DRAFT TRAINING MANUAL

FOR

GENERAL ENTREPRENEURSHIP COURSES IN UNIVERSITIES

COURSE 2: VENTURE CREATION AND GROWTH

MODULE 4: ENTREPRENEURIAL MARKETING

Editors:
Prof .Murtala S. Sagagi
Prof. Sarah Anyanwu
Dr. Sola Aliu &
Dr. Oluremi Abimbola

MODULE 4: ENTREPRENEURIAL MARKETING (DRAFT COPY)

OBJECTIVES OF THE MODULE

1. Explain marketing and its essence and benefits to organizations in general
2. Discuss marketing in the context of small businesses
3. Explain the fundamental differences between small business marketing and large business marketing
4. Discuss the use of the marketing mix in the context of new ventures
5. Expose students to the significance of unique selling propositions from the customers perspective
6. Discuss the dynamics of International marketing

LEARNING OUTCOMES

Upon completion of this module, students are expected to have

1. Understood the concept of small marketing and how it aids the development and growth of small businesses
2. Learnt the major differences between small business marketing and marketing for large organizations
3. Understood the pillars upon which marketing rests (marketing mix) and how they are deployed in new ventures
4. Learnt the importance of developing a unique selling proposition and how it helps to endear customers to the products and services of new firms
5. Understood the concept of International marketing and its dynamics

ACTIVITIES

1. Have students read Handout 1 and explain to them the concept of marketing and misconceptions often associated with it. Furthermore, students will be made to understand the key factors that make small business marketing distinct from marketing embarked upon by large organizations. These include among others:
   - Budget constraints differences

- Capacity for creativity
- Differences based on quality and number of staff
- Differences on strategy
- Differences in Customer Interaction

Students will be asked questions like (a) Define marketing with the aid of examples and activities around your immediate environment. (b) What are the major misconceptions about marketing? (c) Explain the major differences between small business marketing and large business marketing.

2. Have students read Handout 2 and explain to them the pillars upon which marketing rests – Four Ps (Product, Price, Promotion, and Place) and how they could be explored for the benefit of ventures that are new.

Students will be asked questions like (a) Define the terms product; price; promotion; and place (b) How can new ventures benefit from the marketing mix?

3. Have students read Handout 3 and explain to them the significance of differentiation in marketing and why it is referred to as Unique Selling Proposition (USP). In essence, they should understand what separates the product or service of an organization from another and serves as a major determinant for purchase or patronage. The students will asked to define USP and explain how new organizations can pursue differentiation to put them ahead of the competition.
4. Have students read Handout 4 and explain to them the concept of International marketing and why organizations seek to do business outside their immediate geographical borders and the possible entry strategies they could adopt.

HANDOUT 1: MARKETING FOR BOTH SMALL AND LARGE BUSINESSES

Background: Organizations (small and large) the world over keep growing in number coupled with the increasing number of customers they have to serve. Due to this, organizations are faced with the challenge of knowing where their customers are, what they desire and how they will love to be served. Furthermore, since these teeming customers have several options to choose from, each organization has to try and get the attention of the customer in order to have him/her develop preference for its product over that of the competition.

Marketing: Very often when people think of marketing, what comes to mind will include the billboards (see appendix 1 – 4) that abound in various locations of the city where they reside; the radio jingles that they heard over the radio the previous day; the handbills they were given when they visited a shopping mall the previous week; the colourful advertorials they saw in center spread of magazines or newspapers; the television advertorials promising that the product being advertised is the best there is on earth; the recent promotion by a telecommunication company promising 50% bonus airtime for all recharge in the next three days.

In essence, it will be right to say that marketing is one of the most misunderstood business disciplines. Too often it is assumed to be just one aspect of what it involves – promotion. In reality, marketing is a specialist activity that influences the success of any organization whether small or large.

In very pedestrian language, marketing can be conceptualized as a process that enables people obtain their needs or wants from organizations that have developed products or services that will help satisfy these needs or wants of people. These products or services are offered to people who are at liberty to exchange them for something of value.

