount agreed by the federal government of Nigeria on NITEL just because of strong brand name of NITEL. On the contrary when VMobile Communication Network sold her shareholdings to Zain communication Network in Nigeria as soon as they acquired the company the names was changed to ZAIN due to the weakness of the former name 'Vmobile'.

2. Consumer perception and preferences:-

Strong brand names can have positive effects on consumer perceptions and preferences. Marketing in Action 9.1 below describes evidence from the soft-drinks and car markets which shows how strong brands can influence perception and preference.

9.1 Marketing in Action

Strong brand names affect consumer's perceptions & preferences. Two markets were sampled by consumers on the issue of taste Diet Coke. The market leaders were Diet Coke and Diet Pepsi. The first group tasted the drinks 'blind' (i.e the brand identifies were concerned) and were asked to state a preference. The procedure was repeated for the second group except that the test was 'Open' (i.e the brand identities were shown).

	Blind (90)	Open (90)
Prefer Diet Pepsi	51	23
Prefer Diet Coke	44	65
Equal/ cent say	5	12

This test clearly shows the power of strong brand names in influencing perceptions and preferences towards Diet Coke.

A second example comes from the car industry. A joint venture between Toyota and General Motors (GM) resulted in two virtually identical cars being produced from the same manufacturing plant in the USA. One was branded the Toyota Corolla, and the other GM's Chevrolet Prizm. Although, production costs were the same, the Toyota was priced higher than the Chevrolet prizm. Despite the price difference, the Toyota achieved twice the market share. The reason was that the Toyota brand enjoyed an excellent reputation for reliable cars, whereas GM's reputation had been tarnished by a succession of unreliable cars. Despite the fact that the cars were virtually the same, consumers' perceptions and preferences were strong which are affected by the brand names as attached to each model.

Source: Jobber, D (2007) Principles and Practice of Marketing, 5th Edition,
Berkshire, McGraw Hill Edition

3. Barrier to Competition

The impact of the strong and positive perceptions held by consumers about top brands, means it is difficult for new brands to compete with such brands in the market place. Even when new brands perform better as we saw in the case of Toyota and GM motors. For example, Coke Cola leads other soft-drink in the industry because it strong perception consumers held towards it. Therefore, such brands serve as a barrier for other products to penetrate such industry/market.

4. High profits

Brands, such as Coca-Cola, Mercedes, Nokia and Microsoft are associated with premium prices. This is because their superior brand equity means that consumers received added value over their less powerful rivals. Strong brands, also achieved distribution more readily economics of scale and can offer better opportunity to resist retailer demands for price discounts.

5. Trust

Consumers tend to trust strong brands. When consumers stop trusting a brand, the fallout can be catastrophic. For example when banks started distressing in Nigeria, most Nigerians withdrawn their money from weak banks such as oceanic bank, intercontinental bank, Union bank etc for first Bank and Zenith Bank respectively.

Self Assessment Exercise

State the benefits of branding.

3.5 Brand Building

The importance of strong brands means that brad building is an essential marketing activity. It should be need that successful brand building can reap benefits in terms of premiums prices, achieving distribution more readily, and sustaining high and stable sales and profits through brand loyalty.

A brand is created by augmenting a CORE PRODUCT with distractive values that distinguish it from the competition. Let us briefly differentiate between features and benefits.

A feature is an aspect of a brand that may act or may not confer a customer benefit. For example adding fluoride (feature) to toothpaste confers the customer benefits of added protection against tooth decay and decreased dental charges. Not all features necessary confer benefits, for example, a cigarette lighter (feature) in a car confers no benefits to non-smokers.

Branding allows marketers to create added values that distinguish one brand from another. Successful brands are those that create a set of brands. Thus brand building, involves a deep understanding of both the functional (ease of use) and emotional (confidence) values that customers use when choosing between brands, and the ability to combine them in a unique way to create an augment product that customers prefer. This unique augmented product is what marketers call the brand.

While building brands, it is essential to look into the following features:

a. Quality: - It is vital to build quality into the core products. A major reason for brand failure is the inability to get the basics right. For example nobody will wish to buy a computer that overheats, a car that refuses to start etc. It should be noted that higher quality brands achieve greater market share and high profitability than the inferior qualities. For example such comprises –IBMI, NOKIA TOYOTA, etc understand the importance of quality in brand building process. Some consumers refused to patronize some company's product not because they do not like them but due to their low quality standard. For example Nigerians prefers to buy electrical cables produced by Nigeria's companies than these ones produced by the Chinese companies.

b. Positioning:- Creating a unique position in the market place involves a careful choice of target market and establishing a clear differentiate advantage in the mind of those people. This can be achieved through brand names and image service, design, guarantees, packaging and delivery. In to- days global competition, unique positioning will normally rely on combinations of these factors mentioned above. For example the success of IBI is founded on a quality, well-designed product, targeted at distinct customers segments and supported by a carefully nurtured exclusive brand name and image.

The strength of a brand position in the market place is built on six elements, namely

1. Brand domain: - The brand's large market, that is where it competes in the markets place.
2. Brand heritage: The background to the brand and its culture. How it has achieved success (and failure) over the years. Brand heritage can form an- extreme useful platform to build on. For example Airtel bought Zain but retained it good will
3. Brand values: The core values and characteristics of the brand. For example, the core value for Audi motor vehicles is sophistication and progression.
4. Brand assets: What makes the brand distinctive from other competing brand, such as symbols features, image, etc
5. Brand personality:- The character of the brand described in terms of other entities such as people, animals or objects.
6. Brand reflection: How the brand relates to self identity, how the customer perceive him/herself as a result of buying/using the brand. The brand illustration visualizes how people use brand to reflect and project their self-identity.

By analyzing each element, brand managers can form an accurate portrait of how brands are positioned in the market place. From there thought can be given to whether and how the brand can be repositioned to improve performance.

c. Repositioning: As markets change and opportunities arise, repositioning may be needed to build brands from their initial base. For example, Lucozade was first build as a brand providing energy to children who were ill. But when market research found that mother were drinking lucozade as a midday pick-me-up, it was repositioned accordingly. More recently, it has been repositioned as mass-market energy drink, using the Olympic athletes Daley Thompson and linford Christic. In addition, Samsung successfully repositioned from being perceived as a producer of cheap televisions and microware ovens to being regarded as a ‘cool’ youth brand, producing mobile phones and flat-screen televisions for the techno savvy. Nokia also built its brand by repositioning from being a paper manufacture to market leader in mobile phones.

Self- Assessment Exercise

Briefly explain the term repositioning.

3.6 Rebranding

The act of changing brand names is called rebranding. Rebranding is risky and decision should not be taken lightly. The abandonment of well-known brands, or some favorite brands, runs the risk of customer confusion and resentment and loss of market share. For example, when Coca-Cola was rebranded as NEW COKE, because of negative customer reaction, it forced the company to withdraw the new brand and reinstate the original brand.

Why rebrand?

Some of the reasons for rebranding are as follow:

1. Merger or Acquisition:

When a merger or acquisition takes place, a new name may be chosen to identify the new company. For example when ZAIN was bought over by AIRTEL, the name was changed immediately to Airte. Sometimes a combination of the original corporate names may be chosen. For example, case of NITEL and M’TE illustrates this.

2. Desire to create a new image: Some brand names are associated with negative or old-fashioned image. For example, the negative image of the cable television on company ‘ntl’, caused by poor services, was part of the reason for buying virgin Mobile, which allows it to use under license the virgin brand across its consumer business. In addition when Vmobile was bought over, the name was changed due to some negative perceptions of consumers towards the company as poor service company. To prove on its image, the name was changed to ZAIN, later AIRTEL.

3. Acquisition as parts of a business:- The sale of the agricultural equipment operations of farm equipment, make international Harvestor/prompted the need to change its name to Navistar.

4. Corporate strategy changes:- When a company diversifies out of its original product category, the original corporate brand name may be considered too limiting. For example, ‘ESSO’, (standard oil) changed its name to EXXON as its product portfolio extended beyond oil industry.

5. Brand familiarity: - Sometimes, the name of a major product brand owned by a company becomes so familiar to customers that it supersede the corporate brand. In this situation, the company may decide to discard the unfamiliar name in favour of the familiar products.

6. International Marketing considerations: A major driver for rebranding is the desire to harmonize a brand name across national boundaries in order to create a global brand. For example when Nigeria Airway was bought over, the new name ‘virgin Nigeria’ is used globally for customers’ acceptance.

7. Legal problem: A brand name may contravene an existing legal restriction on its use. For example, the Yues St. Laurent perfume brand champagne, required a name change because the brand name was protected and used only for sparkling wine from the champagne region of France.

3.7 Co-Branding

There are two major forms of co-branding, namely product based co-branding and communications-based co-branding

a. Product-based co-branding

   Product –based co-branding involve the linking of two or more existing brands from different companies or business units to form a product in which the brand names are viable to consumers. This is further subdivided into two. These are: parallel and ingredient co-branding.

   Parallel co-branding occurs when two or more independent brands join forces to produce a combined brand. For example, Siemens and Porsche Design, which produce a range of Kettles, toasters and coffee machines under the Siemens Porsche co-brand.

   Ingredient co-branding is found when one supplier explicitly chooses to position its brand as an ingredient of a product. Intel is an ingredient brand. It markets itself as a key component of computers. The ingredient co-brand is formed by the combination of the ingredient brand and the manufacture brand. For example Hewlelt-Packard or Sony. Usually the names and Logos of both brands appear on the computer.

Advantages of product-based co-branding

1. The co-branding alliance of two or more brands can capture multiple source of brand equity and therefore add value and provide a point of differentiation.
2. A co-brand can position a product for a particular target markets. This was the reason 'Ford' formed an alliance with Elle Magazines to create the Ford focus Elle, (forgetting women).
3. Co-branding can reduce the cost of product introduction since two-well known brands are combined accelerating awarreness, acceptance and adoption.

   Short-comings of product-based co-branding.

1. Loss of control: - Given that the co-brand is managed by two different companies each company losses a degree of control over decision-making. Besides, there is potential for disagreement, misunderstanding and conflicts.
2. Lost of image: - Poor performance of the co-brand could have negative effects on the original brands.

a. Communication –based co-branding
b. Communication –based co-branding involves the linking of two or more existing brands from different companies or business units for the purpose of joint communication. For example, Ariel soap and Whirlpool launch a co-branded advertising campaign where Ariel was endorsed by whirlpool; Shell's sponsorship of the Ferrari Formula 1 Motor racing term. As part of the deal the shell brand names appears on Ferrari cars.

   Advantages

1. Cost benefits: - Joint advertising alliances means that cost can be shared.
2. Endorsement opportunities: Whirlpool and Ariel engaged in mutual endorsement in their advertising campaign. Endorsement may also be one

way-Shell gains by being associated with the highly successful international motor racing brand, Ferrari.

Disadvantages

1. Loss of control
2. Lost of good will.

(NB It should be noted that there are other elements to be learned in branding. As you progress in the study of marketing, you would be expose to them.

3.8 Global Branding

Global branding is the achievement of brand penetration world-wide. Levitt for example is a champion of global branding arguing that intensified competition and technological development will force companies to operate global, ignoring superficial national difference. A global village is emerging where consumers seek reliable and quality products at a low price, hence the marketing task is to offer the same products and services in the same way, thereby achieving enormous global economics of scale.

4.0 Conclusion

The importance of branding cannot be overlooked. This is because, different companies manufacture different product for the same markets (consumers). Since these manufactures are competiting over the same target markets, there is a need to differentiate their products. This is achieved through branding and re-branding. This thus helps the consumers to identify various manufactures products and choose accordingly to their pretenses and purchasing power. Thus as a marketing professionals, branding is an important aspect of product management that should be critical studied.

5.0 Summary

This unit attempted to study branding and re-branding of products and services as they affect marketing activities. It started by defining the term branding, a brand, benefits of branding, types of brands, reasons for strong brands, brand-building, co-branding and global branding.

6.0 Tutor-marked Assignment

State the benefit and short coming of product–based co-branding.

7.0 References

Armstrong Gary and Kotler Philip (1997): Principles of Marketing,
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Stanton, William J (1981) Fundamentals of Marketing,
6th Edition, Japan McGraw-Hall Book company

Answer to Self – Assessment Exercise.

Answers to Self Assessment Exercises

Fighter brands simply means marketing techniques used by manufacturers to prevent other manufacturers from penetrating and taking over their markets by selling such products less prices than the competitors.

Branding is a technique in marketing to helps consumers to identify company's products, to retain royal customers, and to maintain market share of the industry.

UNIT 6: Marketing of Services

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1.0 Introduction

One of the major trends in Africa in recent years has been the dramatic growth of services. Before now, most consumers are concerned with the physical products produce /manufactured by various companies within and outside the continent. This is because marketing focus initially for selling physical products, such as tooth pastes, cars, steel and equipment. Nowadays, the focus is not only on the physical products but also on the services that goes along with it.

Service industries are quite varied. The government sector (courts, hospitals, army and police forces) business sector (Banks, Airlines, Hotels, Insurance companies etc) manufacturing sector (Accountants, Marketers, legal staff etc). These lists are exhaustible. With the globalization and advancement in technological break-through, consumers are better informed about what to buy and how to purchase such desired goods. Service industry continues to be widen and challenging. The aim of this unit is to examine the nature of marketing of service, important and its effects on the physical products of a company.

2.0 Objectives

After thorough studying of this unit, you should be able to

a. Defined a service
b. Explain characteristics of a services
c. Explain organization marketing
d. Explain person marketing and
e. Explain place marketing

3.0 Main Text

3.1 A Service

It is pertinent to start this discussion with the definition of the term service. Kotler (1997) defined it 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. Its production may not or maybe tie to of physical product". For example activities such as renting a hotel room, depositing money in a bank, traveling on an airplane, visiting a psychiatrist, getting a haircut, having a car repaired, watching a professional sport, having clothes cleaned by a dry cleaner, getting advice from a lawyer, accountant etc; all these involved buying a service.

Stanton (1981) defined it as services are those separately identifiable, essentially intangible activities that provide want-satisfaction, and that are not necessary tied to the sale of a product or another service. To produce a service may or m ay not requires the use of tangible goods. However, when such use is required, there is no transfer of the title (permanent ownership) to these tangible goods".

It is essentially important to look into services offered by companies. This is because the service component can be minor or a major part of the total offer. These components are this explained below:

(a) Pure tangible good: The offer consists primarily of a tangible good such as soap, toothpastes, salts, etc. No services accompany the product.

(b) Tangible good with accompanying services: The offer consists of a tangible good accompanied by one or more service to enhance its consumer appeal. For example, an automobile manufacture must sell more than an automobile. The service aspect of the selling activities should be considered as essentially part of the sales. These days most manufacturers provides after sales-services as a way of retaining royal customers and as well as attracting new customers.

(c) Hybrid: The offer consists of equal parts of goods and services. For example, people patronize restaurants for both their food as well as the service offered.

(d) Major service with accompanying minor goods and services: -The offer consists of a major service along with additional services and/or supporting goods. Kotter (1997) observed that airline passengers are buying transportation service. They arrive at their destinations without anything tangible to show for their expenditure. However, the trip involves some tangibles, such as food and drinks, a ticket etc. The same requires a capital-intensive good –an airline-for realization, but the primary item is a service.

(e) Pure service:- The offer consists primary of a service. Examples of these include baby-sitting, psychotherapy, and messages.

At this point, it may be necessary to make a generalization about the service in order to understand the nature of services offered by marketing executives.

i. Services very as to whether they are equipment based (automated cars, vending machines/ or people based (window washing, accounting services). People based services very by whether they are provided by unskilled, skilled or professional workers.

ii. Some services required the clients presence. For example, a brain surgery involves the clients presence, but a car repaired does not; if the client must be present, the service provider has to be considerate of his/her needs

iii. Services differ as to whether they meet a personal need or a business need. For example physicians will price physical examinations differently for private patients' versus employees on a prepaid company health plan.

iv. Service providers differ in their objectives (profit and non-profit organizations). For example the objectives of an airline company are guide different from a mother-less baby-home.

It should however be noted that we are concerned primarily with the services marketed by business as professional firms with profit making motives, that is commercial services, such as taxi service offered.

Stanton (1981) opined that two-thirds of the private non-governmental labour force is engaged in supplying services. And almost one-half of consumer expenditures are for the purchase of services. He concluded that statistics since World War II show that consumer expenditures for services have increased almost every year at a rapid rate than expenditure for products. Examined briefly below are some factors which accounted for the increases in expenditures in the service industry:

1. The long period of general prosperity has meant higher incomes, increased leisure time, and general incomes on goods.
2. Business has become increasingly complex, specialized, and competitive. As a result of this, management has been forced to call in experts to provide services in research, advertising, labour relations, etc.
3. The rate of growth has not been uniform for all categories of consumer services. As disposal personal income has increased and life styles have changed. The demand for some services has grown relatively faster than for others. For example, attendance at movies declined as people turned to television and satellite disc. Attendance at motor parks declined as people travel these days by air than by road.
4. Many product manufacturers has tuned/diversified into services. Telecommunication industry in Nigeria is a good example. Before the adventure of this industry, most business man in Nigeria invests their money in physical manufactured goods.

Self Assessment Exercise

Briefly account for increases in expenditure in the service industry.

3.2 Characteristics of Service

The special nature of services stems from several distinctive characteristics. These characteristics not only create special marketing challenges and opportunities, but they often result in marketing programs that are substantially different from those found in product marketing. These characteristics are thus briefly explained below:

1. Intangibility: Since services are essentially intangible, it is impossible for customers to sample-to taste, feel, see, hear or smell-services before they buy them. This feature of services places some constraints on a marketing organization. The burden falls mainly on a company promotional program. For example, the sales force and advertising department most concentrate on the benefits to be derived from the service, rather than emphasizing the service itself. To reduce uncertainty, buyers look for signs of service quality. They draw conclusions about quality from place, .people, equipment communication, material, and price that they can see. Therefore, the task of a service provider is to make the service tangible available in qualitative form in one way or the other. For example, a bank that wants to convey the idea that its services are quick and efficient. It must make this positioning strategy tangible in every aspect of customers contact. The bank's physical selling must suggest quick and efficient service. For example service offered by Zenith Bank and Union Bank Plc (Nigeria) is a good case for studying.

