

COURSE GUIDE

MKT 108 INTRODUCTION TO MARKETING

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INTRODUCTION

This course has been structured around three distinct areas of marketing.

The course will expose you to:

- the basic concepts underlying marketing
- various ways of getting goods and services produced to the target markets and
- strategies used to serve the target markets, effectively and efficiently.

WHAT YOU WILL LEARN IN THIS COURSE

The course is made up of fifteen units, covering areas such as approaches to the study of marketing, marketing management philosophies, marketing environment, and functions of marketing. This course also touches areas like product classification, buying process, channels of distribution, middlemen and marketing activities, marketing of services/risks, promotion and consumerism.

This Course Guide is meant to provide you with necessary information about the course, the nature of the materials you will be using and how to make the best use of the materials towards ensuring adequate success in your programme, as well as the practice of producers' cooperative management. Also included in this course guide are information on how to make use of your time and information on how to tackle the tutor-marked assignment (TMA) questions. There will be tutorial sessions during which your instructional facilitator will take you through your difficult areas and at the same time have meaningful interaction with your fellow learners.

COURSE AIMS

This course aims at exposing students to the basic concepts in marketing and the role of marketing in modern business. The aim of the course will be achieved by:

- introducing you to the origin of marketing and marketing philosophies
- classifying marketing functions
- identifying various ways of classifying products to you
- explaining the buying process to you
- helping you to appreciate the role of middlemen in modern Business
- explaining to you various means of promoting products and modes of segmenting markets.

COURSE OBJECTIVES

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

- define marketing

- differentiate between marketing, market and marketer
- explain marketing management philosophies
- identify factors that affects marketing activities
- classify various types of products
- describe buying process
- explain basis of segmenting markets
- itemise ways of handling marketing risks
- explain various methods of promoting products and
- explain the origin of consumerism and consumers rights.

COURSE MATERIALS

The major components of the course are:

1. Course guide
2. Study units
3. Textbooks
4. Assignment file
5. Presentation schedule

STUDY UNITS

There are 15 units in this course, which should be studied carefully.

These units are in three modules as follows.

Module 1 Introduction to Marketing

- Unit 1 Introduction
- Unit 2 Approaches to the Study of Marketing
- Unit 3 Marketing Management Philosophies
- Unit 4 Marketing Environment
- Unit 5 Functions of Marketing

Module 2 Channels of Distribution

- Unit 1 Product Classification I: Consumer Products
- Unit 2 Product Classification II: Industrial Products
- Unit 3 Buying Process
- Unit 4 Channels of Distribution
- Unit 5 Middlemen and Marketing Activities

Module 3 Market Strategies

- Unit 1 Marketing of Services

| | |
|--------|---------------------|
| Unit 2 | Marketing Risks |
| Unit 3 | Market Segmentation |
| Unit 4 | Promotion |
| Unit 5 | Consumerism |

The whole course book contains 15 units, as mentioned earlier on. Each part is made up of five (5) units. This course is designed to expose you to various strategies of satisfying consumers' needs.

TEXTBOOKS AND REFERENCES

There are also textbooks, listed under the references' section, and other resources for further reading. They are meant to give you additional information if only you can lay your hands on any of them. You are advised to practice the self-assessment exercises and tutor-marked assignment questions for greater understanding of the course. By so doing, the stated learning objectives of the course will be achieved.

ASSESSMENT

There are many assignments on this course and you are expected to do all of them by following the schedule prescribed for them in terms of when to attempt them and submit same for grading by your tutor.

TUTOR-MARKED ASSIGNMENT

In doing the tutor-marked assignment, you are to apply your transfer knowledge and what you have learnt in the contents of the study units.

These assignments, which are many in number, are expected to be turned in to your tutor for grading. They constitute 30% of the total score for the course.

FINAL EXAMINATION AND GRADING

At the end of the course, you will write the final examination. It will attract the remaining 70%. This makes the total final score to be 100%.

COURSE MARKING SCHEME

The marks that make up the total score for this course are as shown in the table below:

| Assessment Marks | Assessment Marks |
|--|---|
| Assignments (the best will be selected) | 10% of the selected marked assignments, totalling 30% |
| Final examination | Final examination |
| Total | Overall course score 100%. |

HOW TO GET THE MOST FROM THIS COURSE

In distance learning, the study units replace the lecturer. There is the advantage of reading and working through the course material at the pace that suits the learner best. You are advised to think of it as reading the lecture as against listening to the lecturer. The study units provide exercises for you to do at appropriate periods instead of receiving exercises in the class.

Each unit has common features which are designed, purposely, to facilitate your reading. The first feature being an introduction to the unit, the manner in which each unit is integrated with other units and the entire course. The second feature is a set of learning objectives. These objectives should guide your study. After completing the unit, you should go back and check whether you have achieved the objectives or not. The next feature is self-assessment exercises, study questions which are found throughout each unit. The exercises are designed basically to help you recall what you have studied and to assess your learning by yourself. You should do each self assessment exercise and the study question as you come to each in the study unit. The next features are conclusion and summary at the end of each unit. These help you to recall all the main topics discussed in the main content of each unit. There are also tutor-marked assignments at the end of appropriate units. Working on these questions will help you to achieve the objectives of the unit and to prepare for the assignments which you will submit and the final examination

It should take you above one hour-thereabouts, to complete a study unit, including the exercises and assignments. Upon completion of the first unit, you are advised to note the length of time it took you, then use this information to draw up a timetable to guide your study of the remaining units. The margins on either sides of each page are meant for you to make notes on main ideas or key points for your usage when revising the course. These features are for your usage to significantly increase your chances of passing the course.

FACILITATORS/TUTORS AND TUTORIALS

There are many ways of learning as an open distant learner. You learn when you interact with the content in your course material just as a student interacts with the teacher in a conventional institution. You also learn when you are guided through the course. Though you are not taught the course, your course material is however your teacher; and as such, you will not be able to get answers to any questions which may arise from your study of the material. For this reason, apart from the course material which you have received, the delivery of this course is aided by tutorial, facilitation and counselling support services. These services are not compulsory but you are encouraged to, maximally, take advantage of them.

A number of hours have been scheduled for this course, and they form a part of your learning process; you also have an opportunity to receive face-to-face interaction with your informal facilitator and to receive answers to questions or classifications which

you may have. Also, you may contact your tutorial facilitator by telephone or e-mail. As an open and distant learner, you are expected to prepare ahead of time by studying relevant study units, write your questions so as to gain maximum benefit from tutorial sessions. Information about the location and time schedule for facilitation will be available at your study centre.

Note that tutorial sessions are flexible arrangements between you and your tutorial facilitator. You will need to contact your study centre to arrange the time schedule for the sessions. You will also need to obtain your tutorial facilitator's phone number and e-mail address. Tutorial sessions are optional, however; participating in them provides tremendous benefits because they provide a forum for interaction and group discussions which will maximise the isolation you may experience as an open and distant learner. Your tutorial facilitator guides you by doing the following things.

- i. Providing answers to your questions during tutorial sessions on phone or by e-mail
- ii. Coordinating group discussions
- iii. Providing feedback on your assignments
- iv. Posing questions to confirm learning outcomes
- v. Coordinating, marking and recording your assignments/examination score(s)
- vi. Monitoring your progress.

English language is the language of instruction for this course. The course material is available both in print and on CD. It is also on the National Open University of Nigeria website. However, on your part, you are to prepare ahead of time by studying and writing your questions so as to maximally benefit from facilitation.

Information about the location and time of facilitation will be available at your study course. This is a flexible arrangement between you and your tutorial facilitator. You should contact your tutorial facilitator whenever:

- i. you do not understand any part of the study unit
- ii. you have difficulty with the self assessment exercises
- iii. you have a question or a problem with an assignment, or your tutorial facilitator's comments on an assignment or with the grading of an assignment.

SUMMARY

All the features of this course guide have been designed to facilitate your learning, so as to ensure the achievement of the aims and objectives of this course. These features include the aims, objectives, course summary, course overview, self assessment exercises and study questions. You should endeavour to make maximum use of them in your study to achieve maximum results.

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MODULE 1

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| Unit 1 | Introduction to Marketing |
| Unit 2 | Approaches to the Study of Marketing |
| Unit 3 | Marketing Management Philosophies |
| Unit 4 | Marketing Environment |
| Unit 5 | Functions of Marketing |

UNIT 1 INTRODUCTION TO MARKETING

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1.0 INTRODUCTION

Welcome to this course on ‘Introduction to Marketing’. In this course, we are principally concerned with the management of exchange process between a firm and its customers. A firm offers a product or a service concept to the potential customer who has need of it. The management team matches the firm’s offer and the customer’s need in such a way that both parties benefit, profitably, at the end.

People opt to learn marketing for different reasons. However, marketing as you will soon see, is important whether you are in the marketing function or any other function of a business. Besides, marketing is a very exciting field which requires a great deal of creativity to be successful in it. This course has been designed, primarily, to develop your awareness of the marketing orientation. It is assumed that such knowledge about marketing decisions and processes will not only improve your competences, but will also aid the attainment of organisational objectives. The first unit focuses on some fundamental issues in marketing as they affect marketing activities.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- define the term 'marketing'
- outline the concepts underlying marketing
- discuss the importance of marketing
- describe the evolution of marketing.

3.0 MAIN CONTENT

3.1 Definition of Marketing

Marketing has been viewed differently by different people. This is based on individual perception. Marketing is a crucial human activity. It embraces the activities we engage in to satisfy economic needs and wants. Let us pause to examine some definitions by some scholars, as outlined below.

- (a) Marketing is the business process by which products are matched with markets and through which transfer of ownership is effected (Cundiff and Stanton, 1964).
- (b) 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).
- (c) 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).
- (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 the business function that identifies customers' needs and wants, determines which target markets the organisation can serve best, and designs appropriate products, services, and programmes to serve these markets (Kotler and Armstrong, 1996).
- (e) Marketing is the set of activities that facilitates exchange transactions involving economic goods and services for the ultimate purpose of satisfying human needs (Nwokoye, 1981).

In sum, marketing embraces activities related to the product itself, the pricing, the distribution, communication or promotion, post-sale activities, marketing research and sales forecasting. However, it should be noted that for marketing or exchange to take place, the following conditions must subsist (a) there has to be two or more parties who have unsatisfied wants, (b) some products or services and money to exchange, and (c) some means of communication between the parties involved. From the above definitions, it thus implies that a broad range of participants engage in marketing activities which include:

1. a manufacturer or processor
2. a farmer who produces for local or export markets
3. middlemen- wholesaler, agents, brokers and the ultimate buyers
4. a transportation company which moves goods and traders
5. an advertising agency which handles product advertising and
6. a marketing research firm which identifies useful marketing information and researches buyer needs.

SELF-ASSESSMENT EXERCISE

In your own words, define marketing.

3.2 Basic Concepts Underlying Marketing

Now, we shall be looking at a number of issues here.

a. 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.

b. Wants

Human wants are desires for specific satisfaction of deeper needs. For example, a man in the village need rain, need 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 wants are numerous. These wants are continually shaped and reshaped by social forces and institutions such as families, church, schools and business corporations. Marketers don't create needs, needs pre-exist in markets. Marketers along with other inferential in the society, influence wants. They suggest and inform consumers about certain products and persuade them to purchase, stressing on the benefits of such products.

c. Demands

People have almost unlimited wants, but limited resources. The want to choose products that provide the most value and satisfaction for their money. When backed by purchasing power, wants become demands. That is, demands are wants for specific products that are 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.

d. Products

People, normally, satisfy their wants and need with products offered into 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, organisation or idea. It should be noted that people do not buy physical objects for their own sake. For examples, a lipstick is bought to supply service-aid looking good (beauty); toothpaste for whiter teeth – prevent germs; aid 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 realises that their importance depend, 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.

e. 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 them. They can concentrate on making things they are good at making and trade 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, they must satisfy five conditions, namely:

- i. there must be, at least, two parties
- ii. each party has something that may 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; and
- 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. If they agree, 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.

f. 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 who have resources to engage in exchange, and are willing to offer these resources in exchange for what they want.

To the African, the word 'market', almost invariably, means the market place where buyers and sellers gather to exchange their goods- whether it is a period market as in the rural areas or daily market, mostly found in the urban areas. 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.

g. 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/or a seller.

SELF- ASSESSMENT EXERCISE

State conditions under which exchange take place.

3.3 The Evolution of Marketing

Marketing develops as the society and its economic activities develop as well. The need for marketing arises and grows as the society moves from an economy of agriculture and self-sufficiency to an economy built around division of labour, industrialisation and urbanisation.

During agrarian economy, the people are largely self-sufficient – they grow their own food, produce their own clothes, build their own houses, etc. There was no marketing, because, little or no exchange was in place.

However, in the course of time, the concept of division of labour began to evolve. People concentrated on producing more than the quantity they needed; and whenever people make more than they wanted, the foundation is laid for trade, and trade (exchange) is at the heart of marketing. At first, the exchange process was a simple one. The emphasis was largely on the production of basic needs which usually was in short supply. Little or no attention was devoted to marketing, and exchange was very local.

Then came the era of marketing; this came about when some producers began to manufacture their goods in large quantities in anticipation of future demands. At this juncture, it can be stated that marketing evolved in the United States as a by-product of the industrial revolution.

Therefore, up to 1910, American economy was very low. It was characterised by shortages of economic resources (goods). The middlemen were very strong; the main problem was that of production and distribution. Modern marketing came of age after World War I and II, when surplus and over-production became an important part of economic activities.