The implication of this definition is that successful marketing rests on the premise that proper need assessment has to be carried out to determine what the market desires or is lacking. Then, a product is conceived and designed to fill that gap and priced appropriately and communicated to the market and made available with minimum inconvenience for the customer. The language in marketing is deliberately general. For instance, purchasers are referred to as customers, though a service organization such as a firm of accountants will call them clients; telecommunication company will call them subscribers; a school will call them students; a hospital will call them patients and a hotel will call them guests. Similarly, a product may well be a service but the word product is often used to refer to both.

Small Business Marketing: Marketing forms the cornerstone for the initiation, growth and subsequent profitability of a small business. Without marketing and a marketing strategy, a business cannot survive and prosper. For the entrepreneur or small business owner, marketing is a matter of determining demand, matching a product or service with customer needs, and promoting those attributes in the marketplace to produce sales and make profit in the process. Every marketing plan has to adopt the same marketing procedure, but the similarities between small business and large business marketing stop right there. Budget constraints, staffing, creative methods and strategy vary considerably between Airtel Networks Limited and a relatively micro-budget marketer and business owner like the small corner shop in your neighbourhood.

Large businesses measure the results of marketing campaign by how many people know and recognize their brand. Their goal is to get their name out there into the world. They also have larger budgets and want to spend that money to put their name into everyone's head.

Small business marketing measures results at a micro level. The concern is to determine how many extra customers were got and whether there is any increase in sales. The budget is usually small and campaigns are organized in a more refined way. The ultimate goal is to get the customers in through the door to spend their money – not to get inside everyone's head.

Differences between Small Business Marketing and Large Business Marketing

a) **Budget Constraints**: In a small business one thing is very obvious and that is operating on a lean budget particularly as it relates to marketing plan. The huge organizations sometimes called corporate titans, have astronomical budgets to cover their promotions. They are able to pay for airtime on TV which in some cases could cost as much as N1million for barely 15 minutes (prime time) or sponsor certain programmes which cost a fortune. These activities make their presence known to virtually everyone in the country. In essence, they have the wherewithal to send out effective messages which are often sent to a mass audience. In the case of the small business operator, One Hundred Thousand Naira is a major expenditure that must be looked at very closely and justified before parting with value. They are better able to send out personalized messages and distribute in a manner that guarantees a better chance of reaching their audience.

b) **Staffing:** When you peruse through the organogram of a big corporation like Globacom Nigeria Limited, you will find the Commercial Director Marketing at the helm of affairs. He has six Divisional Directors with six Business Development Managers assisting them. Then there are 48 Global Business Directors across the country and well over 50 Area Managers across the 36 states in the country. In addition to these, you will find several professionals that bother on other aspects that bother on the customer. In contrast, small businesses combine marketing with the leadership role. The organization chart of a small business puts responsibility for marketing in the top box, where the business owner manages the process as a hands-on task. In essence, you will not have the luxury of professionals as in the Globacom example.

c) **Differences in Creativity:** Large companies like Cadbury Nigeria Plc. routinely require millions of Naira to produce advertorials with the single purpose of establishing brand awareness and market orientation. Small businesses adopt a significantly different method. They strive to establish brand awareness just like Cadbury does, but their advertisements have to fulfill two tasks. One, the expenditure has to provide direct and measurable marketing action. Two, each action has to stir adequate buying activity to compensate the expenditure involve in producing and running the advertisement in the first place.

d) **Differences on Strategy:** In large companies like Nigerian Bottling Company Plc. documents of business plans are numerous and probably found on bookshelves in the company. In the case of small businesses, the term marketing plan may sound like rocket science to the owner. Interestingly, a marketing work plan is quite simple and fairly manageable. If you spend a bit of your time to design your annual marketing plan, then implementation of this plan becomes really easy. Note that without a proper marketing plan, you will spend the year racing around to deal with competitive actions, media opportunities and market conditions that may or may not match your present business expectations.

e) **Customer Interaction:** Small businesses have the capacity to interact directly with their customers, get to know them on a personal level, and learn exactly what their needs are. More often than not, large organizations do not have this luxury.