2. Inseparability:- Service often cannot be separated from the person of the seller. Moreover, some services must be created and dispensed simultaneously. For example, dentists create and dispense almost all their services at the same time. From marketing point of view, it means that direct sale is only possible channel of distribution. Services cannot be sold in very many markets. That is service inseparability means that services cannot be separated from their providers, whether the providers are people or machines. Because services are inseparable from their provider, limited service providers are often constraints with the amount of service that can be offered. Not withstanding, here are some strategies.

a. The services provider can learn to work on with larger groups, and

b. The services organization can train more service providers.

3. variability/Heterogeneity: - Service variability means that the quality of services depends on who provides them, as well as when, where and how they are provided. For example, some hotels have reputations for providing better service then others. Within a given hotel- a receptionist/employee may be cheerful and efficient, whereas another standing just a few kilometer may be unpleasant and slow. It therefore, means that it is impossible for service industry or even an individual seller of services, to standardize output. Each unit of the service is some what different from other units of the same service. For example, an airline does not give the same quality of service on each trip. The strategies to be adopted for quality control include.

a. Service firms can select and train their personnel carefully.
b. They can make service employees more visible and accountable to consumers and
c. A firm can check customers' satisfaction regularly through suggestion and complaint system, customer surveys, and comparison shopping.

4. Perish ability: - Service perish ability means that services cannot be stored for later sale or use. For example, unused electric power, empty seats in a stadium, and idle mechanics in a garage, all represent business that is lost forever. In addition, many doctors charge patients for missed appointments because the service value existed only at that time and disappeared when the patient did not show up. The market for services fluctuate consider able by season, by day of the week, and hour of the day.

There are notable exceptions to these generalizations regarding the perishability and storage of services. In health and life insurance, the service purchased and held for by the insurance company unit needed by the buyer or the beneficiary.

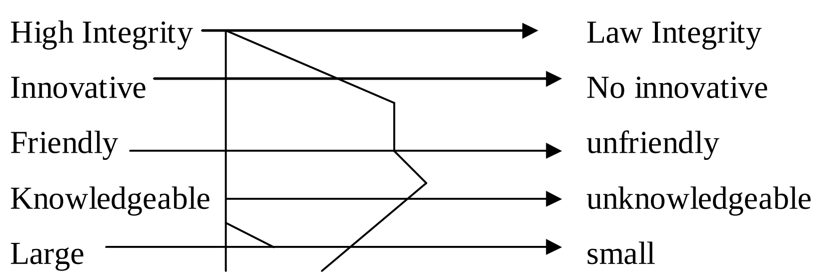
In conclusion, it therefore means that service industries/providers should besensitive to the services provided taking into consideration where, when and how they are provided.

3.3 Organization Marketing

Organizations often carry out activities to sell the organization itself. Organization marketing consists of activities undertaken to create, maintain, or change the attitudes and behaviour of target audiences toward an organization. Both profit and non-profit organizations practice organization marketing. Some business organizations sponsor corporate advertising campaigns to improve and publicize their image. For example who want to be a millionaire programme. A television network programme which is sponsored by MTN to advertise its services offered to Nigeria public. Likewise, non-profit organizations, Artists, etc market their organization in order to raise funds and attract members or patrons for example Oxford and Cambridge universities are world class educational institutions, due to their general acceptance of image, performance and contributions towards humanity. Organization marketing calls for assessing the organizational current image and developing plan to improve it. These are discussed below.

a. Image Assessment:- The first step in image assessment is to research the organizations current image among key publics. The way an individual, a group sees an organization is called organization image. Different people can have different images of the same organization. The organization might be pleased within its public image or it might have serious image problem. For example, the younger generation (Youths) in Nigeria is comfortable with the banking service of modern Banks such as. Zenith Bank, Sky Bank, etc than old generation banks such as first bank, union bank, Africa Bank etc. They hold the images of these banks in high esteem in their minds. In addition, some consumers are of the viewed that instead of buying their domestics needs at open markets, they prefer supermarkets, because of the simple fact that such supermarkets goods are orderly arranged, neat environment and salespersons positioned to attend to them. The figure below explains it further.

Figures: 1 Image Assessment



Desired actual

Source: Armstrong & Kotten (1994) <u>Principle of Marketing</u> 5th edition, Hew Jorley: Prentice; Hall, Inc.

It is assumed that first Bank Plc conducts marketing research to measure its image in Lagos environment. Suppose it finds it image to be that shown by the red line in figured above. Thus, current and potential customers view the bank as some what small, non-innovative, un-friendly and unknowledgeable. And the bank promised to change the image. Then necessary improvement on its service and personnel need to be implemented to change the poor image at hand.

(b) Image planning and control:

After image assessment, the organization should decide on image it wish to achieve. For example, the bank might decide that it would like the image friendly as shown in figure above. That is, it would like to be seen as a provider of more friendly and personnel service, and later innovative and more knowledgeable. The bank need to develop a marketing plan to shift. tts actual image toward the desire one. Suppose the First Bank wants to improve its image as a provider of friendly and personnel service.
The bank can hire and train better tellers, marketers and other employees who deal with the customers. It may change its décor to make the bank seem beautiful. Once, the bank is certain that it has improved its design, a marketing programme to communicate this new image to its customers, and the general publics through print and electronic media. An organization must resurvey its public once in while. This is because images cannot be changed overnight.
Self-Assessment exercise
Explain the term organization marketing

3.4 Person Marketing

Person marketing consists of activities undertaken to create, maintain or change attitudes or behaviour toward particular people. All kinds of people and organizations practiced person marketing. Politicians market themselves to get votes and people's support. For example in American before election is conducted, a pool is conducted to determined the interest of the general publics towards the candidate, Obama's a good example for this situation.

Entertainers and sports icons also use person marketing to promote their careers and improve their incomes J.J. Ochaca, during his days as a footballer/player, lovers of sport wish to pay whatever it would cost them to watch the match wherever he participated in a game. Besides, professionals, such as doctors, lawyers, accountants, etc market themselves in order to build their reputations and increases business scope. Some patients always wish to be attended-to by a particular physician because of personal service rendered to them. Business leaders also use person marketing as a strategy tool to develop their company's futures as well as their own image.

The objectives of person marketing are to create a "celebrity", a well-known person whose name generates attention, interest, and action. The person marketing begins with careful market research and analysis to discover consumer needs and market segments. Then product development-assessing the person's current qualities and image and transfer the person to match market needs and expectations.

Conclusion, marketers develops programme to value, promote, and deliver the celebrity. Some people naturally possess the skills, appearance and behaviours that target segments valued. But in most cases, celebrity status in any field should activity be developed through sound person marketing.

3.5 Place Marketing

Place marketing involves activities undertaken to create, maintain or change attitudes or behaviour towards particular places. This includes business site marketing and vacation marketing. These are explained briefly below.

a. Business site marketing involves developing, selling or renting business sites for factories, stores, offices, warehouses, and conventions. For example, in U.S most states operate industrial development offices that they try to sell companies on the advantages of locating new plants in their states. They may build large centers to house important conventions and business meetings. In Nigeria shall and Mobil oil companies has such halls for business meetings at Tafawa Balewa Square, Onican, Lagos.

b. Vacation marketing involutes a attracting vacationers to spas, resorts, cities, states, and even entire nation. The effort is carried out by travel agents, airlines, motorists, oil companies, hotels, motels, and governmental agencies. Every state in Nigeria nowadays markets its tourist attractions for intentional investors. This is why federal government of Nigeria spent millions of naira on Yagari game serve and Magoe park in Bauchi and New Bussa (Niger State) respectively.

4.0 Conclusion

Marketing has been broadened in recent years to cover marketable entities, other then products, that is services, organizations, persons and places. Services are activities or benefits that one party can offer to another that are essential intangible and do not result in the ownership of anything. Services are intangible, inseparable, variable and perishable. In Nigeria, service industries have typically logged behind manufacturing firms over the years, bull this situation is now changing with the advent of modern communication technologies. It should however, be noted that not only products and services can be marketed, but organizations, persons, and places can as well be marketed this therefore pose challenges to modern marketing executives.

5.0 Summary

This unit examined service as an industry, it meaning, characteristics, and its complementary role on physical products of a manufacturing firms. Organizations, persons, and places were also discussed as marketing strategies for effective services.

6.0 Tutor Marked Assignmment

Explain the term ‘Person Marketing’

7.0 References/Further Readings

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Some of the factors that accounted for increased in service industry include:

1. The long period of general prosperity has meant higher incomes, increased leisure time, and general incomes on goods.

2. Business has become increasingly complex, specialized, and competitive. As a result of this, management has been forced to call in experts to provide services in research, advertising, labour relations, etc.

3 The rate of growth has not been uniform for all categories of consumer services. As disposal personal income has increased and life styles have changed. The demand for some services has grown relatively faster than for others. For example, attendance at movies declined as people turned to television and satellite disc. Attendance at motor parks declined as people travel these days by air than by road.

4. Many product manufacturers has tuned/diversified into services. Telecommunication industry in Nigeria is a good example. Before the adventure of this industry, most business man in Nigeria invests their money in physical manufactured goods.

Organization marketing consists of activities undertaken to create, maintain, or change the attitudes and behaviour of target audiences toward an organization. Both profit and non-profit organizations practice organization marketing.

Unit 7: Globalization and Marketing

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1.0 Introduction:

We are in the world economy where business activities are being carried out with ease. People no longer travel distances before carrying out their business activities. Goods and services of other Nations are easily made available as demand. This is because there is a fundamental shift in the world of economy trade. We are moving away from a world in which national economies were relatively self contained entities, isolated from each other by barriers to cross- border trade and investment, by distance, culture and business systems. And we are moving towards a world in which barriers to cross border trade and investment are declining; perceived distance is shrinking due to advances in transportation and telecommunications technology, material culture is starting to look similar the world over; and national economies are merging into an inter dependent, integrated global economy system. The process by which this is occurring is commonly referred to as globalization.

People are no longer threat by the four – walls of a nation policy. Business activities and opportunities are widening as a result of globalization. This is the world we live. It is a world where the volume of goods, services and investment crossing national borders has expanded faster than world output consistently for more tham half a century. For businesses, this process has produced many opportunities. Firms can expand their revenues by selling around the world and reduce their costs by producing in nations where key inputs, including labour are cheap. This unit examined the benefits and short-comings of globalization on business activities, world – over.

2.0 Objectives:

On successful completion of this unit, you should be able to:

a. Define globalization
b. Itemize benefits of globalization
c. List the short coming of globalization
d. Mention drivers of globalization

3.0 Main Text:

3.1 Globalization:

During 1920s and 1930s, many of the nation-states of the world erected formidable barriers to international trade and investment. Many of these barriers took the form of high tariffs on imports of manufactured goods. The typical aim of such tariffs was to protect domestic industries from foreign competition. However, after World War II, the advanced industrial nations of the west, under U.S leaderships committed themselves to the role of removing barriers to the free flow of goods, services and capital between nations. The goal of removing barriers to the free – flow of goods was enshrined in the treaty known as General Agreement on Tariffs and Trade (GATT). Under the umbrella of GATT, there has been a significant lowering of barriers to free – flow of goods in the half- century since world war II. Extension has been made recently on GATT to include services. Hence, many countries have been progressively removing restrictions on capital inflows and outflows.

These trends facilitate both the globalization of markets and globalization of production. The process by which this occurs is commonly referred to as globalization. Thus globalization then refers to the shift towards a more integrated and interdependent world economy. Globalization has several facets such as markets, production, etc. Foe instance, IKEA is a Sweden global retailer. IKEA's target market is global middle class, who are looking for low-priced but attractively designed furniture and household items. The company applies the same basic formula world – wide. Despite its standard formula, to achieve success, IKEA had to adopt its offerings to the tastes and preferences of consumers in different nations. This goes to stress that as a professional in the field of marketing, it is important to note that the whole world has been considered as a single market. The implication is that people, culture, norms, lifestyle, beliefs, etc must be critical studied as a way of serving target markets better. The advanced world are taking due advantage of this by penetrating other continents and thus providing them with goods and services better the competitors. For instance, china have being in Nigeria market attempting to dominate it by providing industrial goods, such as electrical cables, motor vehicles, motor cycles, etc. The implication of this to domestic business people is that the home market is being taking over by foreign partners as a result of globalization. This implies that home market should not rely on their home markets alone, they should as well go abroad in search for new market at the time to fight competitors, otherwise it would get to a time they will not be able to compete with foreign competitors in their home markets. Globalization is an open cheque and any amount can be written.

3.1a. The globalization of markets

The globalization of markets refers to the merging of distinct and separate national markets into one – huge global marketplace. In this situation, the tastes and preferences of consumers in different nations are beginning to converge on some global norm. Therefore, it is no longer meaningful to talk about the German market, the American market or the Japanese market. All these markets are looked at as a single market. For example coca cola company is most part of the world producing and selling soft-drink as coke even the taste change from one country to another.

It should however be noted that a company does not have to be the size of these multinational giants such as coca- cola, Sony, Kodak, etc. to facilitate, and benefit from the globalization of markets. The most global markets currently are not markets for consumer products – where national differences in tastes and preferences are still often important enough to act as a brake on globalization, but markets for industrial goods and materials that serve a universal need the world over. These include the markets for commodities, such as aluminum, oil and wheat for industrial products such as microprocessors.

In global markets, the same firms frequently confront each other as competitors in nation after nation. For example, coca-cola's rivalry with Pepsi cola, just as Ford and Toyota. As firms follow each other around the world, they bring with them many of the assets that served them well in other national markets – including their products, operating strategies, marketing strategies and brand names-creating some homogeneity across markets. Hence, greater uniformity replaces drivers.

3.1b The Globalization of Production:

The globalization of production refers to the sourcing of goods and services from locations around the globe to take advantage of national differences in the cost and quality of factors of production (Land, Labour, capital etc). By so doing these companies hope to lower their overall cost structure or improve the quality of functionality of their product offering, thereby allowing them to compete more effectively.

For example, Lenovo Thinkpad laptop computer . Lenovo a Chiness company, acquired Ibm's personal computer operations in 2005. The thinkpad is designed in United States because Lenovo believes that the country is the best location in the world to do the basic design work. However, keyboard and hard drive are made in Thailand; the display screen and memory in South Korea; the built in wireless card in Malaysia; and the Micro processor in the United States. In deciding on where to manufacture each component, Lenovo assessed both the production and transportation costs involved in each location. These components were then shipped to a plant in mexico, where the product is assembled before being shipped to the united States for final sale.

Lenovo located located the assembly of the thinkpad in Mexico, because of low labour costs in the country. The marketing and sales strategy for North America was developed in the United states, primarily because Lenovo believes that U.S personel possess better knowledge of local market place than people based elsewhere. It is also important to note that globalization of production is not limited to large firms like coca – cola, Pepsi – cola, general motors, Toyota. It also applies to other smaller firms, who are willing to take advantage of opportunities offered by globalization.

Self- Assessment Exercise

Briefly define globalization.

3.2 Benefits of globalization:

The question is: Is the shift towards a more integrated and interdependent global economy a good thing? Many influential economists, politicians and business leaders seem to think so. They argued that falling barriers to international trade and investment are the twin – engines driving the global economy towards greater prosperity.

1. They believe that globalization stimulates economic growth raises the income of consumers and helps to create jobs in all countries that participate in the global trading system.
2. The lowering of trade barriers enables firms to view the world as a market. This therefore enables firms to based individual production activities at the optimal location for that activity, serving the world market from that location. Thus a firm might design a product in one country , produce component parts in two other countries , assemble the product in yet another country and then export the finished product around the world; a case study of Lenovo company mentioned earlier.

3.2 Short – comings of Globalization:

The anti-globalization protesters are of the views that globalization of the world market has adverse effects on the individuals and nations. They argued that:

1. The following barriers to international trade destroy manufacturing jobs in wealthy advanced economies such as United States and the United Kingdom. The critics' ague that falling trade barriers allow firms to move manufacturing activities to countries where wages rates are much lower. For example in the case of Lenovo Company, Thinkpad was produced in Mexico because of low labour costs. This is exactly the Chinese companies do in Nigeria. They relocate their plant to Nigeria, especially on production of CDS, electrical

cables, etc where it has been established that cost of production is much lower than in China. Hence, selling such products lower than Nigeria made products. Even though, the quality of Nigerian company's products were much superior, consumers still prefer Chinese products.

2. Free trade encourages firm's advanced nations to move manufacturing facilities to less developed countries that lack adequate regulations to protect labour and the environment from abuse by the unscrupulous. This is the case in Nigeria where Lebanese, Chinese and India companies hired Nigeria – middle class and lower class labourer much more lower than the amount / wages paid by Nigeria's companies. Simply because of some defeats in Nigeria's International laws and policies. Globalization critics often argued that adhering to labour and environment regulations, significally increases the costs of manufacturing enterprises and puts them at a competitive disadvantage in the global market place visa a vis, firms based in developing nations that do not have to comply with such regulations. They therefore suggest that free trade would lead to an increase in pollution and result in firms from advanced nations exploiting the labour less developed nations.
3. Another concern of the critics of globalization is that today's increasingly interdependent global economy, shifts economic power away from national governments and toward super national organizations such as the world trade organization, the European union, and the united Nations. They argued that unelected bureaucrats now impose policies on the democratically elected governments of nation states, thereby under-mining the sovereignty of those and limiting the nations ability to control its own destiny, Nigeria a case study.
4. Critics of globalization argue that despite the supposed benefits associated, with free trade and investment, over the past hundred years or so, the gap between the rich and the poor nations of the world has gotten wider. Critics argue that if globalization is such a positive development this divergence between the rich and the poor should not have occurred.

Drivers of Globalization

Globalization does not just appear on its own there are some factors / innovations which facilitated its application. This unit take a look at some of the innovations which took place and which contributed towards globalization reality.

(a) Declining Trade and Investment Barriers:

During the 1920s and 30s many of the worlds nation – states erected formidable barriers to international trade and foreign direct investment. However, after World War, the advanced industrial nations of the west committed themselves to removing barriers to the free – flow of goods services and capital between nations. In addition, to reducing trade barriers, many countries have also been progressively removing restrictions to foreign direct investments. Such trends have been driving both the globalization of markets and the globalization of production. (The evidence also suggests that foreign direct investment is playing an increasing role in the global economy as firms increase their cross -border investments).