In 1929, (the manufacturing era) there was manufacturing of goods and services, but below the expected demands. The main concern was to produce enough to meet the demands at hand. Between 1930 and 1940's (sales era / depression era), there was enough production of consumer goods and services. The major problem at hand was that of marketing/distribution. The concern was to design the most effective channel institutions among the various alternatives. Between 1940 and 1950's (war era), all efforts were geared towards the production of war equipment, at the expense of the consumer goods. When the war came to an end, there were shortages of consumer goods. Hence, efforts were geared toward the production of consumer goods. During these periods, various authors came up with different theories; for instance, Professor Joe Robinson wrote on monopolistic economy. His assumption was that if a company can produce an item in such a way that the marginal returns will offset its price from the marginal costs, and the markets are segmented equally, then such company would be able to maximise her profits. Thus, people became interested in this theory.

There was another author named Wanded Smith. He wrote an article on 'why people must segment their markets and differentiate their products'. His argument was based on the fact that various companies use different machine for the production of war equipment. Besides, consumer purchasing power and tastes are not the same. During this period, marketing concept evolved. Marketing concept is a business philosophy that states that "the satisfaction of consumer's want is the economic and social justification for a firm's existence". It is a managerial philosophy for performing business activities, which see the entire business activities as a unit to be planned, mobilised to produce goods and services to satisfy consumers' needs in such a way as to enhance the profit of the firm.

The 1960s (marketing control era) was the period when marketing department became well known and so much important in the U. S. A., for instance. One of the authors of the time, Peter Drunker states that marketing department is so complex that it can't be handled by a single individual. The attention, at this period, was directed towards markets. Also, consumerism came up due to the failure of the marketing concept. Consumerism is an organised movement of citizens and government to strengthen the rights and power of buyers in relation to sellers. Consumerists seek to increase the amount of consumer information, education and protection. From the 1980's to-date (societal era), communication has turned the whole world into a global village. Effort has been on how to satisfy the needs of the society, and consumers have become, increasingly, conscious of their rights.

SELF-ASSESSMENT EXERCISE

Briefly differentiate between need and want.

3.4 The Role of Marketing

Here, suffice it to say that the role of marketing cannot be over emphasised. Let us look at the following.

1. The first role is that it stimulates potential aggregate demand, and thus, enlarges the size of the market. You may ask how it helps 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 monetising the economy, which in turn facilitates the transfer of investible resources.
2. Another important role of marketing is that it helps in the discovery of entrepreneurial talent. Peter Drucker, a celebrated writer in Management, makes this point very clear 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 wish to ask, how this can be made possible. The answer is that when a country advances economically, it takes more and more people to distribute goods; and while it takes, proportionately, a lesser number to make them. That is, from the employment point of view, production becomes relative significant than marketing and the related services of transportation, finance, communication, insurance, etc. which spring around it becomes important.

4.0 CONCLUSION

In this unit, you have learned about the term ‘marketing’, its functions and roles in socio-economic development of a nation. You also learned some basic terms which are regarded as the basic concepts underlying marketing.

5.0 SUMMARY

Although marketing cannot operate in isolation of other sectors of the economy; it plays an important role in economic development, since goods by themselves cannot get to the target users except through marketing institutions. In this unit as well, you have also been exposed to the stages of marketing era; this should further enhance your understanding the role of marketing in nation building.

6.0 TUTOR-MARKED ASSIGNMENT

Define marketing.

7.0 REFERENCES/FURTHER READINGS

Kotler,P. (2000). Marketing Management – Analysis, Planning, Implementation and Control. (8th ed.). India- New Delhi: Prentice-Hall.

Nwokoye, N. G. (1981). Modern Marketing for Nigeria. London: Macmillan Publishers Ltd.

Stanton, W.J. (1981). Fundamentals of Marketing. (5th ed.) New York: McGraw-Hill, Inc.

UNIT 2 APPROACHES TO THE STUDY OF MARKETING

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- 2.0 Objectives
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 - 3.1 Approaches to the Study of Marketing
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- 5.0 Summary
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1.0 INTRODUCTION

Each discipline has its own approach-in terms of the modus operandi for studying it. Marketing is not an exemption. This unit will examine various approaches of studying marketing. These approaches are crucial to the work of marketing executives. A good understanding of them determines the way to apply them when the need arises. It is the fundamental guide that underlies marketing activities. Thus, they are regarded as the building-blocks for achieving company objectives and goals.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- explain various approaches to marketing
- highlight the basic reasons underlying them
- discuss the application of the approaches in marketing activities.

3.0 MAIN CONTENT

3.1 Approaches to the Study of Marketing

Any phenomenon can be studied from several points of view. This is very true of marketing. The following approaches have been prominent in the history of marketing.

3.1.1 Commodity Approach

The commodity approach focuses on particular commodities and classes of products, to determine how they are produced and distributed to intermediate and ultimate consumers. The major product classes studied are farm products, minerals, manufactured goods and services. The focus of this study is on classes of products; these include consumer and industrial products. It is pertinent to study these classes of products due to simple fact that consumers' needs vary from one product to another. Let us, briefly, see example these classes.

- a. **Consumer goods-** these are goods bought by final consumers for personal consumption. Marketers, usually, classify these goods based on shopping habits of consumers. Consumer goods include convenience goods, specialty goods, and unsought goods.
- b. **Industrial goods-** these are bought by individuals and organisations for further processing or for use in conducting a business. The industrial goods can be classified according to how they enter the production process and according to their cost. There are three groups, namely- materials and parts, capital items, and supplies and services. The distinction between a consumer good and an industrial good is based on the purpose for which the product is purchased. Thus, marketers are interested in the purpose for which these goods are bought. This formed the bases of their production.

SELF-ASSESSMENT EXERCISE

Briefly explain the commodity approach to the study of marketing.

3.1.2 Institutional Approach

The institutional approach focuses on the nature, evolution, and functions of particular institutions and various facilitating agencies. For example, an institution, at least, may study an institution such as a departmental store to determine how it has evolved over the years and where it seems to be heading to. Just as products consumed by consumers vary from one person to another, the needs of institutions are not the same as well. For example, an educational institution is different from an advertising agency. Therefore, it is pertinent for marketers to study the needs of individual institutions as a means of understanding and providing appropriate products and services.

3.1.3 Functional Approach

The functional approach focuses on the nature and dynamics of various marketing functions, such as buying, selling, storing, financing, and promoting. A functionalist studies how these functions are carried on in various product markets and by various marketing institutions. It is only when these functions are appreciated and critically studied that consumers can be satisfied.

3.1.4 Managerial Approach

The managerial approach focuses on the use of marketing in successfully positioning organisations and products in the market place. Managerial marketers are, particularly interested in marketing analysis, planning, organisation, implementation, and control. These are managerial roles that must be, critically, studied and carried out; otherwise the aims of satisfying consumers would be defeated. For example, many companies operate without formal plans. In new companies, managers are sometimes so busy they have no time for planning. In small companies, managers sometimes think that only large corporations needs formal planning. In mature companies, many managers argue that they have done well without formal planning, and that therefore it cannot be too important. They may resist taking the time to prepare a written plan. They may argue that the marketplace changes too fast for a plan to be useful. These are some of the opinions of marketing executives. However, it should be noted that we are operating in a dynamic environment. Thus, marketing activities must be properly articulated and planned; otherwise the efforts put in will be futile.

This is narrowed down to having company mission, objectives and goals. The approach to adopt determines the success of the company's products and services. For example, in a particular market, different approaches may be needed for various classes of consumers. For instance, looking at baby products, household utensils, unsought goods etc., these are different classes of consumers that require different level of satisfaction. Thus, managerial approach is top management task that must be planned and executed, appropriately. This is the main reason why modern marketing activity exerts effort to either remain on top or acquire other competitor's market shares. Thus, as a marketing executive, you must define your mission, objectives, goals, target consumers and markets, properly. Your ability to have these as part of your strategic plan determines your success or failure.

3.1.5 Social Approach

The social approach focuses on the social contributions and costs created by various marketing activities and institutions. This approach addresses such issues as market efficiency, product obsolescence, advertising truthfulness, and the ecological impact of marketing. The social approach is an inevitable approach in our modern society. The waste products (of our companies), environmental degradation, chemical pollution, indispensable waste etc., are critical areas of modern management. This is the reason why modern managements/companies (particularly, the oil companies in Niger-Delta belt of Nigeria for instance) are called upon to partner with host communities to reduce unpleasant incidents, and such vices associated with the growth of cities and towns such as Lagos, Abuja, Kano, and Port-Harcourt.

SELF-ASSESSMENT EXERCISE

Why do you consider social approach to study of marketing important?

4.0 CONCLUSION

Study of approaches to marketing is considered as the corner stone of marketing activities. It is a fundamental medium through which consumers' needs are met.

5.0 SUMMARY

In this unit, you have learnt approaches to studying marketing and underlying reasons for approaches to marketing activities.

6.0 TUTOR-MARKED ASSIGNMENT

Briefly itemise and explain any three approaches to marketing.

7.0 REFERENCES/FURTHER READINGS

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UNIT 3 MARKETING MANAGEMENT PHILOSOPHIES

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 The Production Concept
 - 3.2 The Product Concept
 - 3.3 The Selling Concept
 - 3.4 The Marketing Concept
 - 3.5 The Societal Marketing Concept
- 4.0 Conclusion
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1.0 INTRODUCTION

Every profession has its own guiding principles that help to achieve its set goals; marketing is not an exception. These philosophies are the bases upon which marketing activities revolved. Successful marketing executives, critically, study these concepts and apply them where necessary, in order to achieve set goals. These philosophies are called (marketing) concepts-the core of the marketing activities of organisations. It should, however, be noted that marketing management is a branch of marketing that deals with analysis, planning, implementation and control of programs; these programs are designed to create, build and maintain beneficial exchanges with target buyers for the purpose of achieving organisational objectives. The focus of this unit is to examine the marketing concepts as they affect marketing activities.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- explain the product concept and production concept
- describe the marketing and selling concept
- explain the societal concept.

3.0 MAIN CONTENT

3.1 The Production Concept

The production concept holds that consumers will value products that are available and highly affordable, and that management therefore should focus on improving production and distribution, efficiently. This concept is one of the oldest philosophies

that guide sellers. The production concept is a useful philosophy which applies to the following situation.

- a. When the demand for a product exceeds the supply- this is very common to most of the goods/services available in Nigerian markets; examples of these are petroleum products, food stuffs, and educational resources. 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 privileged individuals in Nigeria as compared to the present situation whereby an average individual has one. In order to maintain market turnover, it thus implies that management should improve facilities and reduce prices of their products/services- as obtained in the telecommunication market in Nigeria.

3.2 The Product Concept

The product concept holds that consumers will value products that offer the highest quality, performance, and innovative features; and that an organisation 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- sparsely distributed. Thus, they need to be served based on the peculiarity of their needs and environmental consideration. For example, Toyota and Honda companies adopt this concept for their brands of cars for Nigeria markets. In the hospitality industry, services are provided based on the expectation of guests. This is why rooms 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 may be compelled to bear the burden. Thus, income of the consumers and their willingness to pay for these new features should be given consideration.

Otherwise, the product concept can lead to 'market myopia'. For instance, rail road management once thought that users wanted trains rather than transportation 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.

SELF- ASSESSMENT EXERCISE

Briefly differentiate between the production and product concepts.

3.3 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 an organisation's products. The organisation must, therefore, undertake an aggressive selling and promotion efforts. The concept assumes that the consumers' resistance has to be overcome and the consumers should be coerced into buying more; and that the company has to use various strategies of effective selling and promotion tools to stimulate more buying. The selling concept is practiced both by profit and non-profit making organisations. For instance, the selling concept is practiced aggressively with 'unsought goods' those goods that buyers, normally, do not think of buying, such as insurance policies, and 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. If the customer balks at the price, the salesperson offers to talk to the manager to get a special concession. The customer waits a little and the salesperson returns with a response like-'the boss does not like it, but I got him to agree'. The aim is to 'work up the customer and close the sale'.

The selling concept is also practiced by non-profit organisations such as fund raisers, colleges/universities, politicians, and a 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 is the practice with PDP, ANPP, AC, etc. After the election, the elected officials continue to take a sales-oriented approach in dealing with the citizens. There is little research into what the public wants, rather the political class adopts the selling concept to get the public to accept their policies- as practiced by the largest party in Africa-PDP.

Most firms practice the selling concept when they have a surplus of production. 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 scramble hard for customers. Prospects are bombarded with television commercials, newspaper adverts, 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 the banking industry in Nigeria, whereby the bankers or sales person must get customers for the bank, irrespective of whether the customer has interest in 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. If marketers do a good job by identifying customers' needs, developing appropriate

products and pricing, distributing and promoting them effectively, thus, products may sell very well.

3.4 The Marketing Concept

The marketing concept is a business philosophy that evolved to challenge the previous concepts. The marketing concept holds that the key in achieving organisational goals consists in determining the needs and wants of target markets and delivering the desired satisfactions, more effectively and efficiently than other competitors. Examples of marketing concepts relates to the following:

- find wants and fulfill them
- make what will sell, instead of trying to sell what you can make
- love the customer and not the product etc.