As entrepreneur, you may occasionally envy the huge budget and staffing of large organizations, but being small has its own unique advantages. Imagine the complexity of Cadbury Nigeria Plc. trying to understand and know its numerous customers. Meanwhile, you are able to meet with your customers personally perhaps on a daily basis at virtually no extra cost to you. Since the significant point of marketing is to establish and sustain customer loyalty, it stands to reason that nothing is more adaptable, more resilient and more flexible than the small business.

HANDOUT 2 – MARKETING MIX IN NEW VENTURES

Marketing is a process that encompasses a number of activities that are interrelated and interdependent. Quite simply, the marketing mix is the unique blend of the elements of marketing that will apply to the business. These elements are: product or service itself; the location of the business; the distribution methods adopted by the business; the price at which the products will be sold; the advertising and promotion alternatives available to the business; and how the product will be sold as well as the level of customer service to be provided. These elements are often summarized and commonly referred to as the 4Ps - product, price, promotion and place.

The understanding of these elements and flair with which they are mixed is fundamental. In essence, creativity and imagination must be brought to bear. If this is done well, it will put the organization ahead of the competition.

Product: This is anything offered that is capable of satisfying a particular need or want. Products in the context of marketing discourse are tangible and when you pay for them you hold onto something that you can see, touch and feel. It is important for entrepreneurs to understand people never buy products but buy benefits. For example, one buys a car because he needs something to commute with. So in the event that the car develops a major fault and has to be parked in his garage before the spares are sourced, would he be happy looking at the car? Certainly he would not be because what he bought can no longer provide the benefit he sought during purchase.

This part of marketing concentrates on the product / service the business is going to sell. Retailers and manufacturers will concentrate their products whereas services industry people (teachers, doctors, leisure centers) will concentrate on the service that their customers will receive. The term product is used to cover both tangibles and intangibles (services).

Product decisions require looking at the following areas: product mix; product features and product support.

a) Product mix: This covers the range of products offered for sale by the organization. The number of product lines which means the various range of products that are similar in end use or mode of distribution. In essence, an organization could have one or more product lines. To determine the product mix, it is important that small business owners engage in marketing research by way of need assessment to determine what people lack or what is currently not being delivered. It also entails knowing what kind of stock to have, what kind of customers you will want to serve, what do they like to buy and how they want to buy.

Imagine you live in a neighbourhood where the households need a corner shop to buy cookies and packaged juice for their kids early in the morning. The only corner shop in the locality does not open until 9am which creates a lot of inconvenience for the numerous households. An entrepreneur will see an opportunity here because should he start up a corner shop and open at 7am, the household members will be glad he did and patronage is a given.

b) Product features: The customers view the product has as much to do with the success of the business as does the product itself. This is a complex bundle of physical attributes and features. It is important for the entrepreneur to remember that customer perception will determine success rather than what he sees in his product. Product features include colour, packaging, labels, quality, options, style design, brand names, freshness, consistency, sizes, durability, ingredients and product image among others. For services issues that bother on promptness, efficiency, expertise, reliability, guarantees, house-call, specialization, and pick up delivery among others are very fundamental.

   Imagine a local vulcanizer in your area who fixes tyres beneath a tree and relies on the old technology. For the most part you will have to sit on a bench while he works on your tyre. He needs to use a locally fabricated equipment to remove the tyre from the wheel and fits back afterwards while using a gauge system that is far from accurate. Compare this against another entrepreneur who decides to buy the modern machines with accurate gauge equipment. Furthermore, there is small waiting area where you can read newspapers or watch cable TV before your tyre is fixed. In addition, the shop provides free tyre gauge services. The latter had built in more features in the service than the former.

c) Product support: For a business, a sale may be an end result but for the customer it is just the beginning because he may have challenges with the product from time to time or the service he is seeking may be too complicated for him to understand. For these reasons, he will require help by way of support from the bearing in mind that support will to a large extent determine repeat patronage. Examples of support services include; pre-sale advices, installation, reliable delivery, prompt follow up, availability of spare parts and after-sales service.