(b) The role of Technological change:

The lowering of trade barriers made globalization of markets and production a theoretical possibility, but technological change made it a tangible reality. Since the end of World War Ii, the world has witnessed major advances in communication, information processing, and transportation technology, including the explosive emergence of the internet and world wide web. Telecommunication is creating a global audience and transportation is creating a global village.

Implications of globalization of production and markets are:

1. As transportation costs associated with the globalization of production declined, dispersal of production to geographically separate locations become more economical. As a result of the technological innovations, the real costs of information processing and communication would be falling, thus make it possible for firms to create and then manage a global dispersed production system.

2. In addition, technological innovations would facilitate the globalization of markets. Low – cost global communization such as the World Wide Web would help to create electronic global market places.

Self Assessment Exercise

State drivers of globalization system

7.0 Conclusion:

An international business is any firm that engages in international trade or investment. The mode of handling international business is capsaicin due to changes Iin the global economy. That is we are moving away from economic system in which national markets are distinct entities, isolated from each other by trade barriers and barriers of distance, time and culture, and toward a system in which national markets are merging into one huge global marketplace. Thus, the tastes and preferences of consumers in different nations are beginning to coverage on some norms.

8.0 Summary:

This unit discussed globalization system as it affects domestic and informational trade. It looks into globalization of markets and production, the drivers of globalization and its implications global production and markets.

9.0 Tutor Marked Assignment

Briefly explain two (2) implications of Globalization.

10.0 References / Further Readings

Charles W.L It (2008) Global Business Today 5th Edition, McGraw-Hill/, New York Irwin

Charles, W.L. H. (1994) International Business – Competing in the Global Marketplace, 2nd Edition, Trwin: Australia

James, G (2004) “T he Winners and the Loses” in the case against the global Economy, New York: Time Warner Books.

Answers to self Assessment Exercises

1 Globalization simply means the remove of restrictions on trade activities among nations and individuals, which was facilitated by modern communications.

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2 Drivers of globalization are:

a) Declining Trade and Investment Barriers:

During the 1920s and 30s many of the worlds nation – states erected formidable barriers to international trade and foreign direct investment. However, after World War, the advanced industrial nations of the west committed themselves to removing barriers to the free – flow of goods services and capital between nations. In addition, to reducing trade barriers, many countries have also been progressively removing restrictions to foreign direct investments. Such trends have been driving both the globalization of markets and the globalization of production. (The evidence also suggests that foreign direct investment is playing an increasing role in the global economy as firms increase their cross -border investments).

b) The role of Technological change:

The lowering of trade barriers made globalization of markets and production a theoretical possibility, but technological change made it a tangible reality. Since the end of World War Ii, the world has witnessed major advances in communication, information processing, and transportation technology, including the explosive emergence of the internet and world wide web. Telecommunication is creating a global audience and transportation is creating a global village.

Unit 8: Marketing Channel Management

Table of contents

1.0 Introduction

Producing products according to consumers' needs and wants, pricing them correctly and developing well-designed promotional plans are necessary but not sufficient conditions for consumers' satisfaction. The final part of product management is distribution, the place element of the marketing mix. Products need to be available in adequate quantities, in convenient locations and at time needed.

Producers need to consider not only the needs of their ultimate customer, but also the requirement of channel intermediaries. That is the organization that facilitates the distribution of products to consumers. The supply chain is termed a channel of distribution and is the means by which products are moved from producer to the ultimate consumers. Selecting a good distribution outlet does not come easily. The choice of most effective channel of distribution is an important aspect of marketing strategies. This unit examined the functions and types of distribution channels, the key decisions that determine channel strategy and channel management.

2.0 Objectives

On completion of this unit, you should be able to:

1. Explain marketing channels
2. State types of marketing channels
3. State functions of marketing channels and
4. State channel strategies.

3.0 Main Text

3.1 Marketing Channel

The most basic question to ask when deciding channel strategy is whether to sell directly to the ultimate consumers or to use channel intermediates such as retailers and or wholesallers. The answer depends on the types of goods/services produced and as well as the location of the ultimate consumers.

Marketing channel can be described as the route through which goods/services pass through to the final consumers. It is popularly called channel of distribution. The term channel of distribution is used to refer to the various intermediaries who help in moving products from the producers to consumers. There are a variety of middleman and merchants who act as intermediaries between the producers and consumers. Notwithstanding, Stanton (1981:283) defined a channel of distribution for a product as "The route taken by the title to the ultimate consumer or industrial users". A channel always involves both the producer and the final customers for the product as well as all middlemen involves in the title transfer. Even though agent middlemen do not take actual title to the goods, they are included as part of a distribution channel. This is because they play an active role in the transfer of ownership. A channel of distribution is also defined as a system designed to move goods and services from producers to customers, which consists of people and organizations supported by various facilities equipment and information resources. Armstrong and Kother (1994) defined channel of distribution as a set of interdependent organizations involved in the process of making a product or service available for use or consumption by the consumer or industrial user.

Channels of distribution are the most powerful element among marketing mix elements. Many products which were intrinsically sound died in their infancy because they never had the right road to the market. However, by developing a sound distribution network and launching aggressive advertisement campaigns, a company can carve out a niche for itself. Some manufacturing firms in Nigeria just adopts network distribution channels of some well established companies. For example Coca-Cola company and vital, Form Company has very good distribution network, which other firms sometimes adopts. Channels of distribution help movement of goods from one place to another and thus create place utility. They make it possible for consumers to get the goods when he wants them and thus create time utility. They bring goods to the consumers in a convenient shape, unit, size, style, and package and thus create convenient value. They make it possible for consumers to obtain goods at a price they are willing to pay and under condition which bring satisfaction and pride of ownership and thus create possession utility.

It should however, be noted that the concept of marketing channels is not limited to the distribution of physical goods along. Producers of services and ideas also face the problem of making their services accessible to their target consumers. Channel of distribution can be grouped unto two namely: direct selling by manufactures and indirect selling though middlemen.

3.2 Functions of Marketing Channel Members

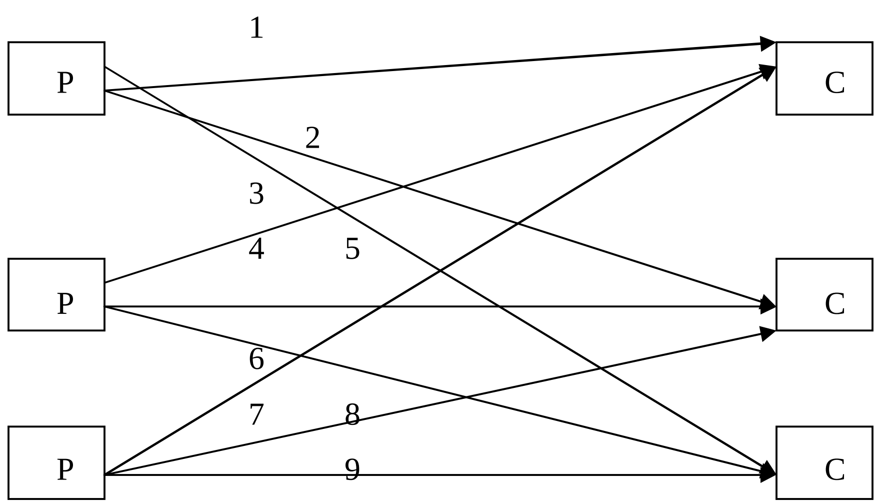
Some goods products by some companies do not get to the target consumers because wrong routers and marketing channel members are used. Channel member are important in the distribution of goods and services. This section examined functions performed by these channel members.

a. Reconciling the needs of producers and consumers: - Manufacturers, in most cases produce large quantity of goods, whereas consumers usually want only a limited quantity of a wide range of goods. The role of channel members is to reconcile these conflicting situations/needs. For example a manufacturer of tables sells to retailer, each of which buys from a range of manufacturers of furniture and furnishings. The manufacturer can gain economics of scale by producing large quantities of tables, and each retailer provides a wide assortment of products offering it customers' considerable choice under his/her business premise. That is channel members carried functions of break-bulking. For example, a wholesaler may buy large quantities from a manufacturer and them sell smaller quantities to retailers. Thus, consumers are offered limited quantities at the point of purchase.

b. Improving efficiency

Channel member can improve distribution efficiency by reducing the number of transportations and creating bulk for transportation. Let us examined the diagram below:-

Diagram 1: Direct distribution.



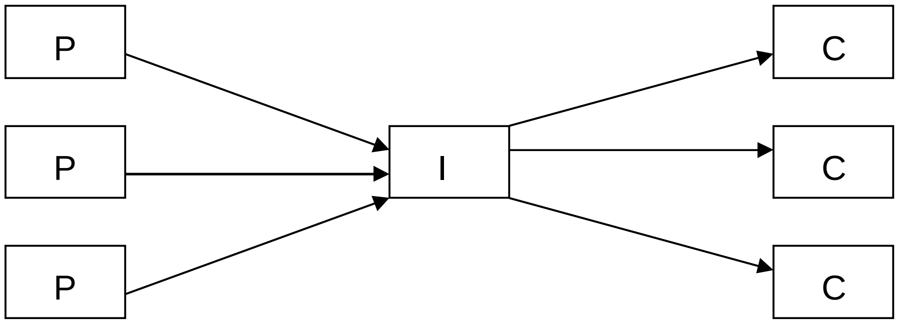
Key

P = Producer

C = Customers

From the diagram1 above, it shows the number of transportations between three producers and three customers. In this diagram the efficiency which the organization may wish to achieved may not come to bear. This is because each producer attempted to relate in their own way with the customer. Let us examine diagram 2 below.

Diagram 2: Distribution usage of a channel intermediary



Key

P = Produce

T = Channel Intermediary

C = Customer.

I = Intermediary

From the diagram above, the use of an intermediary cuts the number of transportations to six. Hence distribution costs and effort are reduced. Small producers can benefit by selling to intermediaries, which then combine a large number of small purchases into bulk for transportation. It should be however be noted that without intermediary, it may prove too costly for each small producer to meet transportation cost for their consumers.

c. Improving accessibility:

The two crucial elements distribution management are location and time. Most of the goods produced are outside the target consumers' residence, and the time when they would demand for them might not be convenient for the producer to ship them to the consumers. However, channel members, create accessibility, by stocking goods of different companies and sell to the final consumers at an appropriate location and time convenient to them. For example, cars (Toyota) produce in Japan are readily made available to interested Nigerians at appropriate places and at convenient hours through the activities of channel members.

d. Providing specialist Services:

Channel intermediaries can perform specialist customer services that manufactures may fell ill equipped to provide themselves. Distributors may have long-standing expertise in such areas as selling, servicing and installation to customers. Producers may feel that these functions are better handled by channel members' intermediaries so that they can specialize in other aspects of manufacturing and marketing activities.

Self-Assignment Exercise

List the major functions performed by marketing intermediaries.

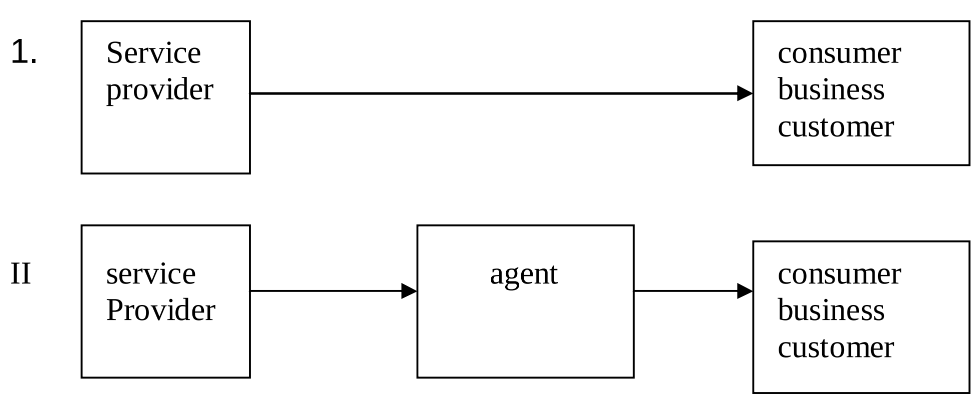
3.3 Types of Distribution Channel

All products, whether they are consumer goods or industrial goods services require a channel of distribution. Industrial channels tend to be shorter than consumer goods. This is because of the small number of ultimate customers, the greater geographic concentration of customers and the greater complexity of the products requires close producer-customer liaison. Service channels also tend to be shorter because of the intangibility of services and the need for personal contact between the services provider and consumers.

c. Service channels.

Distribution channels for services are usually short either sellingdirectly or using an agent. Since stocks are stocked, the role of the wholesaler, retailer or industrial distributor does not apply. Let examine the diagram below.

Diagram3: Distribution channels for services



I. Service provided for Consumer or Business customer.

The close personal relationships between service providers and customers often mean that services supply is direct. Example includes healthcare, office cleaning, accountancy, marketing research and law.

II. Service provided for agent and consumer or business customer.

A channel intermediary for a service company usually takes the form of an agents, Agents are used when the service provider is geographically distant from customers, and where it is not economical for the provider to establish its own local sales team. Examples include insurance, travel, secretarial and theatrical agents.

3.4 **Channel Strategies**

Channel strategy decisions involve the selection of the most appropriate level of distribution intensity and the degree of channel integration. These elements are discussed below.

a. Channel Selection.

The factors that influence channel selection are examined in this section. These are.

1. Market factors: - An important market factors is buyer behaviour. Buyer expectations may dictate kinds of products. For example buyers may prefer to buy locally and at a particular type of shop. Failure to match these expectations can have catastrophic consequence. For example the demand for a high class shopping centre lead to the established of shop-rite in Lekki-Epe express way in Lagos.

In addition, buyer needs regarding product information, installation, and technical assistance also have to be considered. The willingness of channel intermediaries to market a product is also a market based factor that influence channels decision. Also the location and geographical concentration of customers affects channel sales. The more local and clustered the customer base, the more likely direct distribution is feasible.

2. Producer factors: - A constraint on the channel decision is when the producer lacks adequate resource to perform the function of the channel. Producers may lack the

financial and managerial resources to take on channel operations. Lack of financial resources and sales agents and or distributors is used instead. Producer may felt that they do not possess the customer -based skills to distribute their products and prefer to rely on intermediaries. The product mix offered by a producer may also affect channel strategy. Also, the desire for control of channel operations is another factor to be considered. The use of independent channel intermediaries reduces producer control. For example, company ABY distributed its products through super markets, hence, the manufacturer (ABY) would loose total control of the price charged to customers

3. Product Factors: - Large complex products are often supplied direct to customers. However, perishable products such as frozen food, meat and bread require relatively short-channels to supply the customer with fresh stack. While bulky or difficult to handle products may require direct distribution because distributors may refuse to carry them if storage or display problem arise.

4. Competitive factors: - It is advisable that producers should not accept that the channels of distribution used by competitors are the only ways to reach target customers. Direct marketing provides opportunities to supply products in new ways. Hence, available alternatives should be exhausted before conceding to the competitor’s patterns of distribution.

B. Distribution Intensity: - The second channel strategy decision is the choice of distribution intensity these include:

1. Intensive distribution: - Intensive distribution aims to achieve saturation coverage of the market by using all available outlets. With mass-market products, such as cigarettes, foods, toiletries, beer and newspapers sales are direct function of the number of outlets penetrated. This is because consumers have a range of acceptable brands from which they can choose. If a brand is not available in an outlet, an alternative is sought. The convenience aspect of purchase is equally paramount.

2. Selective distribution: - Market coverage may also be achieved through selective distribution in when a producer used a limited number of outlets in a geographical area to sell its products. The advantages to the producer is the opportunity to select only the best outlets to focus its efforts to build close working relationship and to train distributor staff on fewer outlets, than with intensive distribution, And thus reduce cost. However,

problems can arise when a retailer demands distribution right and this is denied by producers, conflicts arise.

3. Exclusive distribution: - This is an extreme form of selective distribution in which only one wholesaler, retailer or industrial distributor is used in a geographic area. Cars are often sold on this basis with only one dealer operating in each town or city. This reduced a purchaser's power to negotiate prices for the same model between dealers since to buy in a neighbouring town may be inconvenient when servicing or repairs are required. It also allows very close cooperation between producer and retailer over servicing, pricing and promotion. The right to exclusive distribution may be demanded by distributors as a condition for stocking a manufacturer's product line. Exclusive dealing can reduce competition in ways that may be considered contrary to consumers' interest.

3.6 Channel Management

Once the key channel strategy decision have been made, effective implementation is required. Channel management entails the following:

a. Selection: - The task of manufacturers in most cases is to convince key channel intermediaries to stock their products. Selection then involves identifying candidates and developing selection criteria. Sources for identifying candidates include trade sources, reseller, enquires, customers of distributors, etc. Common selection criteria include market, product and customer knowledge market, converge, quality and size of the sales forces, reputation among customers, financial standing, etc.

b. Motivation: - Once channel members are selected, channel members need to be motivated to agree to act as distributors, and allocate adequate commitment and resources to the product lines. The key to effective motivation is to understand the needs and problem of distributors, since needs and motivators are linked. For example, a distributor that values financial incentives may respond more readily to high commission than one who is interested in having an exclusive territory.

c. Training: - The need to train channel members obviously depends on their internal competences. For example selling goods such as cars, building materials, electronics, machinery, and equipment; the competencies required will be quiet different from selling, books, perishable goods/farm products etc. The training for such business may be national or international. All these and other need to be put into consideration in determining the most appropriate distributions for the company's products.

d. Evaluation: - The evaluation of channel members has an important bearing on distribution retention, training and motivation decision. Evaluation provides the information necessary to decide which channel members to retain and which to drop. Shortfalls in distributor skills and competences may be identified through evaluation, and appropriate training programmes organized for them. Where a lack of motivation is recognized as a problem, producers can implements plans designed to deal with the root causes of de-motivation (for example< incentives and/ or fostering a partnership approach to business).

It should be however, be noted that the scope and frequency of evaluation may be limited where power lies with the channel members. If producer have relatively little power because they are more dependent on channel members for distribution and remedial action will be restricted. Channel members may be reluctant to send time providing the producers, with emphasize information on which to base evaluation. However, where manufacturer power is high through having strong brands and many distributors from which to choose evaluation may be more frequent and wider in scope. Channel members are more likely to comply with the manufactures demands for performs once information and agree for their sales and marketing efforts to be monitored by the manufacturer. Evaluation criteria include sales volume and value, profitability, level of stocks, quality and position of display, new accounts opened selling and marketing capabilities, quality of services provided to customers market information feed back, etc.