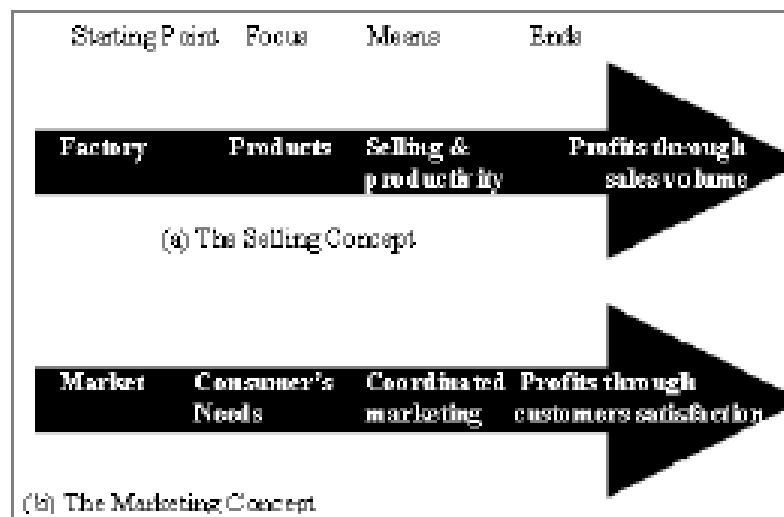


Figure 3.1: The Selling and Marketing Concepts Contrasted

- 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/her product into cash; while marketing has to do with the idea of satisfying the needs of customers by means of the product and the 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 satisfaction of customers' want- is the economic and social justification for a firm's existence). This, thus, implies that all company 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 the automobile industry, Toyota has variety of brands of all kinds to satisfy their target markets, e.g. luxury buses, passenger buses etc. Also, in soft drink industry, Coca-Cola Nigeria Plc has the 25cl and 35cl brands for its target markets.
- b. **Customer orientation-** a company can define its market carefully, and still fail at customer-oriented initiatives. 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 customer and researching into customers' needs. For instance, a car buyer (Toyota) would like a high performance car that would never break down- a brand that is attractively styled and cheap. Since all of these features may not be in one car, 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 needs of customers.

One may ask this question-why is it important to satisfy customers? It should, however, be noted that a company's sales- each period, come from two groups- new customers and repeat purchase customers. It always costs more to attract new customers than to retain current customers. Hence, customer-retention is more critical than customer attraction. The key to customer retention is customer satisfaction. Satisfied customers do the following:

- a. they buy again
- b. talk favourably to others about the company
- c. pay less attention to competitive brands and advertisements
- d. buy other products from the same company.

To buttress these views, according to one Japanese businessman the aim of every business concern should go beyond satisfying customers- the focus should be to delight the customer. Sales people go beyond meeting the mere expectations of the customer; when they delight a customer, the customer talks to more acquaintances about the 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 words travel faster and further than good words, and can easily poison the public's attitude about the company. In summary, a customer-oriented company will track its customer satisfaction level, each period, and set improvement goals.

- c. Coordinated marketing** - Coordinated marketing means two things, as you are going to see below.
1. The various marketing functions- sales force, advertising, product management, marketing research and host of others, must be coordinated all together. These marketing functions must be coordinated from the customer point of view.
 2. Marketing must be well coordinated with the activities of other departments of the company. 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 the following 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- customers, employees, and stakeholders. While all the groups are important, he would ask - in what order should the groups be satisfied? Most candidates say the customers should be satisfied first. Bill Marriott, however, reasons differently. The order should be first- the employees; if the employees love their jobs and feel a sense of pride in the hotel, they will serve customers well. Satisfied customers will return frequently to Marriott. This repeat business, in turn, yields a level of profits that satisfy the Marriott stockholders.

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

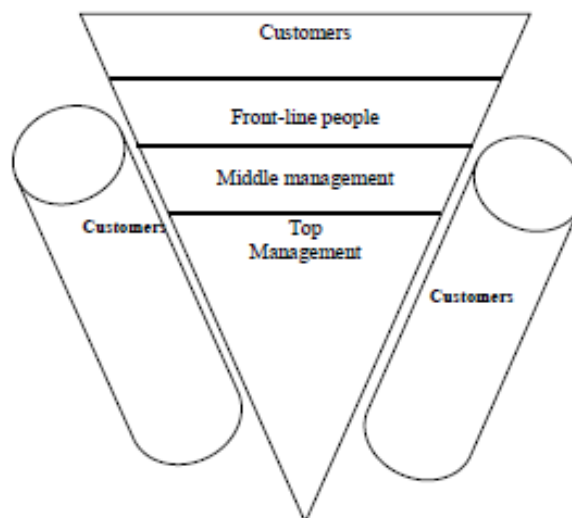


Fig. 3.2: The 'Correct' View of Organisational Chart

From the diagram above, at the top of the organisation are the customers. Next in importance are the front-line people, who meet, serve and satisfy the customers. Under them are the middle-level managers, whose job is to support the front-line people so that they can serve 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 managers in the company are, personally, involved in knowing, meeting and servicing customers' needs, effectively.

- d. Profitability-** the purpose of the marketing concept is to help organisations to achieve their goals. In private firms, the major goal is profit, while in non-profit and public organisations; the goal is 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"; here, he is misplacing the emphasis. A company makes money by satisfying customer needs better than competitors. This is not saying that marketers are unconcerned with 'profits'. Quite contrary, they are highly involved in analysing 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.

SELF-ASSESSMENT EXERCISE

Write short note on marketing concept.

Organisational resistance

Some departments in a company, often manufacturing, finance, etc. Do not like to see marketing built up, because it threatens their influence in the organisation, allegedly. However, it has been argued that "marketing is the major function of an enterprise- for without customers, there will be no company". This implies that marketing is put at the center, with other business functions serving as supporting functions. See the diagram below.

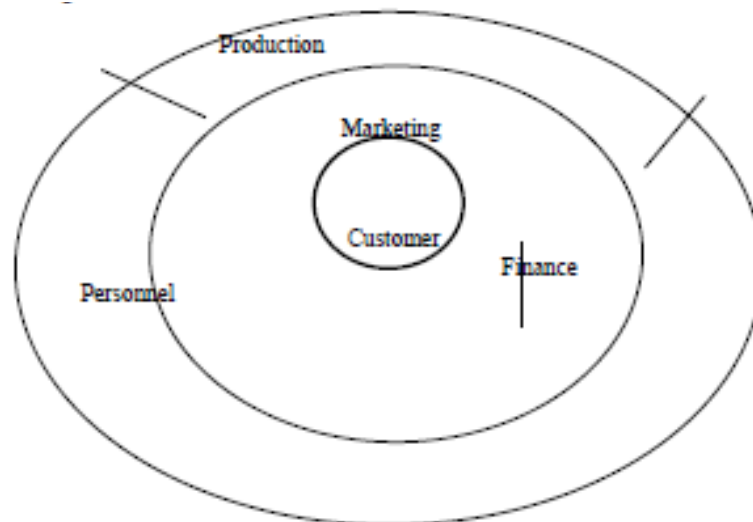


Fig. 3.3: Evolving View of Marketing's Role in a Company.
 (Source: Kotler, P. (1994). Principles of Marketing.(6th ed.). New Jersey: Paramount Communications Company).

The marketer's argument for the business concept is outlined below:

1. The assets of the firm have little value without the existence of customers
2. The key task of the firm is therefore to attract and retain customers
3. Customers are attracted through, competitively, superior offers, and retained through satisfaction.
4. Marketing's task is to define a superior offer to the customer and to ensure the delivery of satisfaction.
5. The satisfaction actually received by the customer is affected by the performance of the other departments.
6. Marketing must influence or control these other departments if customers are to receive the expected satisfaction.

In spite of these arguments, marketing is still resisted by some organisations.

3.5 The Societal Marketing Concept

The societal marketing concept holds that the organisation 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 questions whether pure marketing concept is adequate in an age of environmental problems, resource wastages, rapid population growth, worldwide 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. According to Kotler (1994) most people see the "Coca-Cola Company" as a highly responsible corporation, producing good soft drinks that satisfy consumers. Yet,

certain consumer and environmental groups have voiced the concerns that Coke has little nutritional value, that it can harm people's teeth, contains caffeine, and adds to the little problem with disposable bottles and cans. In similar manner, the Niger-delta, south-south of Nigeria has cried out over the unwholesome activities of oil companies, thus leading to all forms of human degradation.

SELF-ASSESSMENT EXERCISE

Give reasons why you consider societal marketing concept important in modern management.

4.0 CONCLUSION

In this unit, it has been made known to you that marketing management is the analysis, planning, implementation and control of programs, designed to create, build and maintain beneficial exchanges with target markets in order to achieve organisational objectives. Marketing management is guided by five different philosophies, namely the production concept, the product concept, the selling concept, the marketing concept and the societal concept. Marketing practitioners must study these critically and apply accordingly.

5.0 SUMMARY

The study of marketing will be incomplete without the study of marketing orientations. This is because it is the basis of marketing itself. This unit exposes you to the production, product, selling, marketing, and societal marketing concepts as the basis of understanding of marketing activities.

6.0 TUTOR-MARKED ASSIGNMENT

Differentiate between the selling concept and the marketing concept.

7.0 REFERENCES/FURTHER READINGS

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UNIT 4 MARKETING ENVIRONMENT

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 External Marketing Environment
 - 3.2 Micro Environment Variables
 - 3.3 Internal Marketing Environment
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

1.0 INTRODUCTION

Marketing environment is a very important element that must be critically studied and evaluated before undertaking any business. The environment where the business is situated along with other factors determines the success or failures of such business. Inability of some businessmen to understudy the business environment has made them to run into avoidable loss. Thus, a company's marketing system must operate within the framework of forces that constitute the system's environment. These forces are either external or internal to the firm.

Marketing executives do not have control over external variables; but these variables can be influenced by business activities, while internal variables can be manipulated and controlled. Thus, environmental marketing variables are critical to the success of any business. This unit looks into external and internal variables that affect marketing activities.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- explain external marketing variables
- describe the implication of these variables on marketing activities.

3.0 MAIN CONTENT

3.1 External Marketing Environment

The external marketing environment comprises variables which are referred to as uncontrollable. They are regarded as uncontrollable variables, because they cannot be changed by marketing executives.

They can only influence them to their business advantage. They are also regarded as constraints and opportunities to the company. These variables are examined below.

a. Economic conditions

The economic system of a country determines the inflow and outflow of goods and services. That is, the economic system influences how resources are shared and deployed for production purposes. This, thus, influences the planning and price mechanism in the economy. It therefore implies that a company can either operate in a communist, capitalist or mixed economy. The economy determines the purchasing power, disposable income of consumers. The economic system being practiced is not a guarantee for business survival. That is, people alone do not make the market. They must have money to spend and be willing to spend it.

The condition of the economy is a significant force that affects the marketing system of any organisation- whether business or non business. For example, during prosperity, consumers have higher purchasing powers and are more willing to buy goods and services offered into the market. While, during recession, consumers have less purchasing power and they are less interested in spending their income on available goods and services. Perhaps, the most pervasive macroeconomic element affecting marketing is the factor of economic growth (Stanton, 1981). Nations pass through various economic systems. These vary from subsistence to industrialised systems. The implications of these stages of economic systems cannot be under estimated. Other economic variables which can be of interest to marketing executives include interest rate, money supply, inflation, and credit facilities.

b. Demographic environment

Demography is the statistical study of human population and its characteristics-in terms of distribution. Demography is, essentially, important to marketing managers. This is because people who have money to spend and the willingness to spend it-make up what is referred to as market. Marketing managers are also interested in the size and growth rate of the population in different cities, regions and nations; they are also interested in age distribution and ethnic variables.

Other variables include educational levels, household patterns and regional characteristics and movements. Marketing managers should, therefore, analyse the geographic distribution and demographic composition of the population as a first step towards understanding the consumer market.

SELF-ASSESSMENT EXERCISE

Give five reasons why demographic variables are important to marketing executives.

c. Social and cultural environment

The society in which people grow up shapes their beliefs, values, and norms (Kotler, 1997). People absorb, almost unconsciously, a world view that defines their relationship to themselves, to others, to nature and to the universe. The social cultural environment, really, encompasses the economic, political-legal and technological variables. People and their socio-cultural customs and beliefs are, fundamentally, what shape the economy, as well as the political legal system and technology. The impact of the socio-cultural environment on marketing system is reflected in several sections of our communities- for example, people's view on the society.

It should be noted that people vary in their attitudes towards their society. Some define it, some run it, some take what they can from it, some want to change it, some are looking for something deeper, while some want to get away from it. Some of the important socio-cultural variables that affect marketing activities include-religious beliefs, the role of marriage, peoples' feeling and dressing, and societal festivals.

People living in a particular society hold many core beliefs and values that tend to persist over time. For example, in African culture, it is expected that a younger person should respect an elderly person. Specifically, a younger person prostrates for an elderly person in the Yoruba culture. While in Nupe culture, he/she stoops for an elder. Besides, our mode of dressing also reflects our cultural orientation.

The values held by members of the society will determine what the people want and how they expect their business to perform, or what social responsibilities business (executives) should shoulder. For example, pork meat business cannot flourish in northern Nigeria, because of their religious beliefs. Likewise, suit business would hardly survive in northern Nigeria due to their cultural orientation. Thus, marketing managers should be conscious of the variables within the society they operate.

SELF-ASSESSMENT EXERCISE

List five important socio-cultural variables that affect marketing activities.

Each society contains subcultures, various groups with shared values emerging from their special life-experiences or circumstance. To the extent that sub cultural groups exhibit different wants and consumption behaviour, hence they serve as marketing opportunity. Marketers sometimes reap unexpected rewards in targeting subcultures. Although, core values are fairly persistent, cultural swings do take place. Thus, marketers should have keen interest in sporting cultural shifts that may create new marketing opportunity or threat.

d. Political and legal environment

Marketing decisions are strongly affected by developments in political and legal environment. The environment is composed of laws, government agencies, pressure groups, and government policies that influence and limit the affairs of organisations and individuals. The political environment is determined by the type of government in a country and ideology of the ruling party in power. It is the government that dictates the commercial policy of any country.

Government makes laws to ensure proper operation of business in a country. Sometimes, these laws also create new business opportunities. For example in Nigeria, the government of Umar Shehu Yar'adua lifted the tariff on rice importation, thus, creating opportunity for Nigerian businessmen. This is the reason why marketing managers should, critically, study and evaluate government policies. However, business legislation has three main purposes namely-

- to protect companies from unfair competition
- to protect consumers from unfair business practices and
- to protect the interests of society from unbridled business behaviour.

Some of the agencies which help to facilitate and implement these laws and policies are-the Nigerian Custom Service, Nigerian Immigration, and Standard Organisation of Nigeria, Nigerian Consumer Protection Council, and some others.