Place: In marketing, a business must have the right product, at the appropriate time and price, and in the right place. In this context, place refers to two aspects; location and distribution.

Location as a component of marketing of mix is critical to some and almost irrelevant to others. For example it is critical to a retailer but not necessarily to a “pure water company”. It should be noted that for many small business operators the choice of location is governed by personal taste: the desire not to look beyond the local community may be very compelling. Some of the benefits associated with such a disposition include: the fact that friends and family could be the first customers and could advertise by word of mouth; the advantage of knowing the needs and desires of the local market; and it may be easier to obtain micro credit from the microfinance bank in the immediate environment.

The cardinal rule for many business owners is to locate the business where the market is. It is important to know what kinds of persons are likely to be the customers for the goods / services on offer. Imagine establishing a new dry cleaning business to cater for individual customers. Through informal marketing research you discovered that most of those that will require such a service are bankers who leave for work very early and close late. Your best bet will be to get a location that will be easily accessible with minimum discomfort since for the most part they will be in a hurry to drop off or pick up.

This is not to say that other factors are not important. For a manufacturing concern, access to raw materials is key as well as the availability of skilled labour.

Distribution has to do with the channels used to resolve the question of how the products reach the customers - the place where the purchase will be made.

When you walk into a local store in your neighbourhood, you will probably find well over seven different brands of bread lying on the shelves. Drive a couple of kilometers away and it is very likely you will find another dozen brands being sold at a very prominent intersection in the city. Now try to imagine the challenge of getting the raw materials together and making well over a thousand loafs and then distribute them throughout the city. This is what thousands of manufacturing firms (small or big) have to contend with every day.

Rarely do organizations deal directly with the final user of their products – consumer. Very often they have to rely on marketing intermediaries (wholesalers and retailers) who join together to transport and store goods in their path from producers to consumers. Due to the dynamic nature of our society the pattern of distribution and demand continues to change. Restrictive thinking should not prevent the best distribution channel from being utilized. The small business owner must recognize that there is a constantly changing market and the distribution system represents an investment and is an asset to the business.

Promotion: This encompasses everything to do with the way an organization communicates persuasively with people to influence them towards making a purchase. Marketers use many different tools to promote their products and services. Promotion is sometimes seen as the most important part of marketing; certainly it is the most visible, with elements of it – advertisements, posters and so on – all around. It should be known that even the producer of the best product or service will do no business if no one knows it exists. Similarly promoting a bad product is certainly the fastest way to kill it. The combination of promotional tools an organization uses is called its promotional mix.

a) **Advertising:** This is paid non personal communication through various media by organizations and individuals who are in some way identified in the advertising message. The medium of advertising include; television, radio, handbills, billboards (electronic and non-electronic), newspapers, magazines, music and internet. The best medium is a function of the product being advertised and the target customers to be reached. Generally speaking, securing airtime for advertorials in television is quite expensive for most small businesses. Radio jingles and handbills are fairly more affordable and fit into local advertising. Advertising is carried out with the following objectives in mind: informing potential customers of a new offering; increasing the frequency of purchase; increasing the use of a product; increasing the quantity purchased; increasing frequency of replacement; presenting a promotional programme; bringing a family of products together; and making the organization behind a range of offerings known. In summary, advertising can help promote a business but it is important to be aware that it has its limitations. Some small business owners believe that if their business is failing they can advertise their way out the problem. Sadly, this is not the case because advertising cannot force people to buy unneeded goods and services. If the business is in the wrong market advertising will not be able to help. Furthermore, it cannot improve an inferior product. If the product is not adequate or does not fit the overall marketing mix, advertising cannot compensate.

b) **Personal selling:** This is face-to-face presentation and promotion of products and services. It also involves the search for new prospects and follow-up service after the sale. Effective selling is not simply a matter of persuading others to buy. In fact it is more accurately described as helping others to satisfy their wants and needs. The major strength of personal selling over advertising is that it provides a two way communication where the prospect can ask questions and seek clarification where necessary as against advertising which is strictly one way.