Self Assessment Exercise

State the factor to be considered in channel management.

4.0 Conclusion

Effective distribution is the all-mark of satisfying the final consumers, placing goods at the right place and time with minimum effort. Distribution concerned itself with the link between a manufacturer and its target markets (customers). It aimed to facilitate the smooth physical flow of products and/ or services from the manufacturers to the most appropriate points of purchase. Channels of distribution marketing channel refer to the alternative paths through which the goods and services can be route. Direct selling and indirect selling through intermediaries, such as wholesalers, and retailers are the two major alternative marketing channels from which manufacturers would distribute their goods and services. The goods and or services to be stocked and distributed by these marketing intermediaries depends on the nature of the good competences of these channel members and knowledge about these products and services by the target consumers. Marketing intermediaries should be motivated in order to achieved effective goods distribution.

5.0 Summary

This unit examined marketing channel management. It defined marketing channels, marketing channel selection, functions of marketing channel members, and channel management decisions.

6.0 Tutor-Marketing Assignment

State the advantage of using intermediaries

7.0 Reference/Further Readings

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Answers to Self Assessment Exercises

Major functions performed by marketing intermediaries are:

1. Reconciling the needs of producers and consumers
2. Improving efficiency
3. Improving accessibility and
4. Providing specialist services:

Factors to be considered channel management decision include:

a. Selection: - Selection involves identifying candidates and developing selection criteria. Sources for identifying candidates include trade sources, reseller, enquires, customers of distributors, etc. Common selection criteria include market, product and customer knowledge, market converge, quality and size of the sales forces, reputation among customers, financial standing, etc.

b. Motivation: - Once channel members are selected, channel members need to be motivated to agree to act as distributors, and allocate adequate commitment and resources to the company's product lines. The key to effective motivation is to understand the needs and problem of distributors, since needs and motivators are linked. For example, a distributor that values financial incentives may respond more readily to high commission than one who is interested in having an exclusive territory.

c. Training: - The need to train channel members obviously depends on their internal competences. For example selling goods such as cars, building materials, electronics, machinery, and equipment; the competencies required will be quiet different from selling, books, perishable goods/farm products etc. The training for such business may be national or international. All these and other need to be put into consideration in determining the most appropriate distributions for the company's products.

d. Evaluation: - The evaluation of channel members has an important bearing on distribution retention, training and motivation decision. Evaluation provides the information necessary to decide which channel members to retain and which to drop. Shortfalls in distributor skills and competences may be identified through evaluation, and appropriate training programmes organized for them. Where a lack of motivation is recognized as a problem, producers can implements plans designed to deal with the root causes of de-motivation

UNIT 9: New Product Development

Table of Contexts

1.0 Introduction

The life wire of any manufacturing company is the 'Product' it produced. Products are of various types and qualities. A layman called them generally products. But the professional is concerned about the level of stage and geographical location of such products. Hence, the issue of old and new products come to play. An old product is such a product that has be existing in a particular market and generally accepted by the target markets for period of time. It is regarded as old because the existing features have not be changed or improved upon. But as the needs of human beings are dynamic and as well as the society transcend from one level to another/from one stage of development, then products cannot avoid to remain old or unchanged. Hence, the concept of new product comes in, this is in response to yearning and aspirations of consumers and the society at large. Therefore new definition varied from one place to another. This is because by definition some products are not new in real sense. This unit concerned itself with the various definitions of a new product. process of creating a new product..

2.0 Objectives

On competition of this unit, you should be able to:

a. Define a new product
b. Classify a new product
c. State steps involved in creating a new product.
d. States reasons why new products fail, and
e. Explain the of new product launch by competitors.

3.0 Main Text

3.1 A New Product

The life-blood of corporate success is bringing new products to the marketing place. Consumer taste is dynamic, technological changes and competitive pressures among companies makes goods and services offered for market place unstable. This therefore put pressure on manufacturer to always look for new products in order to satisfy their target consumers and to retain market share of the industry. However, some companies failed to embark on new product development because of its risky activities. Most new product that fails, it is a set back on the financial resources of a company.

Notwithstanding, introduction of a new product into the market is important in order to satisfy the yearning of prospective and loyal customers. New product simply means a set of tangible and intangible attributes, including packaging, colour , price, manufacturer's prestige, retailer prestige and manufacture's and retailer's services, which the buyer may accept as offering want- satisfaction. Armstrong and Kotler (1994) defined a product as anything that can be offered to a market for attention, acquisition, use, or consumption and that might satisfy a want or need, it includes physical objects, services, persons, places organization and ideas.

Having defined a product, let us also defined a new product. By new product ii means original products, product improvements, product modifications and new brands that the firm developed through its own research and development efforts. Some products are regarded as new products as a result of invention and innovation. Invention is the discovering of new ideas and methods, while innovation occurs when an invention is commercialized by bringing it to market.

Some new products are fundamentally different from product that already existed in the market. For example, the pocket calculator created a new market and hence made the slide rule obsolete. Coloured televisions created a new market and made the black and white television obsolete. Cable and satellite disc created a new market and made cinema and video viewing, obsolete in Africa, and Nigeria in particular.

Booz, Allen and Hamilton (1982) classified a new product into four categories. These are thus explain below:

1. Product replacements: - These accounts for about 45 percentage of all new product launched, and this therefore include revisions and improvements to the existing products. For example, the Ford Mondeo (replacing the sierra), repositioning (existing, products, such as Lucozade being targeted at new market segments) and cost reduction (existing products being reformulated or redesigned to cost less to produce).

2. Addition to existing lines: These accounts for about 25 percent of new product launched and take form of new products that has been added to a company's existing product lines. This produces greater product depth. For example the 'Magic Number' by

MTN network communication services is an extension of its services, also Herbal close up is an extension of the main close-up- toothpaste.

3. New product lines: - These totals around 20 percent of new product launched, and represent a move into a new market. For example, in Europe, Mars has launched a number of Ice-cream brands which is a new product line for the company.

4. New-to –the world products: - These total around 10 percent of new product launched and create entirely new markets. For example, the video games console, the video recorder, satellite disc and internet have created new markets because of the highly involved customer benefits they provided.

Clearly the degree of risk and reward varies according to the new product category. New-to-the-world products normally carry the highest risk since it is often very difficult to predict consumer reaction. Notwithstanding to create successful new products, a company must understand its consumers, markets and competitors and hence develop products that deliver superior value to customers.

It is equally important that to set up effective organizational structure for nurturing and handling new products. This therefore means that successful new-product development requires total-company effort commitment. The most successful innovating companies make a consistent commitment of resources to new-product development, design a new-product strategy that linked that the strategic planning process and set up formal and sophisticated organizational arrangements for managing the new-product development processes.

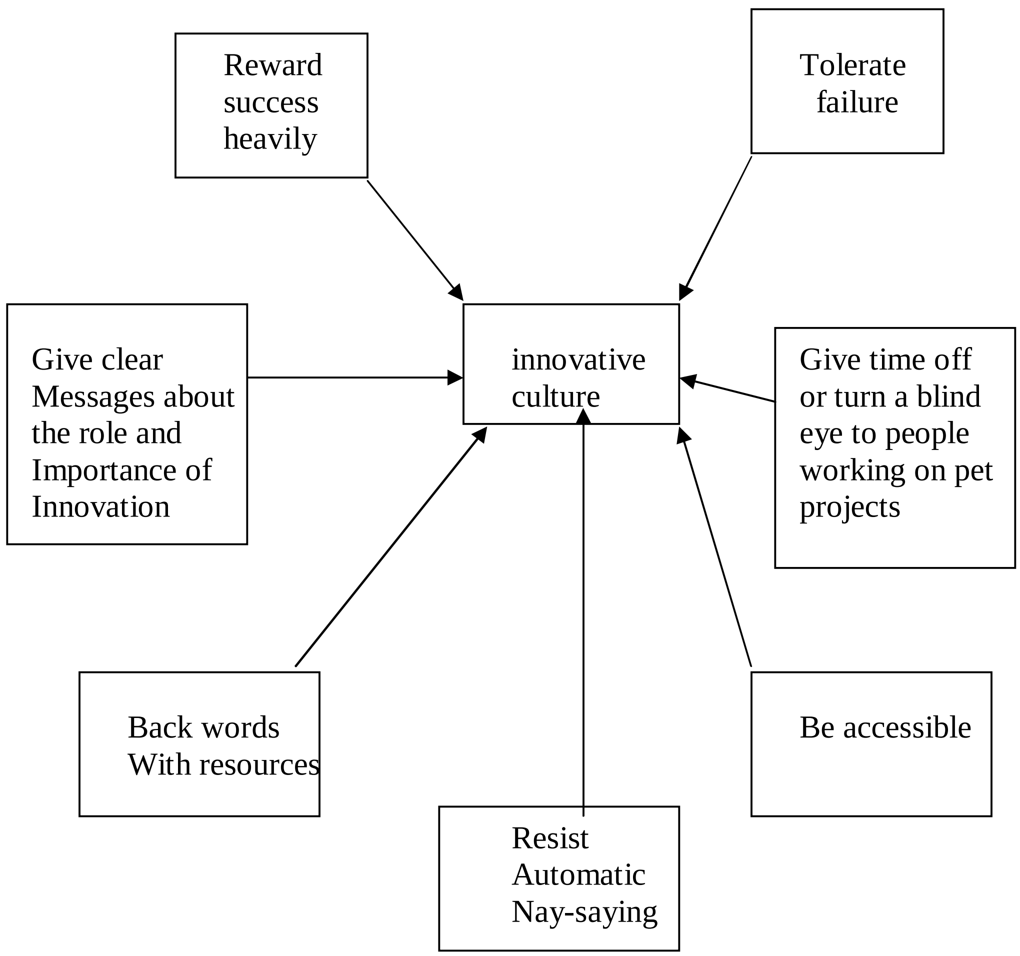
Self-Assessment Exercise

Briefly defined a new-product

3.2 Corporate Culture

The foundation for successful new product development is the creation of a corporate culture that promotes and rewards innovation. Unfortunately, many marketing managers, particularly Nigerians, regard their company’s corporate culture as a key constraint to innovation. Mangers therefore need to pay more attention to creating a culture that encourages innovation. Management team of an organization should look into this area in order to foster good relationship.

Figure 1: Creating and nurturing an innovation culture



Source: Jobber, D (2007) principles and practice of marketing 5th Edition, UK, McGraw-Hill Education Limited.

Figure 1 above shows the kinds of attitudes and actions that can foster an innovative culture. The surest way to kill innovation spirit is to conspicuously punish those people who are propagated to create and champion new product ideas through communication when things go wrong, and status quo. Such actions will bread the attitude.

Jobber (2007) observed that research has shown that those companies that have supportive attitude to rewards and risk, and a tolerant attitude towards failure, are more likely to innovation successfully.

An innovation culture can be nurtured by senior management visibly supporting new product development in general and high-profile projects in particular. For example, British Rails, attempt to develop the ill-fated Advanced Passenger Train (APT) which involved new technology; was hampered by the lack of this kind of support. Hence, individual managers took a subjective view on whether they were for or against the project.

Besides sending clear messages about the role and importance of new product development, senior management should reinforce their words by allowing time off from their usual duties to people who wish to develop their own ideas, make available funds and resources for projects, and make themselves accessible when difficult decisions need to be taken.

Finally management at all level, should resist the temptation of automatic 'nay saying'. Whenever a new idea is suggested the tendency by the listener is to think of the negatives. For example, suppose you were listening to the first ever proposal that someone at Nokia made concerning a move into mobile phones. Your response might have been; 'we know nothing about that business, we are not strong enough to compete against the American and Japanese, and if we succeed they will undercut us on price. All these aimed to de-motivate the proposer. The correct response is to resist expressing such doubts; instead the proposer should be encouraged to take the idea further through research and development.

3.3 New Product Development

New product development involves following steps:

1. New Product Strategy

In most cases, marketing executives value strategic guidance from senior management about their vision and priorities for new products development. By providing clear guidelines about which products markets the company is interested in serving, senior management's staff can provide a focus for the areas in which idea generation should take place. Also by outlining their objectives for new products they can provide indicators for the screening criteria that should be used to evaluate those ideas.

2. Idea Generation:-

Successful new product ideas are not necessarily based on technological innovation. Most often they are based on novel applications of existing technology. The sources of new product ideas can be internal to the company. These include- Scientists, engineer, marketing, sales force and designers. It could also be external such as through company consumers, account unit, wholesalers, brainstorming, educational institutions, research centre etc.

One of the benefits of developing an innovative corporate culture is that it sparks the imagination. The objective is to motivate the search for ideas so that sales people, engineers, top management, etc are all alert to new opportunities.

3. Screening

Having developed new product ideas, these ideas need to be screened to evaluate their commercial value. Some companies use formal cheek list to help them judge whether the product ideas should be accepted or rejected for further evaluation. Whatever criterion used, the focus should be on the commercial worth of the ideas being screened.

4. Concept Testing

Once the product idea has been accepted as worthy of further investigation, it can be framed into a specific concept for testing such with a potential customer. In many instances the basic product idea will be expended into several product concepts each of which can be compared by testing with target customers. Concept testing allows the views of customers to enter the new product development process at an early stage. Group discussion can also be used to develop and test product concepts. The concept may be described verbally or pictorially so that the major features are understood.

5. Business Analysis

Based on the results of the concept test and considerable managerial judgment, estimate of sales, costs, and profits will be made. This analysis will identify the target market, its size and projected product acceptance over a number of years. Consideration should be given to various prices and implication for sales volume. By setting tentative prices, this analysis will provide sales revenue estimates. Costs also need to be estimated to guide the management properly.

6. Product Development.

At this stage, the new product concept is developed into a physical product. Here multi-disciplinary project teams are established with the task of bringing the product to the market place. Product testing is also part of product development which focuses on the functional aspects of the product and on consumer acceptance. Functional tests are carried out in the laboratory and out in the field to check such aspects such as safety-performance, and shelf life. For example, product testing of software products by users is crucially important in removing any ‘bugs’ that have not been picked up by internal testers.

Besides, conforming to these functional standards, products need to be tasted with consumers to check acceptability in use. Here, paired comparison tests can be used along side with rival products. Alternatively two new product variants can be tested alongside one another. Questionnaire should be administered at the end of the test to gather overall performance information. Also experts can be used for product testing. Another way of providing customer input development is through product clinics. For example, prototype cars, and trucks are regularly researched by inviting prospective drivers to such clinics where they can sit in the vehicle, and comment on its design, comfort and proposed features.

7. Marketing Testing

So far in the development process, potential customers have been asked if they intend to buy the product, but have never been placed in the position of having to pay for it. Market testing concerned itself with the measurement of customer acceptance one crucial step further than products testing by forcing consumers to ‘put their money where their mouth is’. The aim is to launch the new product in a limited way so that consumer response in the marketing place can be assessed. Two major methods can be used. Namely (a) The Simulated market test and (b) test marketing.

The simulated market test can take a number of forms, but the principle is to set up a realistic market situation in which a sample of consumers’ chosen to buy goods from a range provided by the organizing company usually a marketing research company.

Test marketing involves the launch of the new product in one or a few geographical areas chosen to representative of its intended market. Test marketing is the acid test of new product development, since the product is being promoted as it would during a national launch, and consumers are asked to choose it against competitor products as they would if the new product went nation wide. It is more realistic test than the simulated market test and hence gives more accurate sales penetration and repeat purchase estimate.

The advantages of test marketing are that the information it provides facilitates the go/no go national launch decision and the effectiveness of the marketing mix elements.

The shortcomings of test marketing is that the testing towns and areas may not be representative of the nation-wide market, and thus sales projections may invalidate the market by giving distributor motives to stock their products, thereby denying the new product shelf space. Besides, distributors may refuse to cooperate with the manufacturer. For example super market chains may refused to take part in test marketing activities or charge a lefty fee for the services rendered.

8. Commercialization.

Test marketing gives/provides management the information needed to make a final decision about whether to launch the new product. An effective commercialization strategy relies upon marketing management making clear choices regarding the target market and the development of marketing strategy that provides a different advantage. Therefore, commercialization means massification or producing new products in large quantities for the intended market identified, for example the whole states of Nigeria.

In conclusion, superior commercialization of technology has been and will continuing to be a key successful factor in many industries. For example company such as Canon, Sony, and Philips already have the capability to bring sophisticated high-tech products to market faster than other companies that treat the commercialization process in a less disciplined manner.

3.4 Competitive Reactions

New product launched may be in response to new product entries by competitors. Research suggest that when confronted with a new product entry by a competitor, incumbent firms should respond quickly with a limited set of marketing mix elements. Managers should rapidly decide which ones (product, promotion, price and place) are likely to have the most impact and concentrate their efforts on them.

Competitors' reactions stem from four areas, namely:

1. Response is faster in high growth markets, given the importance of such markets, competitors will feel the need to take action speedily in response to a new entrant.
2. Response is dependent on the market shares held by the introducing firm and its competitors. Response time is slower when the introducing firm has higher market share.
3. Response time is faster in markets characterized by frequent product changes.
4 I t is not surprising to find that response time is related to the time needed to develop the new product.

3.5 Reasons for New Product Failure

Commercializing of new product does not mean that such product is totally free from defeats. The new products may be accepted at the early stay, but reactions may stem from the competitors, changes in government policies, the cultural influence, etc. on the products would cause it to fail after commercialization

Stanton (1981) provides reasons why products still fail. Discussed below are the salient factors:

1. Inadequate market analysis: - Over estimating potential sales of the new product inability to determine buying motives and habits, and misjudgment as to what the market unit is.
2. Product deficiencies: Poor quality and performance, complicated products and products that do not offers significant advantage over competitions products.
3. Lack of effective marketing effort: - Failure to provide sufficient follow-up after introduction of the new products, and failure to train marketing personnel for new products and new markets.
4. Higher cost than anticipated: - This led to higher prices, which in turn led to lower sales volume than anticipated.
5. Competitive reaction: - Speed and ease of copying an innovation soon overcrowded the market.

6. Poor timing: - The usual mistake here is to introduce a product too late, premature entry, etc.

7. Production problems: - Companies that could not produce sufficient quantities to meet demand, thus competition gained an unanticipated share of market.

It should however be noted that the above factors is into exhaustive. Reaction and failures of new products depends on the nature of the product, technological availability and accessibility and knowledge of the market and consumer needs and wants.