The main concern of these business laws is to determine the point at which the costs of regulations exceed the benefits. The laws are not always administered fairly by those responsible for enforcing them. Regulators and enforcers may be overzealous and capricious; the agencies are dominated by lawyers and economists who often lack a practical sense of how business and marketing work (Kotler, 1997). Although, each new law may have a legitimate rationale, it may have the unintended effect of sapping initiative and restraining economic growth. This therefore implies that marketing managers should have a good working knowledge of the major laws protecting competition, consumers and society.

SELF-ASSESSMENT EXERCISE

Give three reasons why business regulations are made.

e. Technological environment

One of the most dramatic forces shaping people's lives is technology. Technology has a tremendous impact on our lives-for instance our life-style; our consumption pattern; and economic well-being. It also affects the methods of production of goods and services. Every technology is a force for 'creative destruction' (Kotler, 1997). For example, transistors hurt the vacuum-tube, xerography hurts the carbon-paper business and autos hurt the railroads and television hurts the print media. Also,

advancement in information technology has brought a lot of opportunities to Nigerians and has also transformed ways of doing business both within the country and abroad.

Changes in technology is so fast, these days, that 'appropriate technology' becomes difficult to determine, especially for developing nations like Nigeria (Akanbi, 2002). Companies without a Research and Development(R &D) department are often lost in the race for growth and profitability. A change today is very fast especially in data processing and analyses, which have a profound effect on marketing decisions and activities. That is, new technology creates major long run consequences that are not always foreseeable.

It should, however, be noted that technological breakthrough are not evenly distributed across nations. Thus, marketing managers should make effort to monitor new technologies as a way of protecting their business activities. Kotler (1997) observes that instead of moving into new business, many old industries fought or ignored them, and their businesses declined.

f. Natural and competitive environment

Nations varies in natural endowments. Some nations are blessed in natural resources; for instance Nigeria, Saudi-Arabia, Kuwait, etc. are rich in oil. Since these natural resources are not evenly distributed, it is expected that marketing managers should critically study these natural resources as they affect business activities. In virtually all socio-economic systems, competition is a strong environmental force to reckon with. People/consumers, generally and basically, want satisfaction in the form of product or service benefits. Thus, marketing experts should endeavour to study consumers' needs and wants, purchasing power, socio-cultural values, competitors' product/services offered into the market etc., before producing intended goods and services. Having discussed macro environment variables, it is essential also to examine the microenvironment variables. Before you do that, pause and attempt this activity.

SELF-ASSESSMENT EXERCISE

List and explain briefly macro environment variables.

3.2 Micro Environmental Variables

Three environmental variables are directly a part of a company's marketing system, but external to the company. These are the firm's market, suppliers and marketing intermediaries. They are also classified as non-controllable variables. However, they can be influenced, to a greater degree, than the macro-variables. A marketing manager, for example, may be able to exert some pressure on its suppliers or middlemen; and through its advertisement, a firm will be able to influence her potential and prospective buyers on the goods and services offered into the market.

3.3 Internal Marketing Environment

The internal, controllable variable of a company- known as 4ps of marketing or marketing mix are variables which marketers used to achieve business organisational goals. They are referred to as controllable variables. This is so because, marketing managers can manipulate them to suit the situational demands of their products or services offered. These marketing mixes or the 4ps are briefly discussed below.

i. Product

A product can be an item, an idea or service. Marketing does not engage in production activities, but it aids production through market research- to find out consumers' needs and wants. Managing the product ingredient includes planning and developing the right products and /or services to be marketed by the company. In order to have a product-set that would satisfy consumers, marketing executives should be able to develop new products, modify existing ones, eliminate unprofitable products, and add or subtract from existing product-lines. The work of marketing executives, then, is to get the right combination of attributes that a product must have to satisfy the consumers in the target market.

ii. Price

Fixing prices for products is not, solely, the task of marketing executives. They, however, supply all the necessary information to the management committee that would decide on the change in price. Consumers are interested in the price change, because they use it to determine the value of the item bought. Price is often used as the barometer for measuring the quality of an item, and for comparing different items/goods. It is a competitive weapon used by companies to create favourable image for their products.

Thus, price is often regarded as one of the companies' offering which can stimulate purchases. While pricing, management should be able to determine the right base price for their products and services. They should be able to establish policies concerning discounts, freights payments, and other related price policies.

iii. Promotion

Promotion is, usually, the communication tool employed by marketers to inform people or the market about availability of products/services offered into the markets or existence of a particular company. It is a tool through which companies stimulate or arouse consumers' demand for the products to be sold; it also helps to educate consumers on how to use or obtain maximum benefit from the product offered into the markets. Therefore, promotion is a management strategy used to inform and persuade the market regarding a company's products. Advertising, personal selling and sales promotion are the promotional activities or tools used by companies.

iv. Distribution/Place

The distribution variable relates to the location of the products in the markets. Marketing professionals usually has some control or total control over this variable. Marketing is often responsible for the selection and management of the company's intermediaries. The intermediaries include- wholesalers, retailers, dealers, and agents. It is the responsibility of the marketing department to develop the most potent marketing mix strategies to achieve the company's objectives.

SELF-ASSESSMENT EXERCISE

In your own words, what does 'promotion' in marketing implies?

4.0 CONCLUSION

Today, business management is increasingly realising the wisdom and benefits of applying the systems concept to marketing. A marketing system is an interacting set of institutions, activities and flows designed to facilitate exchange transactions between an organisation and its markets. A company operates its marketing forces within a framework of ever-changing forces that constitute the system's environment. Some of these systems are internal, while some are external to the company. A company's success depends on the ability of its management to manage its marketing system in relations to its internal and external environmental variables.

5.0 SUMMARY

Marketing activities is being carried out in a dynamic environment, whereby marketing executives has little or no influence on these dynamic changes. This unit has exposed you to uncontrollable variables such as technology, competition, political and legal, environment etc., as they affect marketing activities. The unit also considers internal variables such as product, price, place and product.

6.0 TUTOR -MARKED ASSIGNMENT

1. List and explain the macro environmental variables.
2. Give reasons why marketing mix is referred to as controllable variables.

7.0 REFERENCES/FURTHER READINGS

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UNIT 5 FUNCTIONS OF MARKETING

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Classification of Marketing Functions
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor -Marked Assignment
- 7.0 References/Further Reading

1.0 INTRODUCTION

Marketing activities is common in our economic affairs. Thus, an average businessman claims that he/she is a marketer. This unit attempts to define and state the functions of marketing in any economic domain.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- classify functions of marketing
- explain merchandising functions
- describe physical functions
- highlight auxiliary functions.

3.0 MAIN CONTENT

3.1 Classification of Marketing Functions

The functions of marketing can be classified into three: namely merchandising function, physical distribution and auxiliary function. Let us look at these in the next section- beginning with the merchandising function.

a. Merchandising function- The function is subdivided as follows.

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 consumers, taste and market segmentation. Research and development is established for the analyses of ideas generated.

i. Standardisation 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 Organisation of Nigeria.

- ii. **Buying and assembling-** here, we are concerned with the marketing institutions that purchases goods or services at a cheaper prices in order to resell at a minimum prices to end-users. These marketing institutions include the wholesalers, retailers and agents.
- iii. **Selling-** this is concerned with selling of finished goods to 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 trade discounts, promo tools, bulk sales, bonus, etc.

SELF-ASSESSMENT EXERCISE

List and explain the merchandising function of marketing.

b. Physical distribution - Physical distribution encompasses the following.

- i. **Storage-** storing of goods to meet future demands, and for time and other utilities.
- ii. **Transportation-** the movement of goods from the manufacturer down to target consumers. This includes material handling, warehousing etc.

c. Auxiliary function - Auxiliary function encompasses the following activities.

- i. **Marketing finance-** this can be by way of allowing credits to customers and as well as obtaining credits from other customers, such as banks, individuals, etc.
- ii. **Risk-bearing-** risk means ‘uncertainty’; entering into a business entails risks, such as loss, loss of items, road mishap, weather risk, etc.
- iii. **Market information gathering-** this relates to necessary information about the markets, the target consumers in terms of their purchasing power, taste, colour, choices, competition and their products.

4.0 CONCLUSION

This unit has shown that not all activities carried out by an average businessman, can be termed marketing functions. Thus marketing functions are so specialised that requires special skills and training. Hence, for you to be successful in marketing, you need to engage in various training in marketing.

5.0 SUMMARY

In this unit you learnt about marketing functions-these include- product planning and development, standardisation and grading, storage, transportation, marketing information and risk bearing.

6.0 TUTOR-MARKED ASSIGNMENT

List and briefly explain the physical function of marketing.

7.0 REFERENCES/FURTHER READINGS

Kotler, P. (1997). *Marketing Management-Analysis, Planning, Implementation and Control*. (9th ed.). New Jersey. A Simon and Schuster Company.

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MODULE 2 CHANNELS OF DISTRIBUTION

| | |
|--------|---|
| Unit 1 | Product Classification I-Consumer Products |
| Unit 2 | Product Classification II - Industrial Products |
| Unit 3 | Buying Process |
| Unit 4 | Channels of Distribution |
| Unit 5 | Middlemen and Marketing Activities |

UNIT 1 PRODUCT CLASSIFICATION I-CONSUMER PRODUCTS

CONTENTS

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| 1.0 | Introduction |
| 2.0 | Objectives |
| 3.0 | Main Content |
| 3.1 | A Product |
| 3.2 | Product Levels |
| 3.3 | Classification of Products |
| 3.4 | Marketing Strategies for Consumer Goods |
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1.0 INTRODUCTION

Businesses are set up to produce products or goods and services. These products are sold to members of the society for money. Goods consist of items with attributes that have the ability to satisfy people's needs and wants. Goods are, normally, tangible items. Services are intangible items that can provide value and satisfaction and are also classified as products. This unit introduces you to various forms of products and their characteristics.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- define a product
- classify products into either consumer or industrial products
- explain the characteristics of industrial products.

3.0 MAIN CONTENT

3.1 A Product

People defined products differently; some is based on the benefits or satisfaction derived from it. However, you may like to think, a little deeply, on what is meant by the word 'product'. Let us attempt to expound this with this illustration.

While conducting seminar for operational salesmen who had been on the field for between 10 to 12 years; they were asked a question- "What are you selling"? Different answers were received from different groups. One group answered- "Soaps". When asked again- "What? What did you say?" The salesmen would immediately answer back, "soaps, soaps, soaps". They even tried to help the seminar leader by putting forward their right hand with the first finger and the thumb holding something rectangular, thereby assisting him to visualise soap – others claimed they sold "bulbs, drills, etc".

A product is the key marketing mix variable around which all the other marketing mix variables revolve. It cannot be divested from other marketing mix variables, because all of them contribute to form the images of the product from the point of view of the buyers. These images determine the values and satisfactions expected from a given product and how much the buyers will offer for it. It is therefore important for manufacturers and marketers to understand what a product means to consumers and their expectations from that product.

Hence, a product can be described in form of anything like goods, services, ideas, people, places, and even organisations that are offered for exchange; or a product is the bundle of benefits or satisfactions offered to a customer. Also, a product is defined as anything offered or sold for the purpose of satisfying a need or want on both sides of the exchange process. It includes a tangible object that marketers refer to as a good, as well as an intangible service (such as ideas, a place, an event, an organisation), or any combination of tangible objects and intangible services.

However, Stanton (1981: 161) defines a product as:

"a set of tangible and intangible attributes including packaging, colour, price, manufacturer's prestige, retailer's prestige, and manufacturer's and retailer's services, which the buyer may accept as offering want – satisfaction"

It should, however, be noted that the consumer is not just interested in your goods. He/she is interested in himself or herself and what ‘benefits’ he/she will get, and not in you or your organisation.

SELF-ASSESSMENT EXERCISE

Define a product.

3.2 Product Levels

This can be illustrated with the aid of a diagram as shown below

Levels of a Product

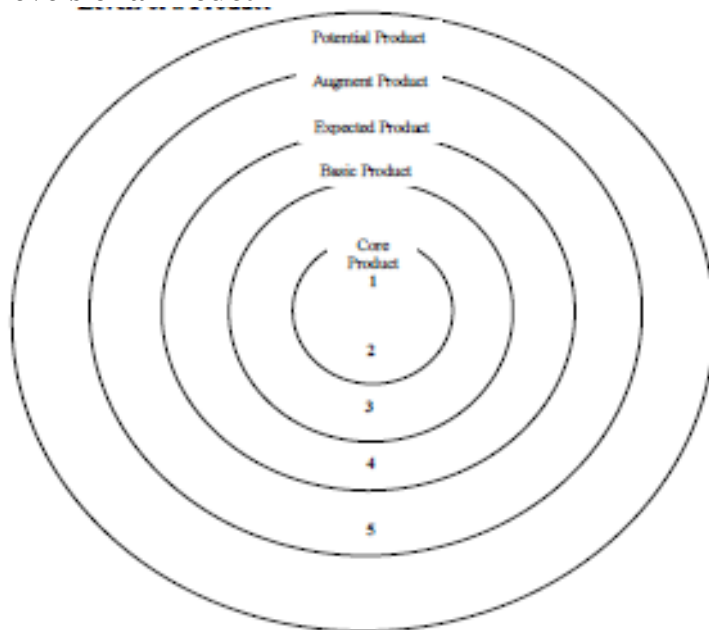


Fig. 1.1: Marketing Management – Analysis, Planning, Implementation and Control, (8th ed.)

Source: Kotler, P. (2000).