   For large businesses this medium is very expensive because their customers are spread all over as against the small business operator who usually has direct access to his customers and sees them often.

c) **Public relations**: This is defined as the function that evaluates public attitudes, changes policies and procedures in response to the public's requests, and executes a programme of action and information to earn a public understanding and acceptance. In essence, a good public relations (PR) programme has three steps. (1) Listen to the public through marketing research. (2) Change policies and procedures to accommodate the concerns and aspirations of the public. (3) Inform people that you are being responsive to their needs. For most small businesses PR means obtaining free publicity via stories placed in newspapers, radio and TV with the objective of bringing attention to the business. The value of this approach is that it has a higher degree of credibility than an advertisement. Sponsorship of a local sporting event is also good publicity. Many businesses tend to overlook the importance of PR. Some are prepared to develop their own PR strategies and have the talents within the business to achieve satisfactory results, whilst some are unsure how to correctly handle this area and will employ outside expertise.

d) **Publicity:** This is talking arm of PR. It is one of the major functions of almost all organizations. Publicity is any information about an individual, product or organization that is distributed to the public through the media and that is not paid for, or controlled by the seller. In essence, it can be viewed as a form of free advertising. To use this properly, a small business owner must attempt to feed to the media information that is of public interest. Whether the media uses the information submitted to it depends on whether time and space are available and whether it is considered “newsworthy”. Different publications have different audiences and only stories that have high interest to the readership are likely to be chosen.

   Imagine establishing a small kindergarten school where primary education has been a major challenge or a small business engaged in nymph oil extraction for the treatment of skin diseases which has been a cause for concern in that community. Note that in both cases, the public will be very receptive to the news and help spread to others. The magic is that the various media will publish these stories free since the material is interesting and newsworthy. It has a major advantage over advertising because publicity may reach people who will not want to read or pay attention to an advert. In addition, when a newspaper or a magazine publishes a story as news, the reader treats that story as news – and news is more believable than advertising.

e) **Sales promotion:** Sales promotions (SP) are used to help promote the sale of the product or service. They are generally put into place for short time periods to achieve customer attention and sales. The cost of such promotions must be well controlled and the small business owner must ensure that results are worthwhile for the outlay involved. SP is considered very effective because it creates instant demand booster and leverages on the weakness of the average customer – greed – which makes him buy certain products that he may ordinarily not want to buy at the time or may not buy that much quantity. SP campaigns could be used in the following scenarios; (1) To move products or services that have slowed down probably created by loss of buyer interest or change of buying season. (2) To win back customers who have moved to competitors for reasons such as price, delivery of product, pedestrian packaging among others. (3)

To launch new products. This allows the customers to experience the new product or service. In essence, it encourages new product trials and brand switching.

SP could be deployed in different ways but some of the very prominent ones include: Offering a special price reduction for a given period; selling two items for the price of one; adding a product on or in another product without charging for the added on product; giving out free samples; sponsoring a game or a contest and organizing raffle draws for those that qualify based on volume of purchases made over a period of time. Note that the list is endless and only needs some marketing imagination and flair to make a successful promotion.

Price: The phrase that goes mostly with cheap is poor quality, yet everyone wants a bargain. But as a bargain is essentially something worth more than it costs (and therefore rare) what they really want is value for money.

”I am not upset with someone who charges more for a product but I am concerned with someone who might offer a better experience” – *Jeff Bezos, CEO, Amazon.*

In many ways way can think of price in terms of value. People are willing to pay a price that is commensurate with the value to them of a product or service. How do you make sure that your offering will be considered valuable to customers? Think about the quality in manufacture, the styling and fitness to need. When you focus on making improvements in these areas, you will be increasing the value of your offerings to customers, and that will allow you to charge a price that you and your customers will consider reasonable.