Self Assessment Exercise

State factors responsible for product failure

4.0 Conclusion

New products/services market by a firm are a prime determined of company growth rate, profits and total marketing programme. To manage their product assortments effectively, marketers should understand the full meaning of the term product and the different concepts of what a new product is. There are eight steps in the development process for new products. The early in this process are important. If a firm makes an early decision to drop a product, a lot of money and manpower can be saved. If its takes decision regarding whether to accepter or reject a new product, there are several criteria for a manufacturer or a middleman to consider. The product should fit marketing programmes and financial resources of the firm. Organization relationships are considered as a major problem in new-product planning and development. It is essentially important that top management should be deeply involved in product innovation, and support activities in good manner. This is achieved through management team approach.

5.0 Summary

This unit started by examine what constituted a product, then a new product was defined as a basis of identifying a new product. An organizational corporate culture was looked into from the perspective of support of management on product innovations and invention. Steps involved in creating a anew product were extensively discussed.

Competitors reactions to a new product launched were explained and factors that contributed to a new product failure were equally explained..

6.0 Tutor Marked Assignment

Enunciate factors responsible for a new product failure.

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Answers to Self Assessment Exercises

By new product ii means original products, product improvements, product modifications and new brands that the firm developed through its own research and development effort

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Factors responsible for product failures are;

1. Inadequate market analysis: - Over estimating potential sales of the new product inability to determine buying motives and habits, and misjudgment as to what the market unit is.

2. Product deficiencies: Poor quality and performance, complicated products and products that do not offers significant advantage over competitions products.

3. Lack of effective marketing effort: - Failure to provide sufficient follow-up after introduction of the new products, and failure to train marketing personnel for new products and new markets.

4. Higher cost than anticipated: - This led to higher prices, which in turn led to lower sales volume than anticipated.

5. Competitive reaction: - Speed and ease of copying an innovation soon overcrowded the market.

6. Poor timing: - The usual mistake here is to introduce a product too late, premature entry, etc.

7. Production problems: - Companies that could not produce sufficient quantities to meet demand, thus competition gained an unanticipated share of market.

Unit 10: Competitive Analysis

Table of Contents

1.0 Introduction

"If you don't have competitive advantages don't compete". Satisfying customers is the central aim of the marketing concept, but it is not enough to guarantee success. The real question is whether a firm can satisfy customer better than the competitors. For example, many car manufacturers such as BMW and Toyota, markets cars that give customers satisfaction in terms of appearance, reliability and performance. They meet the basic requirements necessary to compete. Customer choice, however this would depend on creating a little more value than the competition. The extra values is brought about by satisfying a competitive advantage.

Corporate performance nowadays depends on both customer satisfaction and being able to create grater value than the competitive hence firms need to understand their competitors as well as their customers as well as understanding its competitors; a firm can better predict their reation and exploit any weaknesses. They might possess competitor analysis which is thus crucial to the successful implementation of marketing strategy. This unit examined the competitive industry, competitive analysis and competitor's advantage.

2.0 Objectives

On successful studying of this unit, you should be able to:

1. Define an Industry
2. Explain the term competitor and
3. List competitor advantage in a firm

3.0 Main Text

3.1 Competitive Industry

An industry is a group of firms that market products that are close substitutes for each other. For example, car industry, information technology industry, and oil industry, etc. Some industries are more profitable than others, for instance, information technology industry is flourishing in Nigeria as compared to publishing industry which is dying gradually in Nigeria. There are some determinants of industry attractiveness and long-run profitability that shape the rules of competition. These are the threat of entry of new competitors, the threat of substitutes, the bargaining power of buyers and suppliers, and the rivalry between the existing competitors. Where these forces are high, below-average industry performance should be expected, and where these forces are mild, superior performance should be anticipated. There threats are thus discussed below:

a. The threat of new entrants: - New entrants can raise the level of competition in an industry, thereby reducing its attractiveness. For example, the new generation banks in Nigeria become threat to old generation banks. Some of these old generation banks, such as Union bank, savannah bank, etc are not able to operate maximally, because some of their customers were taken over by these banks such as Zenith Bank, FM bank, etc. The threat of new entrants depends on the barriers to entry. High entry barriers exist in some industries (such as oil, pharmaceuticals etc) whereas in other industries is much easier to enter, such as publishing and printing industry.

   Some of these entry barriers include:-

   a. Economics of scale
   b. Capital Requirement

c. Access to distribution

d. Expected retaliation. Etc.

Industry attractiveness can be increased by raising entry barriers. For example one of the company taking clear retaliatory actions is that of Rota-Print, a US manufacturer of printing machines and accessories. The company has a duty to retaliate if attacked. Despite this, it was attacked by Toshiba in the USA. Rota-Print retaliated by launching an offensive against Toshiba in Japan where it cut its price by 50 percent. Toshiba matched the price cuts, only for Rota-Print to further reduce them by another 25 percent. Shortly, Toshiba left the USA, to be followed by Rota-Prints withdrawal from Japan. Another way of raising barriers is by taking out patents and typing-up suppliers and/ or distributors.

b. The bargaining power of suppliers: - The cost of raw materials and components can have a major bearing on a firm's profitability. The higher the bargaining power of suppliers, the higher the costs. The bargaining power of suppliers will be high when:

1. There are many buyers and few dominant suppliers
2 There are differentiated highly valued product.
3. Suppliers threaten to integrate forward into the industry
4. Buyers do not threaten to integrate backward into supply
5 The industry is not a key customer group to the suppliers

A firm can reduce the bargaining power of suppliers by seeking new sources of supply.

Self-Assessment Exercise

State conditions when bargaining power of supplier will be high.

c. The bargaining power of buyers: - The bargaining power of buyers is greater when:-

1. There are few dominant buyers and sellers
2. Products are standardized
3. Buyers threaten to integrate backward into the industry
4. Suppliers do not threaten to integrate forwards into buyers industry and

5. The industry is not a key supplying group for buyers. Firm in the industry can attempt to lower buyer power by increasing the number of buyers they sell to.

d. Threat of substitutes:- The presence of substitute products can lower industry attractiveness and profitability, because these put a constraint on price levels, for example, tea, coffee, bounvita, pronto etc are fairly closely substitutes in Nigeria. Raising the price of tea for example, would made tea, coffee and others more attractive. This is why in seasonal periods such as Christmas, Sallah and marriage occasion, companies embark on marketing promotional by reducing the prices of there products to draw more customers to their firms product.

Notwithstanding, the threat of substitute products depends on:

1. Buyers willingness to substitute
2. The relative price and performance of substitute and
3. The costs of switching to substitute

The threat of substitute product can be lowered by building up switching costs, which may be psychological by creating strong distinctive brand personalities and maintaining a price differential commensurate with perceived customers values. Toyota Company use this strategy for various models of Toyota cars produced, most especially for Africa market.

e. Industry Competitors: - The intensity of rivalry between competitors in an industry would depend on:

1. Structure of the competition: - There is more intense rivalry when there are a large number of small competitors and few equally balanced competitors and less rivalry when a clear leader (such as coca-cola in soft drink industry in Nigeria) exists with a large cost advantage.
2. Structure of costs: High fixed costs encourage price cutting to fill capacity.
3. Strategic objectives: When competitors are pursuing build strategies, competition is likely to be more intense than when playing hold, or harvesting strategies.

4. Exit Barriers: When barriers to leaving an industry are high due to such factors as lack of opportunities, or emotional barriers or high cost of closing down plant, rivalry would be more intense than when exist barriers are low.

Therefore, firms need to be careful about the competitive situation. They need to balance their own position against the well being of the industry as a whole. Firms should avoid price war. For example, an intense competitive environment means that the value created by firms in satisfying customer needs is given away to buyers through lower prices.

3.2 Competitive Analysis

Analysis competitors and their activities is very important modern business. As a manufacturer, you need to know who is your competitor, what is strengths and weaknesses, what are its objectives, and strategies. This section attempted to provide answers to these areas that constitute a barrier in modern marketing activities.

A. Who are our competitors?

A competitor is a firm or groups of individuals producing the same products or very closed products for the target customers. For example, 7 up and Pepsi firms are competitors to Coke Cola Company. In identifying a competitor, sometimes is more challenging, this is because some products are produced and launched into the market to kill a competitors' products. Therefore, it is necessary to establish what exactly the products being produced by your competitors. For example, in alcoholic industry, Guider, Guinness, Stout, etc are competitors. Thus, for you enter alcoholic drink industry in Nigeria for example, you need to take them into consideration. Besides, knowing your competitors, there is a need to scan also the potentials for entering into the industry.

The source of companies competing with substitute products may be more difficult to locate. Notwithstanding Coke-Cola company has been able to content this and has it way in Nigeria market.. Ark Airline had being having due advantage over other airlines in Nigeria due to its good services offered the general public.

B.Strengths and Weaknesses

Having identified the competitors, the next stage is to complete a competitor audit in order to assess their relative strengths and weaknesses. A precise understanding of competitor strengths and weaknesses is an important prerequisite of developing competitor's strategy. For instance, before Ark Airline came on board in Nigeria, it was discovered that most of the Aircrafts in Nigeria by then were old. The firm thus embarked on purchasing new Aircrafts with a terminal of itself. The Aircrafts being new with modern facilities, this attracts customer to the Airline than the others.

The process of assessing competitors' strengths and weaknesses may take place as part of a marketing audit. As much as possible internal market and customer information should be gathered as is practicable. Not all of these information may be accessible, and some may not be relevant. Therefore, manufacturer should decide the extent to which each element of information is worth pursuing. At this point there is a need for budget to be prepared to determine the amount to be spent and how it should be spent base on the prioritized areas of information gathered The information gathered should be analysis along these areas:-

a. Identifying key factors for success in the industry
b. Rate your company and competitors on each key success factors using grating, scale, and
c. Consider the implications for competitive strategy.

C.Strategic objectives and Thrust

The third part of competitor analysis is to draw conclusion on the competitors' strategic objectives. It is useful to know what strategic objectives are used to pursued by competitors, this is because their response pattern may depend upon objectives. For instance, considering a price rise, a competitor pursuing a build strategy is not likely to follow; a company using a harvest objective will almost take due advantage to raise it product's/service price, may be by more than the increase. For example when Nigeria aircrafts complaint of scarcity of aviation fuel, they increased the prince of air flight. Butt Ark Airline took advantage of this and increase it price above other Airlines.

Strategic thrust refers to the future areas of expansion a company might contemplate. A company can expand its business by launching new products in existing markets. For example, Aero-Contractor is now fly Sokoto, Yola, and Benin as opposed to usual routes of Lagos, Abuja and Kano. Knowing the strategic thrust of the competitors helps to prepare the company ahead of its challenges.

D .Strategies

Strategies adopted by the competitors in terms of price, comfort, durability, performance, etc of product needs to be critically studied. Company's products need to be monitored continuously for changes in positioning strategy. For example Volvo's traditional positioning strategy based on safety has been recently modified to give more emphasis to performance and style.

E. Response Patterns

A key consideration in making a strategic or tactical move is the response of competitors. As explained earlier, understanding competitor objectives and strategies is helpful in predicting competitors' reactions. A major objective of competitor analysis is to be able to predict competitor response to market and competitive changes. Competitors past behaviour may serve as a guide. Most often market leaders' try to control competitor response by retaliatory action. For example Dudley (1990) quote a leader retaliatory action as thus:

> "A leader must enforce market discipline, must be ruthless in dealing with any competitive challenge. If you make a price move and a competitor undercuts it, then he should be should be shown that this action has been noticed and will be punished. If he is not punished he will repeat the move-and soon your leadership will be erode".

Notwithstanding, there are situation where the response of the competitors may be unpredictable. Hence, as a marketing executives you need to be caution by rushing to react with alternative strategies.

3.3 Competitive Advantage

All firms strive for competitive advantage. This is because each wants to serve its customers better than the competitors. As a result of this, different strategies are adopted. Some of these strategies are briefly explained below:

(a) Differentiation Strategy: - Differentiation strategy involves the selection of one or more choice criteria that are used by many buyers in an industry. Differentiation strategies are usually associated with a premium price. The aim is to differentiate in a way that leads to a price premium in excess of the cost of differentiating. Differentiation gives customers a reason to prefer one product over another. For example:

i. Nokia become market leader in mobile phones by being the best to realize that they were fashion items and design stylish phones to differentiate the brand from it rivals.

ii. Toyota has built its success and reputation by targeting a brand market with highly reliable, high build quality, low running cost and stylish cars, which differentiated the brand from its competitors, such as BMW, Nissan etc.

b. Cost Leadership: - Cost is an important element in production. Many manufacturing firms take due advantage of the market. This strategy involves the achievement of the lowest cost position in an industry; cost leaders often market standard products that are believed to be acceptance to customers. For example, Heinz and United Biscuits are believed to be cost leaders in their industries; they market acceptable products at reasonable prices.

c. Differentiation focus: - By this strategy, a firm aims to differentiate within one or a small number of target market segments. The special needs of the segment mean that there is an opportunity to differentiate the product offering from the competitors. For example, the coke soft drink produced for African market is quite different from that of Europe and American, this is because individual continent cultural background is taking into consideration..

Self-Assessment Exercise

Explain the term ‘Differentiation strategy.

3.4 Creating Competitive Advantage

Although skills and resources are the sources of competitive advantages, they are translated into a differential advantage only when the customer perceives that the firm is providing value above that of the competitors. Competitive differential advantage is achieved through marrying of skills and resources with the key attributes that customers are looking for in a product offering. It therefore means that a differential advantage can be created with any aspect of the marketing. These are briefly explain below:

1. Product: - Product performance can be enhances by such devices as raising speed, comfort and safety levels, capacity and ease of user, etc. For example, raising the speed of operation of a scanner this can lower the cost of treating hospital patents. In addition, the durability of a product has a bearing cost, since greater durability means a longer operating life. For example, most commercial drivers in Nigeria still prefer old Peugeot brand cars, because of its durability and reliability as opposed to modern Peugeots, like-306, 407, 607, etc. The capacity to upgrade a product or to meet changing needs, can lower costs, and confer prestige by maintaining state of the art features. The old Peugeot cars in Nigeria possessed these features. No matter how old and long distance might be, as soon as is republished, it becomes new immediately and ready for traveling.

2. Distribution/Place: - Careful selection of distributor locations can provide convenient purchasing points for customers. Quick and reliable delivery can lower buyer cost by reducing production time and lowering inventory levels. Reliable delivery reduces the frustration of waiting for late delivery. Some time, consumer are not after the cost of the product offered into the market but availability at the right time and place. For examples during Edi-Fitril, most Muslims are willing and ready to pay for Rams, no matter the cost implications. What they are after is the blessing aftermath.

3. Promotion: - A differential advantage can be created by the creative use of advertising. For examples, Heineken beer was differentiated by the use of humour and the tag-line. “Heineken refreshes the parts, other beers cannot reach”. At a time when

many other lagers were promoted by showing groups of men in public house enjoying a drink together. In the cars industry, BMW is advertised as stronger and reliable than other cars. In the Photo-copy industry. HP photocopier is considered stronger and reliable than other photocopiers.

4 Price: - Price is a sensitive element as far as consumers are concerned. A reduction of a particular product may caused other consumers of the products to shift away from the substitute brand. For example, during charismas in Nigeria, must super markets and superstores embarked on marketing promotions by offering different forms of price discounts.

It should however be noted that using low price as a mean of gaining differential advantage can fail unless the firm enjoys a cost advantage and has the resources tot a price war. For example, Laker Airways challenged British Airway in transatlantic flights on the basis of lower price, but lost the battle when British Airways cut its prices to compete. In addition 7up company Nigeria Plc embarked on marketing promotion by reducing the cost of the soft drink. But when Coke-Cola cut its prices lower, 7up Company lost the battle. Thus a less means of lowering the effective price to the customer is to offer credit facilities or law interest loans.

4.0 Conclusion

Competition is inevitable in modern marketing, but for a firm to have competitive advantages it means that the firm should be able to offer products or services better than the competitors. The areas a firm can have competitive advantage includes-products, price distribution, promotion and even quality and cheaper services. It should however be noted that these can only be achieved if the firm has adequate resources to it advantage.

5.0 Summary

This unit examined competitive advantage among firms. It also explained factors that contributed to competitors' advantage. Also examined are the variables that firms can manipulate to attain competitive advantage.

6.0 Tutor Marked Assignment

Explain the term differentiation strategy

7.0 Reference/Further Reading

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Answers to Self Assessment Exercises

The bargaining power of suppliers will be high when:

1. There are many buyers and few dominant suppliers
2 There are differentiated highly valued products.
3. Suppliers threaten to integrate forward into the industry
4. Buyers do not threaten to integrate backward into supply
5 The industry is not a key customer group to the suppliers

Differentiation Strategy: - Differentiation strategy involves the selection of one or more choice criteria that are used by many buyers in an industry. Differentiation strategies are usually associated with a premium price. The aim is to differentiate in a way that leads to a price premium in excess of the cost of differentiating. Differentiation gives customers a reason to prefer one product over another

Unit 11: Competitive Marketing strategy

Table of contacts

1.0 Introduction

An anonymous army general states that. ‘The easiest victories are in those places where there is no enemy’. It therefore means that competitive marketing strategy is needful as a result of enemies. And since business is like war activities where war equipment are adequately deployed and thereafter used accordingly. Then marketing executives must search for means of disarming their competitors’ in the market. This now lead to the development of marketing strategies. However, this unit concerned it self with the competitive marketing strategies. It should be noted that in any market, competition is the driving force of change. Without competition, companies motive: That is’ providing satisfactory levels of service but fail to excel’ is likely to be aftermath of their activities. When developing marketing strategy, companies need to be aware of their own strength and weaknesses; customer needs and the competition. The focus of this unit is to examine these challenged areas mentioned above.

2.0 Objectives

On successful completion of this unit you should be able to.

1. Describe the term strategy.
2. State various strategies or available for a marketing executives and
3. Suggest best alternatives strategies firms.