- (1) **The core benefits-** this is the fundamental service or benefit that the customer is really buying. For instance, the core benefit enjoyed by a guest in a hotel is “rest and sleep”.
- (2) **The basic product-** here, marketers have to turn the core benefit into a basic product. For example, in the case of a hotel, such things as a bed, table, chair, bathroom, and dresser are the basic products enjoyed by a guest in the hotel.
- (3) **The expected product-** here, marketers prepare an expected product, i.e. a set of attributes and conditions buyers normally expect when they purchase a product. For example, in a hotel, guests expect a clean bed, fresh towels, constant power supply, and relatively quiet environment.
- (4) **Augment product-** marketers are concerned with preparing augmented products that exceeds customer’s expectations. For example, a hotel may have

a remote controlled TV set, remote controlled air conditioner, fresh flowers, etc.

- (5) **Potential product-** this consists of all the possible augmentations and transformations the product may undergo in the future; just as we have new products in our markets daily due to modifications and diversifications undertaken by manufacturers.

3.3 Classifications of Products

Generally, products are classified into two types, namely- consumer products and industrial products.

a. Consumer products

Consumer goods are those which are used by ultimate consumers or households and in such form that they can be used without further commercial processing. Consumer goods can further be classified according to the amount of efforts consumers are willing to expend for purchases and the extent of their preferences for such products and services. Thus, consumer goods can be divided into:

- convenience goods
- shopping goods
- specialty goods
- unsought goods.

b. Convenience products/goods

These are standardised products and services, usually, of low unit values that consumers wish to buy immediately needs arise and with little buying efforts. That is, goods which consumers, generally, purchase frequently with little effort. The purchase is almost spontaneous, and the person has already a predetermined brand in mind. These convenience goods include soaps, newspapers, toothpastes, toiletries, cigarettes etc. Often, convenience goods are bought impulsively or spontaneously. For example, when a person goes shopping around and sees a product which attracts his attention, he buys it on impulse. Such goods are not purchased on regular basis.

c. Shopping goods

These are goods which are purchased after going around shops and comparing the different alternatives offered by different manufacturers and retailers. In other words, these are durable items with differentiated product attributes that consumers wish to compare in order to be able to find the most suited for their needs before buying. In this case, emphasis on quality, price, fashion, style and so on, is of great importance. They therefore have to be marketed differently; examples of such goods are clothing, household appliances, furniture and others.

d. Specialty goods

These are products that consumers insist on having. The buyers are willing to wait until the right products are available before they buy them. Consumers have either developed special tastes or liking for such goods. Specialty products are usually specific branded items, rather than product categories. They are specific products which have passed the brand preference stage and reached the brand insistence stage. Examples of these are cars, jewellery, fashion clothing, photocopy machines, cameras etc. They are usually very costly items and include luxury items.

e. Unsought goods

These are goods that people do not seek for either because they did not plan ahead to buy them or they did not know about their existence before seeing them on display, at the point of purchase. Most new, recently introduced products fall into this class. Therefore, aggressive and continuous promotion is considered pertinent. Examples of unsought products include life insurance, encyclopedia, and blood donation to the Red Cross Society.

3.4 Marketing Strategies for Consumer and Industrial Products

Industrial products are generally subject to greater standardisation, as against certain consumer products which require frequent changes in fashion and style. Advertising, normally, is an important promotional tool for consumer products, but may not be so in the case of industrial products. Personal selling and after-sales service is, generally, more important for industrial products. Industrial products generally involve high value purchases and this involves competitive bidding based on price competition. Selling is done on the basis of quality or tangible attributes.

Consumer products are, very often, sold for psychological satisfaction. For example, in case of adverts of soaps, Lux soap is touted as capable of offering you a complexion like that of a film star. Consumer products require elaborate channels of distribution, but industrial products are sold through fewer outlets and often directly by the organisation itself. These are some of the salient features of marketing of consumer products as against industrial products.

4.0 CONCLUSION

The study of consumer products is considered important, most especially in the competitive world we have found ourselves. Basic understanding of their class helps to shape consumers' consumption and as well as meeting the objective of profit making.

5.0 SUMMARY

In this unit, you learnt about the:

- definitions of a product
- levels of a product
- classification of consumer products and
- strategies for consumer and industrial products.

6.0 TUTOR-MARKED ASSIGNMENT

Briefly explain the levels of a product.

7.0 REFERENCES/FURTHER READINGS

Kotler, P. (2000). Marketing Management – Analysis, Planning, Implementation and Control. (8th ed.). New Delhi: Prentice-Hall.

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UNIT 2 PRODUCT CLASSIFICATION II-INDUSTRIAL PRODUCTS

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Industrial Products
 - 3.1.1 Installations
 - 3.1.2 Equipment, Tools and Accessories
 - 3.1.3 Raw Materials
 - 3.1.4 Semi-Processed Components and Parts
 - 3.1.5 Consumable and Operating Supplies
 - 3.2 Characteristics of Industrial Products
 - 3.3 Strategies for Industrial Products.
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor- Marked Assignment
- 7.0 References/Further Readings

1.0 INTRODUCTION

As marketing executives or business practitioners, having learnt about consumer goods, it is equally important to know what industrial products mean. This unit examines an industrial product, its classes and uses in our economy.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- define an industrial product
- explain its classification
- state its benefits.

3.0 MAIN CONTENT

3.1 Industrial Products

These are products that are used by producers who convert them into consumables or consume them in the processes of conversion or production of goods/services. That is, industrial products are purchased for further processing or for use while conducting a business. The distinction between consumer and industrial goods is based on the purpose for which the particular product was bought. The classification of industrial

goods is based on how they are used by industries. Akanbi (2002), classifies industrial products into five, namely:

- installation
- equipment, tools and accessories
- raw materials
- semi-processed components and parts
- consumables and operating supplies.

SELF-ASSESSMENT EXERCISE

Define industrial products.

3.1.1 Installations

These are major capital items that form the main assets of production firms. They are very costly items that need major decisions before they are purchased. These include buildings, heavy manufacturing machines, computers etc. These are, usually, custom made items that will require direct negotiations between buyers and sellers.

3.1.2 Equipment, Tools and Accessories

These are usually standardised items that are used by a wide range of industrial users. They are products like typewriters, hand tools, filing cabinets, air conditioners etc. They are production operating items.

3.1.3 Raw Material

They form the major parts of the finished items. They are the materials that go through the production line to make up the finished items. They include the raw materials of agricultural products, mining products, forestry products etc. They are usually standardised items that are sold on the basis of quality and their reliabilities of supply.

3.1.4 Semi-Processed Components and Parts

These types of industrial goods also form part of the finished items, although some of them are finished items already; examples are buttons for shirts, radio and batteries for cars. Parts can be used by themselves or can be used to form components of the final items.

3.1.5 Consumable and Operating Supplies

These are the convenience items of industrial products. They are used to aid the running and maintenance of equipment and for keeping the organisation and machines

in proper shape. They are, usually, standardised items, and of low prices. Examples are stationeries, fuel, water, grease, etc.

3.2 Characteristics of Industrial Products

- (i) The demand for industrial goods is derived from the demand for final goods which they are used to produce. The higher the demand for the final item, the higher will be the demand for the industrial goods and vice versa.
- (ii) The demand for industrial goods is mostly inelastic; that is, the amount of items bought of an industrial product remains, essentially, the same regardless of the price. This is because most items are not made of one single product, but a combination of products. For example, a car is made of the body, tires, radio, air conditioners, lights, and so on. If the price of the items is increased, they will still need the same number for each car. Although if the price falls, they may buy more to stock in anticipation of a rise in price in future.
- (iii) Most industrial goods have joint demands with other industrial items. As in (ii) above, most finished goods are a combination of very many products, and increase in the demand for one item will lead to an increase in the demand for the other product.

3.3 Strategies for Industrial Products

As mentioned to you in the last unit, industrial products are generally subject to greater standardisation, as against certain consumer products which require frequent changes in fashion and style. Advertising, normally, is an important promotional tool for consumer products, but may not be so in the case of industrial products. Personal selling and after-sales service is generally more important for industrial products.

Industrial products generally involve high value purchases and this involves competitive bidding based on price competition. Selling is done on the basis of quality or tangible attributes.

4.0 CONCLUSION

In this unit you have learnt that a product is the key marketing mix variable around which all the other marketing mix variables revolve. It cannot be diverted from other marketing mix variables, because all of them contribute to form the images of the product- from the point of view of the buyers. These images determine the values and satisfactions expected from a given product and how much the buyers will offer for it. It is therefore important for the manufacturers and marketers to understand what a product means to consumers and their expectations from that product.

5.0 SUMMARY

In this unit, you learnt what an industrial product means; you have also been exposed to the various classifications of industrial products and necessary strategies for production/marketing management. In the next unit, you will be looking at other factors relating to channels of distribution.

6.0 TUTOR-MARKED ASSIGNMENT

What are the characteristics of industrial products?

7.0 REFERENCES/FURTHER READINGS

Akanbi, I.A. (2002). Fundamentals of Marketing. Nigeria: Ayokunle Printer Limited, Kaduna.

Kotler, P. (1987). Principles of Marketing Management. India: PrenticeHall. Stanton, W.J. (1981). Fundamentals of Marketing.(6th ed.). Japan : McGraw-Hill Book Company.

UNIT 3 BUYING PROCESS

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Buying Objectives
 - 3.2 Buying Process
 - 3.3 The Roles in the Buying Process
 - 3.4 Buying to Resell
 - 3.5 Buying Strategies
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

1.0 INTRODUCTION

Buying one good or the other is considered as part of daily operational process. Individuals vary in buying process. There are various reasons why goods or services are offered into the markets. This unit examines the buying process, and reasons why people buy goods or services offered into the markets.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- explain the reasons why people buy goods or services offered into
- the market
- describe the buying process.

3.0 MAIN CONTENT

3.1 Buying Objectives

This is one of the necessary marketing functions. Buying is the activity that is involved in all transaction. The aim of any buyer is to obtain the right quality from the right source at the right price. This is a set objective that is difficult to adhere to, because the activities listed above have conflicting outcomes. There must, therefore, be trade-offs between these conflicting activities in order to determine the combination of activities that will earn the highest profit. In order to ensure that the stated objective is practicable, a company must

- a. buy, efficiently and wisely, to obtain the best value for the company's money.

- b. ensure that there are enough goods and services available to the company to meet its needs at all times.
- c. manage the company's inventory so as to provide the best services to customers at the least cost.

3.2 The Buying Process

In any given transaction, there must be a seller and a buyer. Although in Nigeria, most often, buyers are always more than sellers, therefore demand is always more than supply. Thus, suppliers determine the market the goods should be sold, the quantity and price to be sold. Hence, buyers have to take whatever is offered; but in economies like that of the U.S.A., Japan, U.K. etc., buyers pick and choose from the very many available sources, based on the peculiarities of their demand.

Buying is not an act. It is a process of many related activities. The buying decision is only one action in the process. The process is a problem solving approach. Once the process has started, potential buyers can withdraw, at any stage, in order to actualise purchase, while some stages can be skipped. A total stage approach is likely to be used only in certain buying situations. Infrequent behaviour is a routine affair in which the aroused need is satisfied, in the usual manner, by repurchasing the same brand. However, if something changes appreciably, such as price, product, services etc., buyers may reopen the full decision process and consider alternative brands or products. The buying process is shown below, in form of a flow chart.

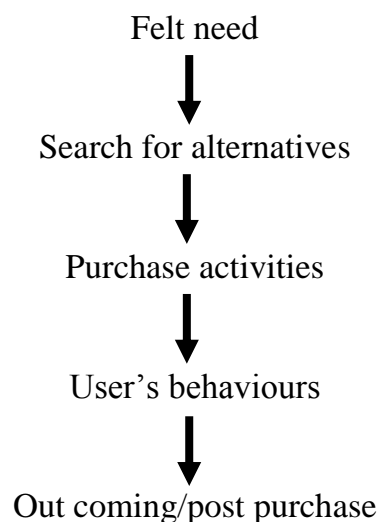


Fig. 3.1: The Schema for a Buying Process

Explanation

a. Felt need

The process stage is when an unsatisfied need (motive) creates inner tension. This may be a biological need, aroused internally (e.g. the person feels hungry); or the need

may have been dormant until it was aroused by an external stimulus, such as an advertisement or the sight of the product. Once the need has been recognised, often, consumers become aware of conflicting motives or competitive uses for their resources of time or money. Often times, there are conflicting needs, buyer must resolve these conflicts before proceeding.

b. Searching for alternatives

Once a need has been recognised, both product and brand alternative must be identified; supposing Mr. Abu has a need to be in Lagos- from Minna. The available alternatives are:

- to go by bus in the night (luxury bus)
- to go by taxi
- to go by bus in the day time
- to go by train
- to go by airplane, etc.

The search for alternative and the methods used in the search are influenced by such factors as:

- costs-in terms of time and money
- how much information the consumer already has from past experiences
- the amount of the perceived risk if a wrong selection is made.

Once the entire reasonable alternatives have been identified, the consumer must evaluate each one, in preparation to making a purchasing decision. The criteria consumers use in their evaluation include past experience and attitude toward various brands, others include- family's opinions and reference groups.

c. Purchasing activities

After searching and evaluating, the consumer at some point must decide whether or not to buy. Therefore, anything the marketer can do to simplify decision making will be attractive to buyers, because most people find it difficult to make a decision. Sometimes several decision situations can be combined, marketed as one package.

To do a better marketing job, a marketer needs to know the answers to many questions regarding consumer's shopping behaviours. At this point in the buying process, marketers are trying to determine the consumer patronage buying motives. Some of the reasons for shopping at certain stores are as listed below:

1. Convenience of location, rapidity of service, ease of locating merchandise etc.
2. Price
3. Assortment of merchandise
4. Services offered

5. Alternative store appearance
6. Caliber of sales personnel
7. User's behaviours

The marketer must learn the use of a product and who uses the products, where they are used, when they are used, and the other items with which they are used. All these are geared towards identifying marketing opportunities and better ways of handling these marketing opportunities.