In consumer psychology, the tendency is to see high price as connoting high quality and low price as connoting low quality. This may not necessarily be true in all cases but it always tends to influence our judgement during purchase decisions. Imagine a man that walks into a jewelry shop and sees two sets looking very much the same to him (does not have expertise) and the first set costs N25, 000 while the second set costs N46, 000. What will come to his mind is that the latter is of better quality than the former. The single basis for his judgement is price.

It should be noted that the term price could be used differently depending on the sector and the context. For example, all these refer to the amount you pay in exchange for the value received.

- Guest Lecturer - Honorarium
- Apartment - Rent
- Doctor - Consultation Fee
- Highway - Toll
- Import / Export - Duty

- PHCN / GSM - Tariff
- Insurance - Premium
- Association - Dues
- Bank - Interest
- School - Tuition

Factors Affecting Price

Competition in the market and marketing strategies: In free market economies, the level of competition in the market place has a great influence on prices charged. The pricing structure should reflect the competitive strategy the business has adopted. For example, to be a cost leader, low prices will be the marketing tool to use to gain market share. Alternatively, if the strategy is differentiation then the business owner must develop an “exclusive” image and be able to charge more for the product or service. If the marketing strategy is penetration then the business will consider a drop in price to induce new customers to purchase the product offered.
Demand for your product: Generally the demand for most products varies with price. Usually at high prices customers purchase less, where at low prices customers purchase more. Some products or services are price insensitive, i.e. the price can be increased without having much effect on demand. For other products if the price in increased it can have a huge gap on demand. These products are said to be price sensitive.

Introducing a new product: The launching of a product that is novel in the market can be an opportunity for a business to charge a premium without a backlash from the market. This enables recovery of some of the costs that are associated with the introduction of the new product or service. After the introduction it may be possible for the business to maintain a high price until a competitor counters with something similar and the price may then need to be adjusted to ensure a reasonable share of sales. It is certainly easier to reduce prices to meet a competitor rather than starting at a price structure that is too low and then having to raise prices. This is something that customers do not appreciate.
If there is need for a small business owner to increase prices, then he needs to consider some of the following:

- Justify the reasons for the price increases. It cannot be simply on the grounds that it is time prices were raised because there has not been an increase for some time.
- Research what the competitors are currently doing. Is there any indication that they intend to increase their prices?
- Never allow guess work to form part of the pricing strategies. If the pricing is too high to start with and signs of slowing sales cause a reduction in prices it may be too late to redeem the mistake.

- The majority of the customers will have a range of prices they consider to be acceptable and this need to be known. Are prices beyond that range? There is a price point that becomes a barrier to the customer, and beyond it they will no longer consider the product or service.
- Understand clearly the minimum Gross Profit that is acceptable to the business.
- There may be times when the price is determined by the competitors. If their prices are very competitive then the business is not in a position to charge a price that causes a loss of market share.

HANDOUT 3: UNIQUE SELLING PROPOSITION (USP)

With the increasing level of competition and the presence of so many products and brands that all appear to look alike, it has become necessary more than ever before for organizations to find ways to make their products distinct from those of the competition. This simply refers to creating some differentiation which in marketing discourse means "Unique Selling Proposition". The single best way for a small business to get exposure is to discover and showcase its unique focus. This differentiation provided is meaningful and relevant to your target audience will prevent your business from becoming a "me too" proposition and create a preference for your offerings. You should be able to quickly and confidently complete this simple sentence: "Our business is the only _________ that ________". The first blank is the category your business is in while the second blank should be filled in with your differentiating factor, the one thing that makes you compellingly different.

Differentiation: This strategy concentrates on creating something which is perceived industry wide as being unique. It can be achieved by: creating an image; using new or different technology; being distinct through product features; being distinct through customer service; or adopting a different distribution network.