3.0 Main Text

3.1 Competitive Behaviour

The basis of marketing competition is on serving the customers better than the competitors. As a result of this each firm a attempt see their customers different by showing different attitude and behaviour. Competitive behaviour can take the forms of;

a) Conflict: - Conflict is characterized by aggressive competition, whereby the objectives is to drive competitors out of the market place. For example, the Nigeria telecommunication industry, MTN, and Globacom, compete aggressively in the industry, hence driving out away the Nigeria Telecommunication (NITEL). Airlines such as Dana Airline Euro Contractor, IRS Airline Ark Airline etc. come into Aviation industry; the main Airline for the country was Nigeria Airway which later lost its market to these new entrants

b) Competitive: - The objective of competition is not to eliminate competitors from the market place, but to perform better than them. This may take the form of trying to achieve faster sale and or profit growths, larger size or higher market share. Competitive behaviour recognizes the limits of aggression. Competition reaction will be an important consideration when setting strategy. For example, all soft drink firms in Nigeria look forward to Coke-Cola Company. This is because any attempt either to increase or reduce the price of soft-drink will be aggressively reacted to by Coke-Cola Company.

c) Cooperation:- This involves the pooling of the skills and resources of two or more firms to overcome problems and by taking advantage of new opportunities. A growing trend is towards strategic alliance, where firms join together through a joint venture, licensing agreement long-term purchasing and supply arrangement or joint research and development contract to build a long-term competitive advantage. For example Boeings cooperation with Rolls-Royee has lead to the development of quieter and more efficient jet engines.

d) Collusion: - This is a situation whereby firms come into some arrangements that inhibits competition in a market. For example Vitamin manufacturers from France, Germany, Japan and Switzerland were found guilty of collusion in the areas of price fixing and setting sales quota by the European commission. (Jobber, 2007). Collusion is more likely where there are a small number of suppliers in each national market, the price of the product is a small proportion of buyer cost, where cross-national trade is restricted by tariff barriers, and where buyers are able to pass on high prices to their customers.

Self-Assessment Exercise
Explain the term "collusion"

3.2 Developing Competitive Marketing Strategies

There is a symbiotic relationship between marketing and military. Each of this profession concerned itself with adopting an appropriate and better tactics than competitors/enemies. Since marketing concerned itself' with producing products and/or services to meet the needs and wants of the consumers. These services provided can be rendered by various firms in different ways while achieving the objectives of profit making purpose. This now call for critical studying of strategies to be adopted by marketing executives. This section examined these strategies.

1. Build Objectives

A build objective is suitable in growth markets. This is because overall market sales are growing; all players can achieved higher sales even if the market share of a competitor is falling. Some researchers are of the view that if competitors' expectations are high in a growth market they may retaliate if those expectations are not met.

A build objective is also useful in growth markets, because new users are being attracted to the product. This is because new users have not established their own brands or supplier loyalty, it is therefore logical to invest resources in order to attract them to these products offered into the market. During trail period, this can lead to the building of good will and loyalty as the market matures. For example, Cisco systems, used build objective, the company achieved staggering growth by providing 'routers' that direct traffic around the internet and corporate intranets. In first 15year period, the company doubled its size every year. It continued to build through acquisition and move into related emerging areas.

Besides, a build objective is attractive in mature market where there are exploitable competitive weaknesses. For example Japanese car producers exploited US, European car manufacturers' weaknesses.

A build objective can be achieved in four ways through:

i. Market expansion
ii. Winning market share from the competition
iii. Merger (Acquisition,) and
iv. Forming strategic alliance

Let us examine two strategies adopted by firms to win a market share:

a. Frontal Attack: - This involves the challenger taking on the defender head on. For example, Hewletipackard took the leader up 'Dell' by price cutting. If the defender is a market leader, the success of a head-on challenge is likely to depend on four factors, namely:

i. The challenger should be a clear and sustainable competitive advantage. For instance, Samsung's challenge to Nokia was built on the clamshell. design of mobile handsets, which were fashion able and possessed the advantage of covering the keys, thus preventing consumers accidentally pressing them while carrying the handset.

ii. The challenger should achieve proximity in other activities.

iii. Success is more likely if there is some restriction on the leader's ability to retaliate. Such restrictions include-patent protection, price, etc

v. The challenger needs adequate resources to withstand the battle that will take place should the leader retaliate. For Napoleon supported the principle of superior force when he opened that "God is on the side of the big battalion.". IBM is a good example in this case which attacked Apple, the market leader in the personal computer market.

b. Flanking Attack: - This involves unguarded or weekly guarded ground. That is attacking geographical areas or market segments where the defender is poorly represented. For example, Shoprite in Epe express way, Lagos operate 24/7 per week, hence chasing away other supper markets and chain stores in that area of the city In addition, the attack by Japanese companies on the European and US car market was a flanking attack, on small car segment, from which they have expanded into other segments including sports cars.

Activity:

What does these attack strategies or land

(a) Enrichment attack (b) Bypass attack and (c) Guerilla attack

Self-Assessment Exercise

List the factors responsible for the success of a head-on challenge

2. Hold Objectives

Hold objectives involves defending a company's current position against the attackers. The aim is to block the moves of strong competitors. Politicians used the techniques against their oppositions. The conditions that make a hold objective attractive are:

a. That a market leader is in a mature or declining market
b. That the holding is suitable is in growth markets when the costs of attempting to build sales and market share outweigh the benefits.

A hold objective can be achieved by monitoring the competitors or by confronting the competitors. Let examine five ways of confronting the competitors:

1. Position defense which involves building a fortification around one's existing territory. This strategy is adopted by Coke-Cola Company in Africa, and Nigeria in particular.

2. Strategic withdrawal or contraction defense which requires a company to define its strengths and weaknesses, and then to hold on to its strengths while divesting its weaknesses. Nokia practiced strategic withdrawal, moving initially from a paper, rubber goods and cables group into computers, consumer electronics and telecoms, and mobile telecoms. How, Nokia dominates the mobile handset market. A strategic withdrawal allows a company to focus on its core competences and is often required when

diversification has resulted in too wide a spread of activities away from what it does really well.

3. Niche Objectives:-A company may decide to pursue market niche objectives by pursing a small market segment or even a segment within a segment. In doing so, it may avoid competition with companies that are serving the major market segments. But the problem of the niche objectives is that it successful run the risk that larger competitors are attracted into the segment. For example, Socket water (pure-water) Youglotto & fruit juices businesses were embarked upon initially by poor individual entrepreneurs in Nigeria. But such enterprises are nowr over by big companies such as Unilerer, Dangote, Dansa, etc.

Niching may be the only feasible objective for companies with small budget and where strong competitors are dominating the main segments. A key strategic tool for a niche oriented company is market segmentation. Therefore management should be vigilant in its search for underserved segments that may provide profitable opportunities. This will however, depend upon the attractiveness of the niche and the capability of the company to serve it.

4. Harvest Objectives

Harvest objectives involve attempting to improve unit profit margins even if the result of sales is falling. Although sales are falling, the aim is to make the company or product extremely profitable in the short-term, generating large positive cash flows that can be used else where in the business, for instance to fund new product development. For example in growth market, harvesting can make sense where the costs of building or holding exceed the benefit. These are problem of products that have little long-term potential. Harvesting is particularly attractive if a core of loyal customers exists. For example, a Smithlline Beecham hair product, Bylcreen, was harvesting but sales decline was not terminated as a group of men who used the product in their adolescence continued to buy it in later life..

5 Divest Objectives

A divest objectives involves diverting away from the usual business into new areas as a result of losses sustained. That is divestment is often associated with loss-making products or businesses that are drain both financial and managerial resources. Because of the drain on profits and cash flow, once a decision to divest has been made, the focus should be to get out quickly so as to minimize costs.

4.0 Conclusion

Competition is the driving force of change. Without competition companies would not strive high to satisfy consumer's needs and wants qualitatively. Competition is the basis of modern marketing activities. But competitive warfare can only be achieved if the company has added advantage on its strengths, competences and resources. Therefore, in developing marketing strategies, companies should be aware of their own strengths, and weaknesses, customer needs, and the competitors' reactions.

5.0 Summary

This unit examined various competitive marketing strategies as a basis of penetrating the target markets and serving the customers appropriately Such strategies include build objectives, hold objectives, niche objectives, harvest objectives and divest objectives.

6.0 Tutor Marked Assignment

Explain the factors responsible for the success of head-on challenge.

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Answers to Self Assessment Exercises

Collusion: - This is a situation whereby firms come into some arrangements that inhibits competition in a market. For example Vitamin manufacturers from France, Germany, Japan and Switzerland were found guilty of collusion in the areas of price fixing and setting sales quota by the European commission. (Jobber, 2007). Collusion is more likely where there are a small number of suppliers in each national market, the price of the product is a small proportion of buyer cost, where cross-national trade is restricted by tariff barriers, and where buyers are able to pass on high prices to their customers.

The success of a head-on challenge is likely to depend on four factors, namely:

i. The challenger should be a clear and sustainable competitive advantage. For instance, Samsung's challenge to Nokia was built on the clamshell. design of mobile handsets, which were fashion able and possessed the advantage of covering the keys, thus preventing consumers accidentally pressing them while carrying the handset.

ii. The challenger should achieve proximity in other activities.

iii. Success is more likely if there is some restriction on the leader's ability to retaliate. Such restrictions include-patent protection, price, etc

vi. The challenger needs adequate resources to withstand the battle that will take place should the leader retaliate. For Napoleon supported the principle of superior force when he opened that "God is on the side of the big battalion.". IBM is a good example in this case which attacked Apple, the market leader in the personal computer market.

UNIT 12: Product-Mix Strategies

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1.0 Introduction

Most manufacturers do not specialized on a single products, rather they manufactured assortment of products. A product mix is the set of all products and items that a particular seller offers for sale. The decision to stock various manufacturers products carefully need to be reach. In this unit, you learn a number of strategies decisions pertaining to an organization's assortment of products.

3.0 Objectives

After studying this unit, you should be able to

1. Differentiate between product mix and product line
2. Explain the major product-mix strategies and
3. Explain the of the terms 'Trading up' and 'trading down'

3.0 Main Text

3.1 Product-Mix and Product Line

As earlier stated in the introduction, few firms rely on a single product. Rather, most companies deal in many products. The set of all products and items that a particular seller offers for sale is called a product mix or product assortment.

A company's product mix has a certain width, length, depth, and consistency:

a. The width of a product refers to how many different product lines the company carries.
b. The length of product mix refers to the total number of items in the mix
c. The depth of a product mix refers to how many variants are offered of each product in the line.
d. The consistency of the product mix refers to how closely related the various product lines are in end use, production requirements, distribution channels or some other way.

A company's product lines are said to be consistent, for instance if they are consumer goods that go through the same distribution channels. The lines are less consistent if they perform functions different functions for the buyer.

These four product mix dimensions allow the company to expand its business in four ways. In the first place, it can add new product lines, thereby widening its product mix. Secondly, it can lengthen each product line. Thirdly, it can add more product variants to each product, thereby deeping its product-mix Fourthly, the company may pursue more product-line consistency.

Product-line is defined as a broad group of products, intended for essentially similar uses and having similar physical characteristics. While offering a product line, companies normally develop a basic platform and modules that can be added to meet different customers requirements. For instance, car manufacturer build their cars around a basic platform.

Self Assessment Exercise

Define a product-mix

3.2 Product-Mix Strategies

In the introduction page, it was stated that companies carry a diverse assortment of products. For instance, a company may deal in baked foods, snack foods, entertainment goods, different brands of soft-drinks, etc. This wide variety of goods has not been developed by accident. Rather, it reflects a planned strategy by the company. It therefore means that producers and middlemen need carefully planned strategies for managing their product mixes. These are discussed further in the section below:

3.2.1 Positioning The Product

A company's ability to bring attention to a product, as well as differentiate it in a favourable way from similar products goes along way toward determining that product's revenues and the company's profits. Therefore, it is important for companies to engage in positioning. Positioning means developing the image a product in relation to competitive products and to the firm's other products.

It should be however be noted that positioning is not what you do to a product. It is what you do to the mind of the prospect. That is, you position the product in the mind of the prospect. This is the reason why well-known products generally hold a distinctive position in consumers' mind.

Here are some strategies while positioning a product:

a) Positioning in Relation to a Competitor

Positioning directly against the competitor is the best strategy for some product. This strategy has been found to be especially suitable for a firm that already has a solid differential advantage or is trying to solidify such an advantage. For example, in order toward off rival makers of microprocessors, Intel Corp. launched a campaign to convince buyers that its product is superior to competitors. To reap maximum benefits, the company even paid computer makers to include the slogan, "Intel inside" in their advertisements. If you check your personal computers, you see this on it.

It should be warm that head-to-head positioning should never be encouraged, especially when a competitor has a strong market position. The market leader will do everything possible to frustrate such moves; this might eventually lead to the failure of the contender.

b) Positioning in Relation to Product Class or Attribute

Some times, a company's positioning strategy entails associating its products with a product class or attribute. Seldom, the company might want to actually dissociate its products from a product class or attribute. For instance, some firms promote their products as having an attractive attribute, such as 'low energy consumption' or 'environmentally friendly'. These days, this strategy is now widely used for food products. For example, some food products are being labeled as containing little or no salt, sugar, fat, or cholesterol. Such items are positioned against products that are packed with the conventional amount of salt, calories, cholesterol or fat content.

c) Positioning by Price and Quality

There are two extremes here. On one side, some producers and retailers may opt for high quality and high prices strategy. On the other side, are discounters who stress low prices. This is not to infer that discounters ignore quality.

d) Positioning in Relation to Target Market

Whatever positioning strategy is adopted, the needs of the target market must always be considered. This is consistent with the slogan 'consumers are the king'

Self Assessment Exercise

State strategies to be adopted while positioning company's products.

3.2.2 Product-Mix Expansion

Product-mix expansion is accomplished by increasing the depth within a particular line and / or the number of lines a firm offers to consumers. For instance, when company adds a similar item to an existing product line with the same branded name, this termed a line extension. A firm may engage in line extension for several reasons. The major one is that firm wants to appeal to more market segments by offering a wider range of choices for a particular product. Another way to expand the product mix is by adding a new product line to the company's present assortment. Under this strategy, the new line may or may not be related to current products. In addition, it may carry one company's existing brand names or may be given an entirely new name.

Under this situation, a company has four alternatives, namely

1. Related product, the same brand
2. Unrelated product, the same brand
3. Related product, different brand and
4. Unrelated product, different brand.

In most cases, the new line is related to the existing product mix, this is because the company wants to capitalize on its expertise and experience.

3.2.3 Trading Up and Trading Down

Trading up and trading down strategies involve a change in product positioning as well as an extension of the product line. In trading up, for instance, a higher price product is added to a line in order to attract a broader market. The reason for the adoption of this strategy is that the added product's prestige might help the sale of the existing lower-price products.

Trading down strategy entails adding a lower-price product to a company's product line. It is expected that people who cannot afford the original higher-price product or who see it as too expensive will buy new lower-price product. The reason for this strategy is that the lower-price product carries some of the status and some of the other substantive benefits (such as performance) of the higher price products.

It is also possible to practice the trading down strategy without necessarily introducing new lower-price product. This is usually achieved through advertising. For instance, a manufacturer of wrist watches might accomplish this by advertising some of the lower-price items in its existing product lines.

It should be warm that trading up and trading down strategies could be very dangerous, especially since the new product may confuse buyers. Thereby, resulting in negligible net gain. It is equally undesirable if sales of the new lines are generated at the expenses of the established products. For instance, when trading down, the new established products may permanently hurt the firm's reputation as well as that of its established high-quality product. To avoid this situation, the new lower price products may be given brand names that are different from the established brands.

In the case of trading up, the problem actually depends on whether the new product line carries the established brand name as adopted. It is necessary for the company to change its image so that new customers will accept the higher-price product. On the contrary, the seller would not want to lose its present customers. Hence, the new offering may present a cloudy image, mot attracting new customers, but driving away existing customers. However, where a different brand name is used, the company must crate awareness for it, and then simulate consumers to buy the new product.

3.3.4 Alteration of Existing Products

Instead of developing completely new product, management could take critical look at the company's existing product-mix. The firm can thus adopt the strategy of product alteration, by improving an established product. This strategy may actually be more profitable and less risky than developing new products. Notwithstanding, product alteration has some inherent risks. For instance, when Coca-Cola Bottling Company modified the formula for its leading product 'Coca-Cola', and changed its name to New 'Coke', sales dropped drastically. The company was subsequently forced to bring back the old formula three months later under the classic –Coca-Cola brand name.
Another possible alterative especially for consumer goods, is to change the products packaging, instead of the product itself.

4.2.5 Product-Mix Contraction

Product-mix contraction is carried out either by eliminating an entire line or by simplifying the assortment within a line. The main objective of this strategy is to obtain higher profits from fewer products. In this case, thinner and / or shorter product lines or mixes can weed out profit and unprofitable products. In that situation, as firms discover that they have an unmanageable number of products or that various product lines are unprofitable or both product mix pruning may be the best strategy.

4.0 Conclusion

Product –mix strategies is much important especially as the cost of research and development of new products is on the increase. However, this should be carried out with caution.

5.0 Summary

In this unit you learnt about product-mix, product line, product-mix strategies and implications to existing products and new products.

6.0 Tutor Marked Assignment

Describe product contraction

7.0 References/Further Readings

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Answers to Self Assessment Exercises

The set of all products and items that a particular seller offers for sale is called a product mix or product assortment.

A company's product mix has a certain width, length, depth, and consistency

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Strategies to be adopted while positioning company's products are:

a) Positioning in Relation to a Competitor

Positioning directly against the competitor is the best strategy for some product. This strategy has been found to be especially suitable for a firm that already has a solid differential advantage or is trying to solidify such an advantage. For example, in order toward off rival makers of microprocessors, Intel Corp. launched a campaign to convince buyers that its product is superior to competitors. To reap maximum benefits, the company even paid computer makers to include the slogan, "Intel inside" in their advertisements. If you check your personal computers, you see this on it.