Once a consumer is satisfied with the use of a product, he/she will repeat its purchase and become loyal to the company's product. All the behaviour determinants and the step in the buying process, up to this point, operate before or during the time a purchase is made. However a buyer's feeling, after the sale is significant for a marketer. People may feel dissatisfied with the product purchased because of one reason or the other.

Typically, buyers experience some post-purchase anxieties known as cognitive dissonance. Post-purchase cognitive dissonance occurs because each of the alternatives considered by the consumer usually has both advantages and limitations. Thus, post-purchase process should be, critically, studied and evaluated in order to sustain buyers brand loyalties.

SELF-ASSESSMENT EXERCISE

List the factors responsible for shopping at a particular store.

3.3 Roles in Buying Process

The decision and activities involved in the buying process involve several participants. These participants may play all or different roles in the buying process. These participants are, briefly, examined under the following headings.

- a. **Influencers-** these are people or devices that inform, persuade and stimulate the buyer at any appoint of the buying process. They include information from advertisement, families, friends neighbour, salesmen etc., at the point of purchase.
- b. **Deciders-** these are the people that make the buying decision. For example, for an item bought for personal use, the user may be the deciders. For example, a gift giver may be the sole decider for the purchase of very costly items, such as house, cars etc., and the wife may be the sole authority on food items. In addition, the husband and the wife as well as others purchase some items such as furniture and other household appliances. However, institutional and business purchases are more complex and many people may be a committee to decide on most purchase, because of the high risk involved in their purchases.
- c. **Buyers-** these are the people that make the actual purchases; examples are wives, house helps, agents etc., going to the market to buy big food items. For

institutional and business purchases- this will involve purchasing officers, committees etc.

- d. User-** these are individuals or departments that consume the products/service purchased. They are the target markets which the company directs her communications to.

These roles are important to marketing executives, because at any particular time, they help to decide who is buying what, for what purpose and for whom?

3.4 Buying to Resell

This is the business particle of buying merchandise which is resold without physical changes made on them. There are three types of specialist buyers as briefly explained under the following headings

- a. Selectors** - their work is to visit supplier, trade fairs, fashion shows etc., to identify appropriate merchandise for their organisation.
- b. Buyers** - this group of people decides on the budgets, and they work closely with selectors to decide on which product lines will sell well in the market. Buyers have the final say in the identification of which product lines to adhere to or drop. Once a product line has been selected the buyers will ask suppliers to produce sample for trials and testing.
- c. Merchandisers** - they decide on the level of stock to hold; that is, the quantity to buy or stock in the stores and which stores will carry the various lines. It should be noted that cooperation is expected from these three groups of people.

3.5 Buying Strategies

Every rational individual decides to buy goods or services offered into the market in order to achieve one goal or the other. In order to achieve this goal, there is a need to reduce the risk associated with the purchase of goods and services. For this reason, the following strategies should be adopted.

- Select a key supplier to do business with. Although this strategy may not guarantee success because there may be a hitch with supply due to strike actions; notwithstanding understanding and cooperation, at the long run will achieve the desired result.
- Spread supplies with some key companies. This will ensure that the company is able to have supplies, even if one source fails.
- Obtain a generic product, instead of buying specialised company items.
- Classify suppliers into group: - Some supplier can be strategic because of their leadership position. They may also be strategic because of their technological and high product quality level.

They may be strategic because of the competitiveness in their supply and market responsiveness. They may also possess total customer orientation.

4.0 CONCLUSION

Buying products or services offered into the markets is considered to be critical for consumers. This is because, they may wish to gather necessary information that will influence final purchase; while, others may wish to interact with potential consumers who have bought and used the product or services accordingly.

Due to these reasons and others, buying is considered to be a process, whereby consumers may wish to pass through or skip some stages in the course of buying a particular product. The nature of the product or service offered into the market determines the stages to be over served while making purchase.

5.0 SUMMARY

This unit has exposed you to various stages of buying activities- in relation to consumer and industrial products. These processes are static. This depends on the nature of the products involved. The unit also examined buying strategies adopted by marketing executives in order to sell their goods.

6.0 TUTOR-MARKED ASSIGNMENT

Modern business activities are becoming complex and complicated; the services of professionals are inevitable. Discuss any four buying strategies known to you.

7.0 REFERENCES/FURTHER READINGS

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UNIT 4 CHANNELS OF DISTRIBUTION

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Channels of Distribution
 - 3.1.1 Functions of Distribution Channel
 - 3.2 Types of Marketing Channels
 - 3.3 The Importance of Channels of Distribution
 - 3.4 Selecting an Appropriate Channel
 - 3.5 Physical Distribution Tasks
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

1.0 INTRODUCTION

Placing goods and services where they are required and when they are wanted is the area of concern of this unit. Marketing channel decisions are among the most important decisions that management grapples with. A company's channel decision directly affects every other marketing decision. For example, the company's pricing depends on whether it uses mass merchandiser, high quality specialty stores.

The firm's sales force and advertising decisions depend on how much persuasion, training and motivation the dealers need. Whether a company develops or acquires certain new products may depend on how well those products fit the abilities of its channel apparatus. Most producers use intermediaries to bring their products to the market. The use of intermediaries has become necessary in making goods available to target markets.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- explain marketing channels and types of channels
- state the role of distribution channels in the overall marketing of products
- highlight factors involved in the selection of an appropriate channel mix.

3.0 MAIN CONTENT

3.1 Channels of Distribution

The term channel of distribution is used to refer to the various intermediaries who help in moving products from the producer to the consumer. There are a variety of middlemen and merchants who act as intermediaries between producers and consumers. Stanton (1981: 283) defines channel of distribution for a product as the route taken to get to the ultimate consumer or industrial user.

A channel always includes both the producer and the final customer for the product, as well as all middlemen involved in the title transfer. Even though agents, middlemen do not take actual title to the goods, they are included as part of a distribution channel. This is because they play such an active role in the transfer of ownership. Channel of distribution is also defined as a system put in place to move goods and services from producers to customers, made up of people and organisation, supported by various facilities, equipment, and information. However, Armstrong and Kotler (1994) submits that distribution channel is “a set of interdependent organisations 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 ‘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. Channels of distribution help movement of goods from one place to another, and thus create place utility. They make it possible for the consumer to get the goods when he wants them and thus create time utility. They bring goods to the consumer in a convenient shape, unit, size, style and package and thus create convenient value.

Also, they make it possible for the consumer to obtain goods at a price he is willing to pay, and under conditions which bring him satisfaction and pride of ownership, and thus creating possession utility. It should, however, be noted that the concept of marketing channels is not limited to the distribution of physical goods alone; producers of services and ideas also face the problem of making their goods accessible to their target consumers. Channels of distribution can be grouped under two major headings, namely – direct selling by manufacturers and indirect selling through middlemen.

SELF- ASSESSMENT EXERCISE

Define a channel of distribution.

3.1.1 Functions of Distribution Channels

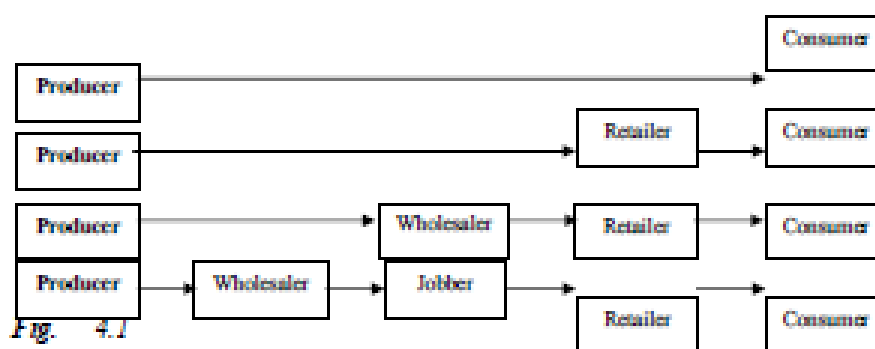
The functions performed by the members of the marketing channels are as follows:

- (a) **Information-** gathering and distributing marketing research and intelligence information about actors and forces in the marketing environment needed for planning and aiding exchange.
- (b) **Promotion-** developing and spreading persuasive communication about an offer.
- (c) **Contact-** finding and communicating with prospective buyers.
- (d) **Matching-** shaping and fitting the offer to the buyer's needs, including such activities as manufacturing, grading, assembling and packaging.
- (e) **Negotiation-** reaching an agreement on price and other terms of the offer, so that ownership or possession can be transferred.
- (f) **Physical distribution-** transferring and storing goods.
- (f) **Financing-** acquiring and using funds to cover the costs of the channel work.
- (g) **Risk-taking-** assuming the risks of carrying out the channel work.

3.2 Types of Marketing Channels

Marketing channels can be described by the number of channel levels involved. Each layer of middlemen that performs some work in brings the product and its ownership closer to the final buyer is a channel level. Since the producer and the final consumer both perform same work, they are part of every channel. We use the number of intermediary levels to indicate the length of a channel.

All of the institutions in the channel are connected by several types of flows. These include the physical flow of products, the flow of ownership, the payment flow, the information flow, and the promotion flow. We shall now take a look at two types of marketing channels – channels for consumer goods and channels for industrial goods.



A. Channel for consumer goods

- (1) **Producer to consumers-** when there are no intermediaries between the producer and the consumer, the channel is direct. This type of channel is most

commonly used with organisational products, but it is also used by a few well-known consumer products companies.

- (2) **Producer to retailer to consumer-** the channel from producer to retailer to consumer is common when the retail establishments involved are, relatively, large.
- (3) **Producer to wholesaler to retailer to consumer-** this is the most common channel for consumer goods. It employs a wholesaler to take care of the shipping and transportation needs. Wholesalers offer the accumulating and allocating functions that allow small producers to interact with large retailers, and vice versa.
- (4) **Producer to wholesaler to jobber to retailer to consumer-** producer chooses to use agents (jobbers) to assist wholesalers in marketing its goods. The use of jobbers can be attributed to their specialised experiences.

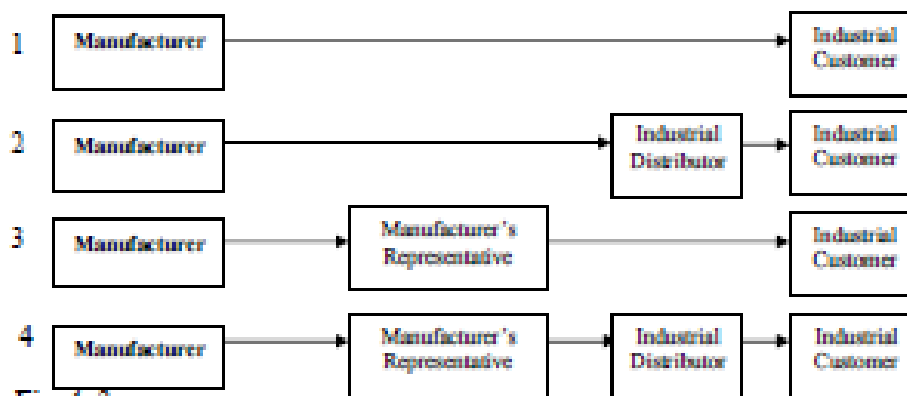


Fig. 4. 2

B. Channels for industrial products

- (1) **Manufacturer to industrial customer (buyer)-** from the above diagram, manufacturers use direct marketing to distribute their products to industrial users. This is mostly associated with complex products that require a good deal of pre-sale and post sale support. It should be noted that post-sale supports are often best handled through a direct channel. This is because the manufacturer may be the only entity with sufficient expertise to help customers because these large accounts generate enough business to support the sales effort involved and because large customers have a habit of going through their economic weight to demand for personalised service.
- (2) **Manufacturer to industrial distributor, to industrial customer-** this is the most used channel for industrial products. Distributors take title to the goods and specialises on different lines of goods. Some disadvantages associated with this channel is that (a) distributors will want access to large accounts that the manufacturer may try to keep for itself; (b) distributors try to keep their product selections wide, which frequently means carrying competing lines; (c) sometimes distributors do not always respond to manufacturers' advice regarding promotions, pricing and operational policies.

- (3) This channel of distribution for industrial goods is mostly adopted by manufacturers wishing to maintain control over their products. It also applies to those goods that are sold across countries. Other factors include cultural factors, government policies, etc.
- (4) The fourth channel of distribution is adopted by manufacturers who wish to have control of marketing activities of their products. However, some titles to the goods are given to industrial distributors, who sell to industrial customers.

3.3 The Importance of Channels of Distribution

The importance of channels of distribution is summarised below:

- channels of distribution are the most powerful among the marketing mix elements. Many products go into extinction at their early stages because they could not fund the right road to the markets.
- channels take care of the transaction aspects of marketing, including selling, financing and the risk associated with strong products in anticipation of future sales.
- they perform the logical function of moving products from the point of production to the point of purchase.
- they help producers promote goods and services.

SELF-ASSESSMENT EXERCISE

State the importance of channels of distribution.

3.4 Selecting an Appropriate Channel

Decisions on channel are crucial, for a number of reasons; for instance, the costs involved in the use of a channel determine the price that the consumer has to pay. Through proper market feedback, an appropriate selection of channels can reduce fluctuations in production. A rational decision regarding choice of channels of distribution should ensure (a) maximum geographical coverage of markets; (b) maximum promotional efforts and (c) minimum cost. The following factors, usually, govern the selection of channels.

(1) The type of product

For perishable products like bread and milk or vegetable, it is important to have a channel of distribution which facilitates quick movement from factory to the consumers. Limited channels may also be employed where the movement of goods involves heavy freight and poses problems of transportation- for instance, as in selling furniture, refrigerators, air conditioners etc. However, distribution of products having lower unit and high turnover involves a large number of middlemen as in the case of products as matchsticks, soap, and toothpaste.