Brand names are a form of differentiation. Do you buy *Indomie Noodles* or "*Baby Noodles*" (if it does exist)? Why? What is the perception in the market of each of these brands? Physical products vary in their potential for differentiation. At one extreme we find products that allow little variation like chicken and steak meat. Yet even here some differentiation is possible. For example, in Kano and Abuja, *Yahuza Suya Spot* has been able to differentiate its chicken by mode of processing and spicing. This makes the outlook and taste unique. At the other extreme are products capable of high differentiation, such as automobiles, computers, among others. Here the seller can differentiate on the basis of form, performance quality, features, colour, durability and style among others. Small business can often achieve differentiation by becoming more specialized or by offering distinctive customer service – more personalized, attention to detail, and quality work. Very often it is a firm's reputation that attracts and retains customers.

Differentiation may prevent a business from gaining a large market share, but being unique results in lower sensitivity to price and may allow higher margins. Also customer loyalty and the need for a competitor to overcome product uniqueness, provides protection against existing and new competition.

HANDOUT 4: INTERNATIONAL MARKETING

International marketing is the process of planning and conducting transactions across national borders to create exchanges that satisfy the objectives of individuals and organizations. International marketing has forms ranging from export-import trade to licensing, joint ventures, wholly owned subsidiaries, management contracting among others. International marketing very much retains the basic tenets of 'satisfaction" and "exchange".

Questions

1. Why won't organizations remain in domestic markets if large enough?
2. Why not save themselves the trouble of learning new languages, culture and exposure to hazards as well as the challenge of product redesign?
3. Why face the risk of possible expropriation?

Answers

1. Some global firms with better products and lesser prices attack local market base thereby eroding market share of domestic companies.
2. Some foreign markets present higher profit potentials.
3. Some firms go international in order to reduce dependence on a single market
4. The foreign market may present higher customer base thereby helping to achieve the much sought economies of scale.
5. Some countries do not have enough skilled workers, hence the need to shop for them abroad. Such skilled labour must be sought for and brought through International marketing.

Standardization Vs. Adaptation

This addresses the concern of whether companies should have identical products in all countries or develop products to satisfy local tastes and desires. In the discourse of International marketing, standardization is sometimes used interchangeably with globalization i.e. treating entire market as a single one for both production and marketing reasons.

Modes of Market Entry

There are three broad strategies for foreign market entry and each one involves its own level of commitment, risk and degree of profit. These are Exporting, Joint Venturing and Direct Investment.

EXPORTING: This is the process of sending items, services or persons from one country to another in return for goods, money or services. This involves occasional and active exporting of goods and services. Occasional exporting is a passive level of investment where the company exports surpluses from time to time and sells goods to resident buyers representing foreign countries. On the other hand, active exporting takes place when the company makes a commitment to expand exports to a particular market. However, in either of the two cases, the company produces all of its goods in the home country and may or may not modify them before exporting.

JOINT VENTURING

Joint venturing is the second method of entering a foreign market by teaming up with foreign nationals to set up production and marketing facilities. Joint venturing differs from exporting in that a partnership is formed that leads to some production facilities abroad, and it differs from direct investment in that an association is formed with someone in the country. A joint venture is the association of two or more people to carry out a particular business or contract.

A joint venture can be formed in four ways:

Licensing: This represents a simple way for a manufacturer to become involved in international marketing. The licensor enters an agreement with a licensee in the foreign market, offering the right to use manufacturing process, trademarks, patent, trade secret or other item of value for a fee or royalty. The licensor improves his market coverage at a little risk, while the licensee gains production expertise or a well-known product or name without having to start from scratch. Example franchising – KFC in Nigeria.

Contract Manufacturing: - This involves a contract with local manufacturers to produce the products, which the seller sells. It has the drawback of less control over the manufacturing process and the loss of potential profits on manufacturing. On the other hand, it offers the company a chance to start faster, with less risk and with the opportunities to form a partnership or buy out the local manufacturer at a later date.

Management Contracting: - Here a foreign firm is invited to help run a venture on behalf of a domestic firm. In this arrangement, the domestic firm usually provides the capital while the foreign counterpart provides the know-how. This is considered on the strength that the foreign firm is synonymous with exceptional skills in that particular line of business. They are normally paid a fee and may be allowed to buy some shares over a specified time frame. Example of management contracting – Hilton and hotel management.