It should be warm that head-to-head positioning should never be encouraged, especially when a competitor has a strong market position. The market leader will do everything possible to frustrate such moves; this might eventually lead to the failure of the contender.

b) Positioning in Relation to Product Class or Attribute

Some times, a company's positioning strategy entails associating its products with a product class or attribute. Seldom, the company might want to actually dissociate its products from a product class or attribute. For instance, some firms promote their products as having an attractive attribute, such as 'low energy consumption' or 'environmentally friendly'. These days, this strategy is now widely used for food products. For example, some food products are being labeled as containing little or no salt, sugar, fat, or cholesterol. Such items are positioned against products that are packed with the conventional amount of salt, calories, cholesterol or fat content.

c) Positioning by Price and Quality

There are two extremes here. On one side, some producers and retailers may opt for high quality and high prices strategy. On the other side, are discounters who stress low prices. This is not to infer that discounters ignore quality.

d) Positioning in Relation to Target Market

Whatever positioning strategy is adopted, the needs of the target market must always be considered. This is consistent with the slogan 'consumers are the king'

UNIT 13: Overview of International Marketing

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1.0 Introduction

Random distribution of natural resources necessitates inter-dependence among countries of the world. Since no country is self sufficient, that is, no country can produce all the goods and services needed for its economy. Hence, different countries around the globe engaged in the production and exchange of different commodities. Countries engage in international marketing/trade to obtain goods they could not produce at home or those goods which can be bought at cheaper prices than home products. Today, individuals and nations, buys goods and services which they can produce themselves, simply because, they tend to specialized on the production of those commodities and services they had greatest comparative advantage. In other words, trade between nations developed first, where one country can produce something desirable while others could not. International marketing/trade owes it origin to the varying resources of different regions.

2.0 Objectives

After thorough studying of this unit, you should be able to:

1. Define an international marketing
2. Give reasons for international marketing

3. Explain challenges in international marketing
4. Explain stages of international marketing involvement and
5. Differentiate between global company and multinational company

3.0 Main Text

3.1 An Overview of Marketing and International Marketing

Current interest in international marketing can be explained by changing competitive structures coupled with shift in demand characteristics in markets throughout the world. With the increasing globalization of markets, companies find themselves unavoidably enmeshed with foreign customers, competitors and suppliers, even within their own borders.

Marketing principles are universally applicable, whether a firm sells in the domestic market or foreign market, its marketing programmes should be built around a good product or service that is properly priced, promoted, and distributed to a market that has to be carefully analyzed.

If the statement is nothing to go by, we shall start our study of international marketing by refreshing our memory with the meaning of marketing in general. Al though, there are many definitions attached to marketing, notwithstanding, we shall adopt the following:

Kotler and Armstrong (1996) defined marketing as the business function that identifies customers needs and wants, determines which target markets the organization can serve best, and designs appropriate products, services and programmes to serve these markets.

Stanton (1981) defines marketing as a total system of business activities designed to plan, price, promote, and distribute want-satisfying goods and services to present and potential customers.

Kotler (1984) defined it as a social process by which individuals and groups obtain what they need and want through creating and exchanging products and value with other.

Marketing is a profit making activity which involves the co-ordination of various functions aimed at facilitating the flow of the required goods and services from the place of production to the place of consumption. A break down of this definition shows that marketing involves:

a. Investigation

b. Designing, and
c. Selling

International Marketing

International marketing involves the extension of the analysis of planning and implementation of marketing resources and programmes to foreign markets. Once a firm extends its marketing resources and programmes beyond its national boundary to other countries, that firm will be said to been engaging in international marketing.

American Marketing Association (AMA) defined international marketing as “the multinational process of planning and executing the conception, pricing, promotion and distribution of ideas, goods, and services to create exchange that satisfy individual and organizational objectives. The inclusion of multinational implies that marketing activities are undertaken in several countries and such activities should somehow be coordinated across nations.

It also means that the international marketing process is not a mere repetition of using identical strategies abroad. The four Ps of marketing (product, place, promotion and price) must be integrated and coordinated across countries in order to bring about the most effective marketing mix. In some cases, the mix may have to be adjusted for a particular market for better impact.

Cateora and Graham (1999) defined international marketing as the performance of business activities designed to plan, price, promote, and direct the flow of a company’s goods and services to consumers or users in more than one nation for a profit.

Although, international marketing does not involve principles found in the domestic marketing, it deserves special attention because of the following factors:

a. Its growing importance as an era of marketing opportunity and
b. Its greater level of risk and uncertainty steaming from the marketer’s unfamiliarity with other cultures.

It therefore calls for critical studying and evaluation of economic, political, socio-cultural and legal environments. In this regard, companies that seek its fortunes in the global markets, should carefully planned its marketing activities abroad, this because its risks are enormous. Likewise its rewards are unquantifiable.

Thus, international marketers should critically focus on:

a. International marketing decisions
b. Market selection decision
c. Entry and operation decision
d. Marketing mix decision, and
e. Market organization decision.

3.2 Reasons for International Marketing

Most companies would prefer to remain domestic, if their domestic market were large enough. This because, managers would not need to learn another country's language and laws, deal with volatile currencies, face political and legal uncertainties or redesign their products to suit different customers' needs and expectations. Besides, business would be easier and faster at home.

However, Kotler (1997) gave several reasons that might draw a company into international marketing. Some of these are:

1. Global firms offering better products or lower prices might attack the company's domestic market. The company might want to counter attack these competitors in their home markets to tie up their resources.
2. The company might discover that some foreign markets present higher profit opportunities than the domestic market
3. The company might need a large customer base to achieve economies of scale.
4. The company might want to reduce its dependence on any one market so as to reduce the risk
5. The company's customers might be going abroad and might require international servicing
6. Differences in factor endowment- international trade owe it origin to the varying resources of different regions. Resources are not evenly distributed around the globe, thus some countries are better in some resources than the other.

3.3 Challenges in international Marketing

Most companies, if not all, they are compelled to go abroad, however, wish to limit their marketing activities to home markets. Some of the reasons why some of these companies do not want to abroad include:

1. Unstable Government- High indebtedness, high inflation, and high unemployment (most especially African countries, Nigeria in particular) in several countries have resulted in high unstable governments that expose foreign firms to high risks. Some companies' have to adopt strategy of sponsoring the government in power during campaign processes, because of their investments in such countries. These activities engaged by these companies, add to the marketing costs which they have to content with. For such reasons, most of the companies do not want to global.
2. High Foreign Indebtedness- Many companies and countries have accumulated huge foreign debts on which it is difficult to pay back, even the interest. This indebtedness could be attributed to loans taken, poor leadership, paying employees abroad, paying necessary taxes, etc, as stipulated by the governments abroad.
3. Foreign Exchange Problem-High indebtedness and economic-political instability decreases the value of a country's currency. Foreign firms want payments in hard currencies with profit repatriation rights. But these options may not be available in total in markets.
4. Foreign Government Entry Requirements and Bureaucracy- Governments of most countries places some regulations on foreign firms operations. These laws and regulations most companies most especially in developing world find it difficult to meet up. Thus, they find it difficult to go abroad.
5. Tariffs and other Trade Barriers- Governments often impose high tariffs to protect their domestic markets. They also resort to invisible trade barriers, such as slowing down import and approvals, requiring costly product adjustments and slowing down inspections or clearance of arriving goods mostly especially at the ports.
6. Corruption- Officials, who charged with the responsibility of discharging one service or the other, requires bribes before necessary documents are signed. Most often they awards contract/business to highest bidders rather lowest bidders.

7. Technological Pirating- A company locating its plant abroad worries about foreign managers learning how tom make its products and breaking away to compete openly either due to some disagreements, change in foreign government and policies, or inability of the firms to meet up with the economic conditions or intentional break-off. All these challenged most companies to go global.

8. High Cost of Production and Communication Adaptation- A company going abroad must study each foreign market critically and carefully, this because it must be sensitive to its economics, laws, politics, and socio-cultural ; and adapt appropriately its products and communications to such markets.

9. Shifting Border issues- Many international boundaries are in a state of flux. National borders are fundamentals to marketing activities, this because they dominate and shape economic behaviour within the country's borders. Changing boundaries may mean moving targets for international marketers.

Activity

To assess your understanding of this section, do work out this activity:

Give five reasons why firms go abroad.

3.4 International Marketing Concepts

Cateora and Graham (1999) reported that the differences in the international orientation and approach to international markets that guide the international, business activities of companies can be described by one of the three orientations to international marketing management, namely:

1. Domestic market extension concept
2. Multi-domestic market concept, and
3. Global marketing concept

Domestic Market Extension Concept- The domestic company seeking sales extension of its domestic product into foreign markets, it views its international operations as secondary to and an extension of its domestic operations. The primary motive is to make excess domestic production. Foreign sales are seen as a profitable extension of domestic operations.

Multi-Domestic Market Concept- Once a company recognizes the importance of differences in overseas markets and the importance of offshore business to the organization, its orientation towards international business may shift to a multi-domestic market strategy. A company guided by this concept has a strong sense that country's markets are vastly different and that market success requires an almost independent program on a country by country basis, with separate marketing strategies for each country.

Global Marketing Concept**-** A company employing a global marketing strategy strives for efficiencies of scale by developing a standardized product of dependable quality, to be sold at a reasonable prices to a global market. That is, marketing planning mix is approached from a global perspective and where feasible in the marketing mix, efficiencies of standardization are sought for.

3.5 Stages of International Marketing Involvement

Regardless of the means employed to gain entry into a foreign market, a company may from marketing view-point, make no market investment. That is, its marketing involvement may be limited tom selling a product with little or no thought given to development of market control or a company may become totally involved and invest large sums of money and effort to capture and maintain a permanent, specific share of the market. Regardless of their involvement, briefly discussed below are some of the stages.

1. No Direct Foreign Marketing-

Companies in this stage do not actively cultivate customers outside national boundaries. However, this company's products may reach foreign markets. Sales may be made to trading companies as well as other foreign customers who come directly to the firm. Or other products reach foreign markets via domestic wholesalers or distributors, who sell abroad on their own without explicit encouragement or even knowledge of the producer.

2. Infrequent Foreign Marketing-

Temporary surpluses caused by variations in production levels or demand may result in infrequent marketing overseas. The surpluses are characterized by their temporary nature; therefore, sales to foreign markets are made as goods are available with little or no intervention of maintaining continuous market representation.

3. Regular Foreign Marketing-

At this level, the firm has permanent productive capacity devoted to the production of goods to be marketed on a continuing basis in foreign markets. A firm may employ foreign or domestic overseas middlemen or it may have its own sales force or sales subsidiaries in important markets. The primary focus of operations and production is to service domestic market needs.

4. International Marketing-

Companies at this stage are fully committed and involved in international marketing activities. Such companies seek markets all over the world and sell products that resulted from planned production for markets in various countries. This generally entails not only the marketing; but also the production of goods outside the home market. At this point, a company becomes an international or multinational marketing firm.

5 Global Marketing-

At the global marketing level, the most profound changes is the orientation of the company toward markets and its planning. At this stage, companies treat the world, including their home market as one market. The entire marketing operations, and so forth, are considered as a global perspective, for example- Coca Cola Company.

Self Assessment Exercise

Briefly give reason for international marketing

4.0 Conclusion

International marketing is an opportunity to expand domestic market abroad as well as seeking new market for new product for a firm. International marketing is challenging in the sense that the market environment must be critical studied before embarking on it. Besides, the consumer behavior towards a particular product might not be the same with the domestic market; hence there is a need to carry out a research of the market. Sometimes, international marketing is a way of following a competitor or a reaction to a competitive products. Therefore, international marketing has it own threats and opportunities.

5.0 Summary

In this unit, you learnt about International marketing, reasons for international marketing, challenges, and stages of international marketing.

6.0 Tutor Marked Assignment

Explain the challenges in international marketing

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UNIT 14: International Marketing: Mode of Entering

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1.0: Introduction

Marketing opportunities exist in all countries regardless of the level of economic development. To assume that only developed countries offer more market potential is a misconception that wills lead international marketers astray. A particular market may initially seem attractive because of its potential demand and size in terms of the number of consumers or their purchasing power. Yet the market may be attracting more than its share of competition. Since the market is thus crowded by many competitors, it may not be especially attractive after all. As a result, Onkvisit and Shaw (1997) observed that LDCs may provide a better return on investment because competitive expenditures can be significantly less when sophisticated and expensive marketing techniques are not necessary.

A marketer usually discerns far more market opportunities that a firm's limited resources permit to be pursued. It therefore implies that a marketer must develop a priority system so that available resources will not be spread too thin for the needed impact. Countries must be screened based on certain relevant criteria for comparing opportunities. Such criteria may include market potential, economic growth, political risk, available resources, etc. In assessing market opportunities, there is no single ideal criterion. A marketer must therefore employ a set of criteria that is relevant to the market opportunity under consideration. This unit examines the various alternatives of entering international markets.

2.0 Objectives

After thorough study of this unit, you should be able to:

1. Explain modes of entering international markets
2. Select the best option for your business and
3. Advise clients on the modality of approaching an international market.

3.0 Main Content

3.1 International Market Entry Decision

Once a company has analyzed the environment of foreign market and concludes that it represents an alternative opportunity, the next step for the company is to take strategic decisions on how to enter the market. A company that has this kind of decision to make usually have three strategic options to consider and select the most appropriate. In trying to select the most appropriate strategic option, the company has to consider the impact of some the crucial factors such as the nature of the product, nature of the market, financial capacity of the company, the management expertise, and the established objectives of the company. These options are thus discussed below.

3.2 Export

This is the quickest and simplest way through which a company can enter foreign markets. With the option, the manufacturing facilities of the company will remain located in the home country while the company simply makes arrangement on how to sell some of its present products abroad. Exporting is a strategy in which a company, without any marketing or production or organization overseas, exports a product from its home base market abroad.

Exporting allows a company to enter foreign markets with a minimum of change in its product line, company organization, investment, or company mission.

The main advantage of exporting strategy is the case in implementing the strategy. Risks are minimal because the company simply exports its excess production capacity when it receives orders from abroad. The problem with using an exporting strategy is that it is not always an optimal strategy. A desire to keep international activities simple, together with a lack of product modification, make a company's marketing strategy inflexible and unresponsive.

However, any company that chooses to enter into international markets by only exporting its products to the foreign markets can achieve the objective through two ways, namely indirect export and direct export.

3.2:1 Indirect Export

Under this method or strategy, the firm does not have to develop an oversea sale force. It will only hire independent international middlemen in the countries concerned. Firms that are stating export business for the first time usually adopt this method. The method involve less investment and less risks. The assumption is that the middlemen's established goodwill, marketing know-how and services will enable the image of the product and possibly increase the speed of its acceptance in the market.

Firms that adopt the indirect export method in their international business usually have three options of domestic middlemen arrangements. They can use any or combination of the following:

(a): Domestic Based Export Merchants

Buys the manufacturers' products and then sell them abroad. With this arrangement, the exporting company only sells its products to the export merchant in the home country. After buying from the company, the export merchant will then sell the product to foreign markets on its own account. Because, the merchant takes title to the product, it shoulders all the burden and risks involved in exporting the product to foreign markets.

(b): Domestic-Based Export Agents

The agents seek and negotiate foreign purchases and are paid commissions. The agents simply agree to seek for foreign buyers for the company. Their job normally is to bring foreign buyers into contact with domestic sellers. They receive commission on any business done. However, the exporting firm will bear the whole risk involved in the business. In selecting the agent to work with, the exporting company has the option of choosing any of the following:

i. Export Buying Agents.

They reside in the manufacturer's country but represents foreign buyers. Their functions are to place orders with the manufacturers, take care of the

ii. Brokers

Their function is only to find buyers for the manufacturer. They do not handle the product.

iii. Manufacturers' Export Agents

These agents represent many manufacturers with non-competing interests. They render selling and other marketing services to the manufacturers.

(c) Cooperative Organization

The cooperative organizations serve many producers with non-competing interests by making careful plans on how to export the products on their behalf. Although, the cooperative organization is independent, it is not wholly independent as the producers have a remarkable influence on the administrative control of its activities.

3.2:2 Direct Exports

The manufacturers concerned take responsibility of exporting their products instead of using the services of middlemen. However, not all the manufacturers can enter through this method. The method is often employed by big manufacturers with enough quality of products to sell to and by those whose market has grown to sufficient size to justify the burdens involved in it, for example the Coca-Cola Company.

Although, the method has a high probability of yielding a profitable return, the level of investment and risk associated with it is usually high. Notwithstanding, manufacturers that use this method as their entry strategy into international markets, can adopt any of the following options:

a). Domestic-Based Export Department**:** An export sale manager carries on the actual selling and draws on market assistance as needed. The department might evolve into a self-contained export department performing all the activities to export and operating as a profit centre.

b). Overseas Sales Branch or Subsidiary**:** An overseas sales branch allows the manufacturer to achieve greater presence and program control in the foreign market. The sales branch handles sales and distribution and might handle warehousing and promotion as well. It often serves as a display and customer service centre also.

c). Traveling Export Sales Representatives**:** The manufacturers concerned usually send one or two of their home-based sales representatives to foreign markets to canvas for business and possibly get orders from buyers. This strategy is often employed by big companies that are entering into a market newly and by small companies with financial handicap.

d). Foreign-Based Distributors or Agents: The company can hire foreign-based distributors or agents to sell the company's goods. These distributors and agents might be given exclusive rights to represent the manufacturer in that company or only limited rights.

3.3 J oint Venturing

Foreign investors may join with local investors to create a joint venture in which they share ownership and control. That is, companies that adopt this method as their entry strategy into foreign market join hands with the nationals in the foreign countries to set up production and marketing facilities abroad. For example, Kotler (1997) reported that Coca-Cola and the Swiss company Nestle are joining forces to develop the international market for "ready to drink" tea and coffee, which currently sell in significant amounts only in Japan. Also Procter and Gamble has formed a joint venture with its Italian arch-rival Fater to cover babies' bottoms in the United Kingdom and Italy.

Some of the available options are:

3.3:1 Licensing**:** An export manufacturer will enter an agreement with a foreign company authorizing the foreign company to use the production process, trade mark, patent, or trade secret of the exporting manufacturer for a defined fee or royalty. Under this consideration, the exporting manufacturer is the licensor while the foreign partner is the licensee.

The advantage of licensing is that the licensor will gain entry into the market without much difficulty and at a little risk while then licensee will gain production expertise or well-known name without starting from the scratch.

However, the licensor will have less control over the business activities unlike if it had up its own production facilities. Besides, the licensor may even find out that it has set up a competitor. The licensee as well suffers from the foreign interference on it affairs.

3.3:2 Contract Manufacturing**:** In this strategy, the arrangement will be for the local company in the foreign country to be in charge of the production of the licensed products, while the marketing of the products will rest on the company. The export firm is only exporting its marketing expertise. The advantages and disadvantages of this are similar to that of licensing.