When the product requires after-sale service as in the case of television, air conditioners, automobiles, the choice of middlemen may be limited to only those who are in a position to provide this service. Since not many middlemen may be capable of providing such service, again, their number may be limited.

(2) Nature and extent of the market

If the number of consumers are small as with the case of bulky and expensive machinery, the manufacturer may approach the customer, directly, through a sales-force; so also, if the consumers are concentrated in a limited geographical area. If the above conditions are not applicable, a longer choice of middlemen may have to be employed. However, for industrial goods where such goods are bulky, manufacturers may adopt direct selling/marketing.

(3) Competitive characteristics

It is a wise policy to study the existing channels of distribution, particularly, those used by competitors. Design of channels is influenced by the channels of competitors. Producers may want to compete in or near the same outlets carrying the competition channels. However, where an established channel exists, the manufacturer may make use of customary channels. For example, for soaps and tooth pastes grocery stores are commonly used.

(4) Cost involved in distribution

Cost, no doubt, is a very important consideration. The longer the channel of distribution, the greater is its cost; and manufacturers look for ways to keep down cost and prefer distribution through middle men who have established sales - force, as it is more economical and involves less financial commitment. Wholesalers shoulder some of the responsibilities of cost of stocking and transporting goods; but the manufacturer has to allow them a margin which will either reduce profit or increase the cost to the buyer.

However, in making a choice, the manufacturer has to consider its objectives, resources and the channels available, after considering the above factors. It will like to use the channel of distribution which will produce the combination of sales volume and cost that yields the maximum amount of profit. There are no set guidelines for channel selection and manufacturers will have to make their own decision in the light of their own judgments and experience.

However, most companies like to use multiple channels of distribution to ensure that their products reach the maximum number of people. The task of manufacturers does not end after channels have been selected. They have to review the services performed by the agencies involved, at fairly frequent intervals. Keep in close touch with the developments related to the distribution of their products and seek to improve marketing methods, constantly.

3.5 Physical Distribution Tasks

Producers/manufacturers must decide on the best way to store, handle and move their goods and services so that they are available to customers at the right time and place. Producers, typically, need to employ the services of firms – warehouses and transportation companies to assist in this task. Armstrong and Kotler (1994) observes that physical distribution involves planning, implementing, and controlling the physical flow of materials and final goods, from points of origin to points of use, to meet customer requirements at a profit. The aim of physical distribution is to manage supply chains, value-added flows from suppliers to final users, as shown below.

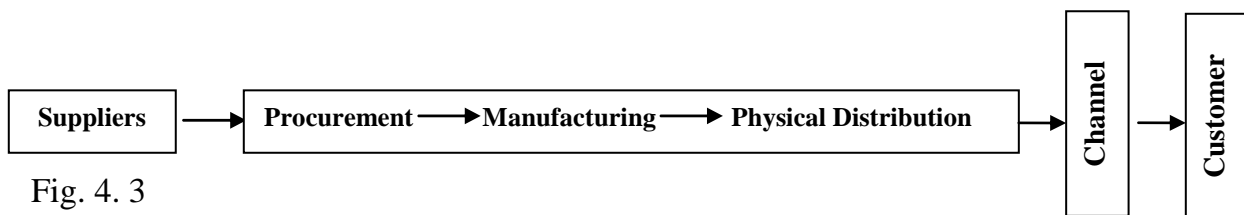


Fig. 4. 3

There are several tasks that have to be accomplished as part of physical distribution. These are listed below.

(1) Location of manufacturing facilities

There are two interrelated issues- first, where to locate the manufacturing facility; and the second has to do with the number of facilities to be set up. The basic decisional parameters will be the availability of basic raw material and the location of the market. The decision may be to locate the manufacturing facility close to the source of supply and ship the finished outputs to the outlying markets; or on the other hand, the production facility can be sited near the geographical market to be served, and then, the shipment of the inputs can be arranged.

For example, sitting NNPC in Port-Harcourt was based on the availability of raw material (crude oil). The basic consideration involved, obviously, is the relative costs of transporting inputs and outputs, including the economics of different modes of transportation which may be used to transport raw materials and finished products.

(2) Location of warehouses

One important consideration, in this context, is the nature of the product being sold. If the product is a household item, such as packet of tea, soaps, or toothpaste, the retail outlets will be at the bottom of the distribution channel. A manufacturer of capital equipment, on the other hand, can have only one centralised warehouse for the main product, but has to maintain a number of service centers to stock spare parts.

(3) Mode and method of transportation

There are several key decisional points in this context, which for long were considered the heart of distribution management. These are - (a) which mode of transportation will be optimal? (b) mode of physical distribution.

(4) Inventory decisions

Inventory holding costs are always on the increase, due to all round increase in prices, as well as cost of capital very careful attention has to be paid on how much inventory (of what items and where) should be maintained,. Many of these decisions have to be taken, keeping in view the broader corporate objective of service reliability, i.e. the capacity of the firm to deliver on time.

(5) Using external distribution agencies

Much of what has been discussed above refers to firms which want to distribute products on their own. However, a firm may decide that because of resource constraints or lack of in-house expertise, it will like to concentrate on production and leave the task of distribution to an external agency such as “independent marketers”- in Nigeria for example. Whether to contract out distribution or not, is a major decision and will require an in-depth analysis of relative cost and benefits, both tangible and intangible, of the alternative courses of action.

4.0 CONCLUSION

Distribution is the all-important link between a manufacturer and his customer. The concern is for designing a distribution strategy to facilitate the smooth physical flow of products from the manufacturer to the place where the customers can buy them. Channels of distribution refer to the alternative paths through which the goods can be routed. Direct selling and indirect selling through intermediaries such as wholesalers and retailers are the two alternative channels of distribution to choose from. The final choice will depend on the type of product which you are dealing with, number and location of customers and their buying habits and costs involved. The manufacturers should also consider the specific advantages of each type of intermediary before making decision.

5.0 SUMMARY

In this unit, you learnt what marketing channels are, the role of distribution channels in the overall marketing of products, and factors responsible for selecting an appropriate channel mix.

6.0 TUTOR-MARKED ASSIGNMENT

Explain factors to be considered while selecting an appropriate channel of distribution.

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UNIT 5 MIDDLEMEN AND MARKETING ACTIVITIES

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Middlemen
 - 3.2 Importance of Middlemen
 - 3.3 Classification of Middlemen
 - 3.4 Retailers
 - 3.5 Functions of Middlemen
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1.0 INTRODUCTION

Goods and services are produced by manufacturers both within and outside the country. These goods and services produced are readily made available to the target consumers irrespective of time, space and place of the consumers. This is made possible through the services rendered by some specialised agents. These agents are so important to both the manufacturers and to the consumers. They are often referred to as 'middlemen'. A middleman is an independent business concern that operates as a link between producers and ultimate consumers or industrial users. A middleman renders services in addition to purchase and /or sale of products by moving the goods to consumers from the manufacturers. A middleman either takes title to the merchandise as it flows from producer to consumer or actively aids in the transfer of ownership. The essence of middlemen in marketing activities is their active participation and promotional role in negotiations involving buying and selling of goods. This unit examines the importance of middlemen in marketing activities.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- explain who is a middleman
- state various types of middlemen
- describe importance of middlemen in marketing and
- highlight reasons why they are referred to as 'price jackpot'

3.0 MAIN CONTENT

3.1 Middlemen

A middleman is an independent business concern/entity that operates as a link between producers and ultimate consumers or industrial users. Outside purchasing and sales of goods, middlemen also ensure the transfer of goods and title to goods to end users. Middlemen either take title to the goods or actively aid in the transfer of ownership.

Middlemen are commonly classified on the basis of whether or not they take title to the goods sold. Thus, they are classified as merchant and agent middlemen. Merchant middlemen (actually) take title to the goods they market. While agent middlemen never own the goods, but do actively assist in the transfer of title. Brokers and manufacturers are examples of agent middlemen; while wholesalers and retailers are examples of merchant middlemen. Now, before you proceed further, do attempt this exercise.

SELF-ASSESSMENT EXERCISE

Who is a middleman?

3.2 Importance of Middlemen

Middlemen are very important in many ways, especially in marketing activities. It may not be economic for a producer to deal directly with ultimate consumers. For instance, how convenient will it be if there are no retail middlemen- such as hawkers, supermarkets, retail stores, vendors, and so on? This affirms the saying that “you can eliminate the middlemen, but you cannot eliminate their functions (activities)”. Someone has to perform these activities-if not the middlemen, then the producers or the final customers. Therefore, the importance of middlemen is as discussed below:

1. Middlemen serve as purchasing agents for consumers, and sale specialists for suppliers.
2. Middlemen, frequently, provide financial services to suppliers and consumers.
3. The storage service of middlemen, their bulk-breaking activities (dividing large shipments into smaller quantities for sale), and the market information they provide are of benefit to suppliers and customers alike.
4. They provide the economies of balanced inventories - the use of middlemen, allows for ‘one stop buying’. A consumer can go to one retailer’s store and purchase all the items/goods needed, rather than visiting separate producers of these goods before purchasing them.
5. They provide the economies of partial and temporal conveniences - middlemen create space and time utilities for consumers. They are often located within or very close to the buyers, so that buyers purchase goods needed at their own convenience.

SELF- ASSESSMENT EXERCISE

State the importance of middlemen in marketing.

3.3 Classification of Middlemen

Middlemen are in two categories, namely- merchant and agent middlemen. Let us look at these, one after another.

a. Agent middlemen

These types of middlemen do not take title to the goods they sell. They perform specialised marketing functions for their own goods. They are known by the special marketing functions they perform within the channels of distribution. These functions include (among others)- they receive commission for the functions they perform to either consumers or wholesaler, and even producers. They are usually found in the sale of industrial goods. The types of agent middlemen are discussed below.

i. Selling agents

They are usually large institutions. They have marketing facilities for the functions they perform. An agent is usually chosen to represent a manufacturer, fully/wholly, in a given target market. He/she takes control of the marketing of all the producer's products in the market. He/she often serves as the marketing department for the producer. He/she is not restricted by territory, but renders financial assistance to producers. They are, usually, used by new producers or producers that are financially weak. They are also used when new markets are to be penetrated by manufacturers.

ii. Manufacturer's agents or representatives

These are representatives that are authorised by manufacturers to sell all or some parts of their products in, clearly, defined territories. The agents are, usually, paid a commission on the total amount sold. They are, usually, smaller in number and financially weak. The producers decide on who handles their products, the prices to charge, and the terms of sales. Manufacturer's agents are employed /engaged where a producer has good quality products, but wish to enter a new market, but lack facilities to do so. They are also employed where a manufacturer may wish to use the experience of a particular distributor to penetrate a target market.

iii. Commissioned merchants

These agents take physical possession of the goods; they deal in agricultural materials that need to be stored and transported from the point of production to the market. They provide storage and transportation facilities for the goods they handle. They also negotiate the terms of trade; but they are placed on commission, usually. Although

this depends on the amount received from the goods sold. They do not take title to the goods they sell.

iv. Brokers

These agents specialise in specific commodities and provide their principals with established contacts for the sale of their goods. Their main function is to provide information on the source of supply and prospective buyers within a given field; they also negotiate the terms of trade. Brokers negotiate sales for specialised goods and seasonal products that do not require constant distribution.

b. Merchant middlemen

These types of middlemen own the goods they sell. They buy the goods and take possession of them. They bear the risk involved in marketing them. Profits or losses from the sale of the goods often accrue to them. The two main ones are wholesalers and retailers.

c. Wholesalers

Wholesalers are merchant middlemen that take title to the goods they sell. They operate between producers or manufacturers and retailers, other wholesalers, merchants and /or industrial institutions and commercial users. Wholesalers do not sell in significant amount to ultimate consumers. They, however, sell to those who will resell the goods or use them to produce other goods.

Functions of wholesalers

The functions of wholesalers are summarised below; they are involved in:

- buying
- selling
- product development and standardisation
- storage
- financing
- information processing
- transportation
- risk bearing.
- Types of wholesalers

Wholesalers can be classified into two, namely- (a) full-function wholesalers and (b) limited function wholesalers.

i). Full-function wholesalers

Full-function wholesalers perform all the marketing functions mentioned above. They carry a variety of products; although, there are some of them who do carry specialised goods, examples are:

- general merchandise wholesalers
- limited line wholesalers
- specialty-line wholesalers.

ii). Limited function wholesalers

They are merchant wholesalers; they take title to the goods sold. They, however, do not perform all wholesale functions on the goods they handle. They also tend to concentrate on the handling of few product-lines. The major ones are:

- cash and carry wholesalers
- desk jobbers or drop shippers
- truck wholesalers
- mail-order wholesalers.

3.4 Retailers

Retailing includes all the activities involved in selling goods or services- directly, to final consumers. A retailer is defined as a middleman who sells, mainly, to the ultimate consumer, in small quantities. He/she may sell to institutions, but most of his sales are made to industrial or household consumers. The retailer is the last link and the most important intermediary in the chain of distribution. Mass production, in the present day set-up, is geared to the requirements of the ultimate consumer. Retailers are, directly, in touch with consumers and, thus, occupy a strategic position in the whole chain of distribution. The basic feature of retail trading is the purchase of goods from wholesalers and selling it in small lots to consumers.

The retail shop is one of the oldest and most widely used business establishments in any country. Retail business originated through the use of peddlers engaged in house to house sales. This was followed by opening up of small retail shops, usually, owned by sole proprietors or small partnership firms, which are frequented by customers for obtaining their requirements; examples of these retailers are those small business owners located around us.

Functions of retailers

The following are some of the functions of retailers:

- estimation of the probable demand of consumers
- assembling of various types of goods from different wholesalers

- sale of various products to consumers
- physical movement of goods from the wholesaler's warehouses to their own stores
- storage of goods to maintain un-interrupted supply of goods to consumers
- assumption of risk of loss of goods by fire, theft, deterioration and so on, as long as they are not disposed of to consumers
- extension of credit to selected, regular customers
- providing information about tastes and preferences of consumers to wholesalers / manufacturers.