Joint Ownership Ventures: - In joint ownership ventures foreign investors join with local investors to create a local business in which they share joint ownership and control. The foreign investor may buy an interest in a local company, or a local company may buy an interest in an existing operation of a foreign company, or the two parties may form a new business venture. This may be necessitated due to political consideration or economic constraints or to satisfy a pre-condition for entry.

DIRECT INVESTMENT

The third strategy that could be employed in order to operate in a foreign market is through direct investment. In this the firm may invest in foreign-based assembly or manufacturing facilities by either building a new plant or buying substantial shares in an already existing plant, or completely buying over an existing plant.

The following benefits are derivable to the foreign investor:

1. The firm may secure cost economies in the form of cheaper labour or raw materials, government investment incentives, freight savings, and tax concession, etc.
2. The firm will also gain a better image in the host country because it creates job opportunities to the local nationals.
3. The firm can develop a deeper relationship with the government, customers, local suppliers, and distributors, enabling it to adapt its products to the local market.
4. The firm retains full control over the investment and therefore, can develop manufacturing and marketing policies that serve its long-term international objectives.

However, it exposes a firm’s large investment to risk, such risks as devaluation of currency, worsening markets or expropriation.

CASE STUDY

PINNACLE EATERY

Ahmad Sabo lives in Kano at *tarauni* (a densely populated area). He just received N4 million (Four Million Naira) from his late father's estate and has been thinking of a business to establish. After about three months of thinking, he came to the conclusion that an eatery will be a wonderful investment. He came to this conclusion based on the strong feeling that an eatery is a perfect business since he wants a business close to his residence, and he has always had a passion to own an eatery, and that *tarauni* is a densely populated area, coupled with the fact that people will always look out for something to buy and eat.

He paid for the premises, bought the necessary equipment required to enable him commence operation and hired a total of eight staff. One week to opening, he paid for a television advertorial which cost him N500, 000 (Five Hundred Thousand Naira) because Mr. Biggs (a division of UAC) did same about six months back. His younger brother thought he should have simply produced handbills that will have cost just about N10, 000 (Ten Thousand Naira) and dropped them at the barber's, fashion designers and the primary schools around the neighbourhood.

They eatery was offer the following for sale; meat pie, scotch egg, white rice and stew (because it is his favourite meal), chicken and cake. He has advertised for the post of Marketing Manager (a marketing graduate) because in his exact words "that is the magic key that unlocks the doors to patronage".

Pinnacle Eatery has operated for nine months but the bottom line is far from impressive. The level of patronage is very poor, and their prices are on the high side. Ahmad Sabo, the owner, is considering embarking on massive promotion to stimulate sales to save his enterprise.

Questions

a) Identify the things Ahmad Sabo got wrong from the very beginning.
b) Does he need a marketing manager? Justify your answer.
c) How can he practice differentiation?
d) Will the planned massive promotion solve the problem of the business?

Different Outdoor Adverts (Billboards)

Appendix 1

Appendix 2

Appendix 3

Appendix 4

Resource Guide

Joe Girald and Stanley Brown (1999), *How To Sell Anything To Anybody*, Lagos: SJBS Ministries.

Patrick Forsyth (2009), *Marketing: A Guide to the Fundamentals*, London: Profile Books Ltd.

Philip Kotler and Kevin Keller (2007), *A Framework for Marketing Management*, New York: Pearson Education Inc.

Philip Kotler and Kevin Lane Keller (2009), *Marketing Management*, New Jersey: Pearson Education Inc.

Sarah White (1997), *Marketing Basics*, New York: CWL Publishing Enterprises.

Thomas Bateman and Scott Snell (1999), *Management: Building Competitive Advantage,* USA: Irwin McGraw-Hill.

Williams Nickels, James McHugh and Susan McHugh (2002), *Understanding Business,* New York: McGraw-Hill.