3.3:3 Management Contracting**:** In some cases, government pressure and restrictions force a foreign company either to sell its domestic operations or to relinquish control. In such a case, the company may have to formulate another way to generate the revenue given up. One way to generate revenue is to sign a management contract with the government or the new owner in order to mange the business for the new owner. The new owner may lack technical and managerial expertise and may need the former owner to manage the investment until local employees are trained to manage the facility. Examples are Ark Airways, Ondo Oil, etc.

It should be noted that management contracts do not have to be only after a company is forced to sell its ownership interest. Such contracts may be used as a sound strategy for entering a market with minimum investment and minimum political risks. For example, Club Med, a leader I international resort vacations, is frequently wooed by LDCs with attractive financing options because these countries want tourism. Club Med's strategy involves having either minority ownership or none at all, even though the firm manages all then resorts.

3.3:4 Turkey Operations**:** A turkey operation is an arrangement by the seller to supply with a facility fully equipped and ready to be operated by the buyer's personnel, who will be trained by the seller. The term is sometimes used in fast-food franchising when a franchisor agrees to select a store site, build the store equip it, train the franchisee and employees and sometimes arrange for the financing. In international marketing, the term is usually associated with giant projects that are sold to government or government run companies. Large-scale plants requiring technology and large-scale construction processes unavailable in local markets commonly use this strategy. Such large-scale projects include building steel mills, Fertilizer, and chemical plants; etc.

3.4 Direct Investment**:** Direct ownership of foreign-based assembly or manufacturing facilities is the ultimate form of foreign investments. The foreign company can buy part or full interest in a local company or build its own facilities. When the firm feels that it has mastered the market and there are opportunities, it will then establish its own production facilities with full management and control.

Some of the advantages include: The company may secure real cost economies in the areas of cheaper labour and raw materials. It can develop manufacturing and marketing policies that will be in agreement with the culture of the people and therefore enhance its long-term international objectives. However, the company suffers from exposing a large investment to certain risks, such as devaluation of currencies, keen competition, etc.

3.5 Free Trade Zones: When entering a market, a company should go beyond an investigation of market entry modes. Another question that should be asked is whether a free Trade Zone (FTZ) is involved and needs consideration. The decisions concerning market entry and FTZs are some what independent. An FTZ can be used regardless of whether the entry strategy is exporting or local manufacturing.

A FTZ is a secured domestic area in international commerce, considered to be legally outside a country's customs territory. It is an area designed by a government for the duty-free entry of goods. It is also a location where imports can be handled with few regulations, and little or no customs duties and excise taxes are collected. As such, goods enter the area without paying any duty. The duty would be paid only when goods enter the customs territory of the country where an FTZ is located, for example Calabar, Nigeria.

Variations among FTZs include free ports, tariff-free zones, airport duty free arcades, export processing zones, and other foreign grade zones. FTZs are usually established in countries for the convenience of foreign trades. The zones may be run by the host government or by private entries.

FTZs offer several important benefits, both for the country and for companies using them. These include:

a) Job retention and creation- when better facilities and plants are provided to attract MNCs, FTZs can generate foreign investment and jobs.
b) Some countries offer superior facilities for lower costs.
c) Lower theft rate, lower insurance costs, delay of tax payment, and reduction of inventory in transit.
d) It improves the cash flow for a company since FTZ eliminates the need to pay duty immediately on docking.
e) An FTZ can eliminate the waiting period for the arrival of a product from an overseas firm.
f) The firm can hold goods in an FTZ until the quota opens up, making it possible to move the goods immediately into the market at the earliest opportunity.
g) FTZs also provide a means to circumvent import restrictions.
h) FTZs provide a means to facilitate imports and exports; some forth.

Self Assessment Exercise

Briefly define FTZ and explain its benefits.

3.6 Introducing a Product into International Market

Introducing a product into international market is not an easy task. The company has to first of all research the market to such an extent that all the components and supportive attributes of the product have to be clearly detected. Both the market research and the product introduction have to be done with careful consideration of the following factors:

3.6:1 Time Scale

In interpreting the research findings, the firm has to take into consideration the dynamic fashion environment in the market and rapidly changing tastes and demands of the consumers. Without that, the firm may discover that it has succeeded in introducing a product that is already out-of-fashion and therefore has no demand in the market. This is one of the tricky aspects of modern international marketing. A tactful marketer must try to combine facts with changing scenes.

3.6:2 Firms Resources and Goals

It is imperative to note that firms have to design their products within the frame-work of their economic realities, resources and goals. Although, the aim is to attain the full satisfaction of the consumers' needs, the firm has to do it in such a way as to make profit or attain other objectives.

3.6:3 Specified Markets

In designing the product, the firm has to have a defined target group at the back of its mind. The target group can be a wide one, consisting of country or region or a small area of few consumers. No matter the size, what is important is that the job must be carried out with a definite buyer in mind.

3.7 Factors to be considered whether to Standardize or to Differentiate

It should be recall that standardization and differentiation have been looked into in the earlier part of the course. Thus, there are many factors to be considered at any time a decision is to be taken on the issue of standardization and differentiation. Some of these are thus briefly examined below:

3.7:1 Corporate Objectives

An international firm that seeks to maximize profits regardless of international market penetration goals is more likely to strike towards product standardization. This is because by the nature of such strategy, the firm is likely to generate a better profit performance in the short-run that if differentiation is opted for.

3.7:2 The Market Usage of the Product

Standardization is hereby recommended where the consumers' usage of the product is similar in all the markets. However, where it differs, differentiation is considered as a better option.

3.7:3 Company Resources

Differentiation involves consideration in production facilities, inventory management and marketing mix ingredients. Because of these financial resources requirements, most weak firms do not go for differentiation strategy, rather prefer standardization strategy option.

3.7:4 Level of Service Required

Products with high technical services either before or after the delivery adopt standardization strategy, for example electronics, automobiles and so forth.

3.7:5 Base of Production

A product that requires intricate manufacturing processes is likely to support differentiation strategy than a product which can be manufactured with ease. Toilet soaps and Aero-plane are two different products with different skills, this thus call for different strategies.

3.7:6 Legal Considerations

Legal systems can have a major impact on the design of a product, its packaging and the printed messages incorporated. For example, a packet of cigarette in Nigeria must contain a warning about the health hazard of smoking. It should however be noted that the law is not interested in the inconveniences that such regulations may impose on marketing personals as it is their duty to assess the market and know which strategy is better option.

Self Assessment Exercise

Briefly examines factors considered whether to standardized or differentiate.

4.0 Conclusion

When a company considers marketing in foreign markets, it needs to analyze such economic characteristics as GNP, income, and population in order to compare market opportunities. Once a particular market is chosen, management needs to decide on the market entry strategy. However, such companies should consider the feasibility of operating all or some of its international business in a free trade zone, since such zone can complement many of the market penetration options.

5.0 Summary

This unit examined various modes of entering international markets.

6.0 Tutor Marked Assignment

What is an FTZ? What are its benefits?

7.0 References/Further Readings:

Eze, B.I: (1999) International Marketing: Bauchi, ATBU (Unpublished)

Ketler, P: , (1997): Marketing Management-Analysis, Planning, Implementation and Control, 9th Edition, New Jersey, Prentice-Hall

"Multinational Companies Step Up Pace of Investment in Developing Nations," The Wall Street Journal, 15 December, 1995.

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UNIT 15: Bases of International Trade

Table of contents

1.0 Introduction

Whenever a buyer and seller come together, each expects to gain something from one another. The same expectation applies to nations that traded with each other. It is virtually impossible for a country to be completely self-sufficient without incurring undue costs. Therefore, trade becomes a necessary activity, though, in some cases, trade does not always work to the advantage of the nations involved. Notwithstanding, too much emphasis is often placed on the negative effects of trade, even though it is questionable whether such perceived disadvantages are real or imaginary. The benefits of trade, in contrast are not often stressed, nor are they well communicated to workers and consumers? The question is- Why do nations trade?

A nation trades because it expects to gain something from its trading partner(s). Then one may ask whether trade is like zero-sum game, in the sense that one must lose so that another will gain. The answer is no, because, though one does not mind gaining benefits at someone else's expense, no one wants to engage in a transaction that includes a high risk of losses. For trade to take place, both nations and individuals must anticipate gain from it. It is a positive sum game. This unit examines some theories with respect to nations and individual's trading.

2.0 Objectives

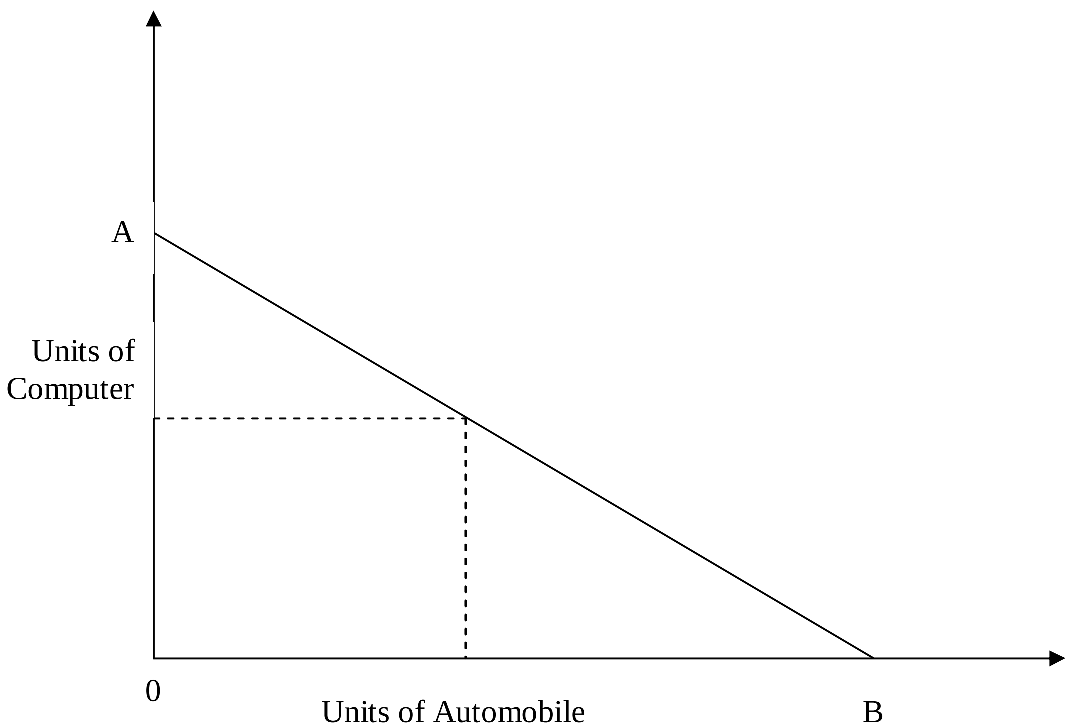
After studying through this unit, you should be able to:

1. Explain basis for trade among nations and individuals and
2. Explain some theories in respect of international trading.

3.0 Main Text

3.1 Production Possibility Curve

Without trade, a nation would have to produce all commodities by itself in order to satisfy all its needs. Table 1 below, shows a hypothetical example of a country with a decision concerning the production of two products- computers and automobiles.



(Production Possibility Curve: Constant Opportunity Cost)

This diagram shows the number of units of computer or automobile a country is able to produce. The production possibility curve shows the maximum number of units made when computers and automobiles are produced in various combinations, since one product can be substituted for the other within the limit of available resources. The country may elect to specialized or put all its resources into making either computers (point A) or automobiles (point B). At point C, product specialization has not been chosen, thus, a specific number of each of the two products would be produced. Because each country has a unique set of resources, each country possesses its own unique production possibility curve. This curve when analyzed provides an explanation of the logic behind international trade. Regardless of whether the opportunity cost is constant or variable, a country must determine the proper mix of any of the two products and must decide whether its want to specialize in one of the two. Specialization will likely occur if specialization allows the country to improve its propensity by trading with another nation. These principles of absolute advantage and relative advantage explained how the production possibility curve enables a country to determine what to export and import.

3.2 Principles of Absolute Advantage

Adam Smith in his book titled 'Wealth of Nations' used the principles of absolute advantage as the justification for international trade. According to him, a country should export a commodity that can be produced at a lowest cost than can other nations. Conversely, it should import a commodity that can only be produced at a higher cost than other nations.

Consider for example, a hypothetical production figures for Nigeria and Ghana as shown in table 2 below:

Table 2: Possible Physical Output

	Product	Nigeria	Ghana
Case 1	Computer	20	10
	Automobile	10	20
Case 2	Computer	20	10
	Automobile	30	20
Case 3	Computer	20	10
	Automobile	40	20

From the table above, case 2 shows that given certain resources and labour, Nigeria can produce twenty computers or ten automobiles or some combination of both. In contrast, Ghana is able to produce only half as many computers (i.e. Ghana produces ten for every twenty of Nigeria produces). The disparity might be the result better skills by Nigerian workers in making this product. Therefore, Nigeria has an absolute advantage in computers. However, Ghana has an absolute advantage in automobiles.

At this point, it should be clear why trade should take place between the two countries. Nigeria has an absolute advantage for computers, but absolute disadvantage for automobiles. For Ghana, absolute advantage exists for automobiles and absolute disadvantage for computers. Therefore, if each country specializes in the product for which it has an absolute advantage, each can use it resources more efficiently while improving consumer welfare at the same time.

This implies that since Nigeria would use fewer resources in making computers, it should produce these products for its own consumption as well as for export to Ghana. Base on this arrangement, Nigeria should import automobiles from Ghana rather than manufacture them itself. While for Ghana, automobiles would be exported and computers imported.

Thus, for practicability each person should concentrate on and specialize in the craft that person has mastered. Similarly, it should not be practical for consumers to attempt to produce all the things they desire to consume. One should practice what one does well and leave the production of other things to people who produce them well.

Self Assessment Exercise

Briefly explain the term ‘absolute disadvantage’

3.3 Principles of Comparative Advantage

One problem with the principle of absolute advantage is that it fails to explain whether trade will take place if one nation has absolute advantage for all products under consideration. Case 2 of table 2 above shows that situation. Note that the only difference between case 1 and case 2 is that Nigeria in case is capable of making thirty automobiles instead of the ten incase 1. In the second instance, Nigeria has advantage for both products, resulting in absolute disadvantage for Ghana for both. The efficiency of Nigeria enables it to produce more of both products at lower cost.

At first glance, it may appear that Nigeria has nothing to gain from trading with Ghana. However, nineteenth-century British Economist, David Ricardo, perhaps the first economist to fully appreciate relative cost as a basis for trades. He argues that absolute production costs are irrelevant. More meaningful are relative production costs, which determine whether trade should take place and which items to export and import. According to his principles, a country may be better than another country in producing many products, but should only produce what it produces best. Essentially, it should concentrate on either a product with the least comparative disadvantage. Conversely, it should import for which it has the greatest comparative disadvantage or one for which it has the least comparative advantage.

Case 2 shows how the relative advantage varies from product to product. The extent of relative advantage can be found by determining the ratio of computers to automobiles. The advantage can be found by determining the ratio of computers to automobiles. The advantage ratio for computers is 2:1 (i.e. 20:10) in favour of Nigeria. Also, in favour of Nigeria to a lesser extent is the ratio for automobiles, 1.5:1 (i.e. 30:20). These two ratios indicate that Nigeria possesses a 100 percentage advantage over Ghana for computers, but only a 50 percentage advantage for automobiles. Consequently, Nigeria has a greater relative advantage for the computer products. Therefore, Nigeria should specialize in producing computer products. While Ghana having the least comparative disadvantage in automobiles indicates that it should make and import automobiles.

3.4 Factor Endowment Theory

The principles of absolute and relative advantage provide a primary basis for trade to occur, but the usefulness of these principles is limited by their assumptions. One basic assumption is that the advantage, whether absolute or relative, is solely determined by labour I in terms of time and cost. Labour then determines comparative production costs and subsequently product prices for the same commodity.

However, if labour is indeed the only factor of production or even a major determinant of product content, then countries with high labour cost should be in serious trouble.
It is misleading to analyse labour costs without also considering the quality of that labour. A country may have high labour cost on an absolute basis, yet this cost can be relatively low if productivity is high. Furthermore, the price of a product is not necessarily determined by the amount of labour it embodies, regardless of whether the efficiency of labour is an issue or not. Since product price is not determined by labour efficiency alone, other factors of production must be taken into consideration, including land and capital.
In conclusion, since countries have different factor endowments, a country would have a relative advantage in a commodity that embodies in some degree that country's comparatively abundant factors. A country should thus export that commodity that is relatively plentiful within the relatively abundant factor.
It should be noted that there are other theories such as production life cycle, Leentief paradox and so forth that you can read on your own.

3.5 Limitations

In summary, trade theories provide layout explanations about why nation's trade with one another, but such theories are limited by their underlying assumptions. Most of the world's trade rules are based on a traditional model that assumes that:

1. Trade bilateral
2. Trade involves products originating primarily in the exporting country
3. The exporting country has a comparative advantage , and
4. Competition primarily focuses on the importing country's market.

However, today's realities are quite different, namely:

1. Trade is a multilateral process
2. Trade is often based on products assembled from components that are produced in various countries
3. It is not easy to determine a country's comparative advantage as evidenced by the countries that often export and import the same product, and
4. Competition usually extends beyond the importing country to include the exporting country and the third countries.

Self Assessment Exercise

Briefly state the basis of relative advantage.

4.0 Conclusion

For countries to trade with one another, they must be better off with trade than without it. The principles of absolute and relative advantage explained how trade enables trading nations to increase their welfare through specialization. Trade of products with the best potential fit its own consumption as well as for export. Trade theories, in spite of their usefulness, simply explain what nations should do rather than described what nations actually do.

5.0 Summary

Since not all routes is considered as passage for Aircrafts. Likewise, not all activities carried out by man constitute a trade. This unit explained basis of trade, factor endowment theory, principles of absolute advantage, production possibility curve and some limitations of some of the assumptions of international theories of international trade among nations of the world.

6.0 Tutor Marked Assignment

Should there be trade if a country has an absolute advantage for all products over its trading partner?

7.0 References/Further Readings

Kotler, P (1997): Marketing Management-Analysis, Planning, Implementation, and Control, 9th edition, New Jersey, Prentice-Hall

Onkvisit, S and Shaw, J.J (1997): International Marketing-Analysis and Strategy, 3rd Edition, New Jersey, Prentice-hall

Stanton, W.J: (1981) Fundamentals of Marketing, 6th edition, Japan, McGraw-Hill Book Company