SELF-ASSESSMENT EXERCISE

List five examples of retail stores in your village/town.

Types of retailers

There is a wide variety of retail trading establishments. They vary from hawkers and peddlers to big departmental stores. Hawkers and peddlers move from door-to-door, in residential localities, to sell their goods. Pavement shops, usually, arrange their wares along busy street corners or busy streets. Some traders sell their wares at weekly markets- as is common in our rural markets in our communities in Nigeria. Now, let us look at some selected retail stores, as itemised below.

- (i) **Specialty store** - this carry a narrow product line with a deep assortment within that line, for example- apparel stores, sporting goods stores, furniture stores and bookstores. Specialty stores can be sub-classified by the degree of narrowness in their product line. A clothing store will be a single-line store; a men's clothing store will be a limited-line store; and a men's custom-shirt store will be a super specialty store.
- (ii) **Department stores** - these deal in several product lines –typically clothing, home furnishings, and household goods, with each line operating as a separate department managed by specialist buyers or merchandisers.
- (iii) **Supermarkets** - these are, relatively large, low-cost, low-margin, high-volume, self-service outlets designed to serve the consumer's total needs for food, laundry, and household maintenance products. Supermarkets earn an operating profit of only about 1% on their sales and 10% on their net worth. Despite strong competition from new and innovative competitors like superstores and discount stores, supermarkets remain the most frequently visited type of retail store.
- (iv) **Convenience stores** - these are relatively small stores that are located near residential areas, which open for long hours- seven days a week, and carry a limited line of high-turnover convenience products. Their long hours of work and their use by consumers- mainly for “fill-in” purchases, make them, relatively, high-price outlets.

- (v) **Catalogue showrooms** - these sell a broad selection of high, mark-up, fast-moving goods at discounted prices. These include jewellery, power-tools, cameras, luggage, small appliances, toys, and sporting goods. Customers order the goods in a catalogue in the showroom, and then pick these goods up from a merchandise pickup area in the store. Catalogue showrooms make their money by cutting costs and margins to provide low prices that will attract a higher volume of sales.
- (vi) **Cooperative stores** - consumers sometimes join together to form cooperative societies to sell goods on retail basis. The basic purpose is to eliminate middlemen and obtain their needs at a low price. The capital is subscribed by the members through the purchase of shares of small denominations. Cooperative stores purchase their requirements in bulk from manufacturers or wholesalers. This enables the cooperative stores to sell their products at somewhat lower prices than ordinary retailers. It should be noted that there are other types of retail outlets.

3.5 Functions of Middlemen

Merchant middlemen are referred to as pure marketing organisations. They perform all the marketing activities discussed below. The agent middlemen only perform the auxiliary functions allocated to them by their clients.

1. Buying

Merchant middlemen are buyers of goods produced by different producers. They have a list of all manufacturers and producers of the goods they deal in. They are familiar with terms of trade. They carry out the actual purchases with their own money. They, therefore, bear all the business risks surrounding the sale of each of the products handled.

2. Contacting, sorting, allocating and assisting

Middlemen gather different goods into their stores for consumers to buy, easily. This allows consumers to buy goods in smaller quantities, at convenient periods.

3. Selling

Middlemen help in creating awareness for the products they sell and stimulating demand for such products. They, sometimes, sell some brand of products in their own names. They help small and financially weak producers to promote their products; they often employ their own salesmen and advertise the products they deal in.

4. Storage

In order to stock goods in one store, middlemen rent or build big warehouses to store goods of different manufacturers. This gives consumers the opportunity to make selection from various goods available in the warehouse.

5. Transportation

Middlemen have their own vehicles which they use to move goods purchased to their warehouse.

6. Financing

Middlemen buy their goods in bulk, and make payments to enable producers carry on further production.

7. Channel of communication

Middlemen serve as a link between manufacturers and consumers in communicating their complaints, products, needs, and social responsibilities expected of them.

8. Market research

Middlemen carry out market research on their own business activities and environment. This involves gathering business data, analysing and making inferences for either improvement or production of new products.

4.0 CONCLUSION

Middlemen balance the expectations of producers and wants of consumers through activities of concentration, equalisation, and dispersion. They aid, considerably, in creating time, place and possession utilities. It is important to note that you may eliminate middlemen, but you cannot eliminate their functions.

5.0 SUMMARY

In this unit, you learnt about middlemen. You were exposed to their importance and various functions.

6.0 TUTOR- MARKED ASSIGNMENT

You can eliminate middlemen, but you cannot eliminate their functions. Explain.

7.0 REFERENCES/FURTHER READING

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MODULE 3 MARKETING STRATEGIES

| | |
|--------|-----------------------|
| Unit 1 | Marketing of Services |
| Unit 2 | Marketing Risks |
| Unit 3 | Market Segmentation |
| Unit 4 | Promotion |
| Unit 5 | Consumerism |

UNIT 1 MARKETING OF SERVICES

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1.0 INTRODUCTION

Before now, the average consumer recognises the tangible physical products they purchase more than the services that go along with such products. Change they say is constant. Thus, with the change in economic activities globally- most especially in Africa and Nigeria in particular, consumers are conscious of services-marketing. Consumers wish to associate themselves with companies or organisations that provide super and efficient services for the products purchased or consumed. It becomes imperatives for marketing executives to integrate service-marketing as an integral part of their products.

Some people may argue that there is no such thing as ‘service marketing’, but only marketing in which the service element is greater than the product element. However, we do recognise that there is both a product component and a service component in the sale of most goods (if not all). In this regard, most proactive organisations do not think of themselves as seller of goods or products, instead, they view themselves as producers of services. Thus, this unit attempts to examine service marketing and its implications on marketing activities.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- define service and service-marketing
- classify various forms of services
- state characteristics of services
- describe marketing strategies for service firms.

3.0 MAIN CONTENT

3.1 Marketing of Services

In attempting to define ‘service-marketing’, it is imperative to examine briefly the antecedent of services provided. Marketing developed, initially, in order to sell physical products such as tooth paste, cars, equipment, books, etc. However, as people become conscious about their environment, and as their purchasing power continues to improve, they demand for fair treatment for the products purchased and consumed. One of the major trends in the world and Nigeria in particular, in recent times, has been the dramatic growth of services.

Thus, while defining ‘service-marketing’, there are diverse views among scholars. Stanton (1983) defines services as:

- “those separately, identifiable, essentially intangible activities that provide want-satisfaction, and that are not necessarily tied to the sale of a product or another service. To produce a service, you may or may not require the use of tangible goods. However, when such use is required, there is no transfer of the title (permanent ownership) to these tangible goods”.

Let us pause to examine this definition:

- we include such activities as medical care, entertainment, and repair services
- we exclude credit, delivery and other services that exist only when there is sale of a product or another service the consumer of a service can take only temporary possession or make only temporary use of any goods required in the production of the service- a hotel room or rented car, for example.

Kotler and Armstrong (1994) define service as:

- “any activity or benefit that one party can offer to another that is essentially intangible and does not result in ownership of any anything. Its production may or may not be tied to a physical product. Activities such as renting a hotel room, depositing money in a bank, travelling by an airplane, visiting a psychiatrist, getting a haircut, having a car repaired, watching a professional

sports, watching movies, having clothes cleaned by a dry cleaner, seeking advice from a lawyer/consultant etc.- all these involve buying services”.

Suffice it to say that despite the views of the several schools of thought, the key words in the above definition are “intangible” and “does not result in ownership of anything”. It should, however, be noted that we rarely find situations in which services are marketed without a product being involved. Most products are accompanied by services and most services require supporting products. It is this product/service mix that is really growing in importance in our economy.

We are concerned, primarily, with the services marketed by businesses or professional firms with profit making motives-commercial services. Marketing-services can be described as strategies adopted by the producers of services either to communicate or deliver their products (efficiently) to target markets.

SELF-ASSESSMENT EXERCISE

In your own words, what is service-marketing?

3.2 Importance of Service Marketing

Stanton (1983) submits that, since World War II, the expenditures of consumer on services have increased, almost every year, at a more rapid rate than expenditures on products. This is just a pointer to its importance in our economic development. So, service-marketing is important for the following reasons.

The growth of business services may be attributed to the fact that business has become increasingly complex, specialised and competitive. As a result, management has been compelled to seek expert advice in providing such services-e.g., advertising, labour-relations, product delivery, etc.

The rate of growth has not been uniform for all categories of consumer services. As disposable income increases, and life-style changes, the demand for some services has grown relatively faster than some others. For example the attendance at movie centers declined as people turn to television.

Many product manufacturers have diversified into services because of high demand in that area.

SELF-ASSESSMENT EXERCISE

Why is service-marketing considered important?

3.3 Characteristics of Services

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.

a. Intangibility

Since services are essentially intangible, it is impossible for consumers to sample- that is, taste, feel, see, hear, or smell before they are purchased. This feature of services places some strain on a marketing organisation. The burden falls mainly on a company's promotional program. For example, insurance companies thus promote service benefits such as guaranteed payment of a child's college expenses or retirement income or life-assurance benefits, or telephone company informing the consumers of benefits using per-second billing for long distance calls as practiced by GLO- company and other networks in Nigeria.

b. Inseparability

Services, often, cannot be separated from the seller. However, services must be created and dispensed, simultaneously. For example, dentists create and dispense almost all their services at the same time. It further means that services cannot be separated from their providers, whether the providers are human being or machines.

c. Heterogeneity

It's impossible for a service industry or even an individual seller of services to standardise output. Each 'unit' of the service is somewhat different from other units of the same services. For example, an Airline does not give the same quality of service on each trip. All repair jobs on automobiles are not of equal quality; in a bank, a counter cashier may be unpleasant and slow, whilst another may be cheerful and efficient. It is however important to note that it is often difficult to judge the quality of a service. Therefore, service companies should pay particular attention to the 'product planning stage of marketing program'.

d. Perishability

Services are highly perishable and they cannot be stored. For example, unused electric power, empty seat, in a stadium, 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 point and disappeared when the patient did not show-up.

In summary for service providers to be regarded as effective and efficient, it is imperative to study the supply and demand of services provided, while taking into consideration the purchasing power of the target markets.

SELF-ASSESSMENT EXERCISE

Services are highly perishable and often subject to fluctuations in demand. Explain.

3.4 Tasks Involved in Developing Service Marketing

The task of developing a total marketing program in a service industry is often uniquely challenging thus, the following elements are crucial.

1. Market analysis

Market analysis is, essentially, the same whether a firm sells products or services. Therefore, marketers of services should understand the components of population and income in relation to the market of their services. Also, they must carefully analyse the rationale behind customers' demand for their services.

2. Planning and developing the services

Product planning and development has its counterpart in the marketing program of a service industry. Management can use a systematic procedure to determine:

- a) what services will be offered
- b) what will be the length and breathe of the services mix offered
- c) what needs to be done- in terms of service attributes, such as branding or packaging.

The nature of services (in terms of perishability and fluctuating demand) makes product planning, critically, important to marketers. However, a service industry can expand or contract its 'product mix', after existing services and trade. So, the company may want to increase total volume; reduce seasonal fluctuations in volume etc.

Thus, product planning is much easier for service-products than physical products we consume; for example, packaging, colour, labeling are non-existent in service marketing. However, branding and standardisation of quality are considered greater issues. Branding, for instance, is considered difficult, because consistency of quality is hard to maintain and the brand cannot be physically attached to service products.

3. Pricing of services

Pricing of services are considered critical, this is because they are extremely perishable, difficult to store for long time, and the demand often fluctuates,

considerably. In addition, consumers may postpone purchase or even perform some services themselves (e.g., domestic repairs).

Most pricing policies such as trade discounts, cash discounts, quantity discounts, etc., are applicable to service marketing. Quantity discounts, for example, are used by car rental agencies. Cash discounts are offered when insurance premiums are paid annually, instead of quarterly. For example, doctors and management consultants can use a variable price policy. Notwithstanding, service-marketing providers should endeavour to be sensitive to consumers' income, needs and demand in relation to prices adopted.

4. Channel of distribution for services

Traditionally, services have been sold, directly, from producers to consumers or from producers to industrial users. No middlemen are used when the service cannot be separated from the seller or when the service is created and marketed, simultaneously. For example, public utilities (as handled by NEPA, Water Board etc.), medical care and repair services are, typically, sold without middlemen. Note, excluding middlemen does limit the geographical markets that service sellers can reach or captured. However, it enables service providers to personalise their services; and then, it helps to get customers' response quickly. In modern management, especially in service industry, strategies have been designed to enlarge distribution system. For example, in the banking industry, ATM, and e-banking services have to be provided to facilitate quick and un-interrupted services.

5. Promoting services

Management's task is much difficult when the company must build its promotional program around intangible service-benefits. It is much easier to promote products that can be seen, felt, and easily demonstrated. Thus, in service-marketing, personal selling, advertising, and other forms of promotions are, collectively, used to achieve organisational goals. However, personal selling is essential while developing relationship between buyers and sellers. Many service firms, especially in recreational management/entertainment field, benefit considerably from free publicity, sport coverage, using newspapers, radio and television.

As an indirect means of promotion, doctors, lawyers, insurance agents and banks do engage in community services as a way of promoting their services; for example, First Bank and Zenith Bank etc., built class rooms for some higher institutions in Nigeria. In addition, doctors and lawyers do provide free medical and legal services to the community where they operate.

4.0 CONCLUSION

In this unit you have learnt that services are 'intangible products' rendered to end users of such services. Due to its special nature, it calls for strategic management.

Most of the products we consume are services. Hence, the industry is more competitive than before.

5.0 SUMMARY

This unit has explained to you service-marketing and its characteristics. Various forms of services have been considered. The tasks involved in developing an effective marketing program have been highlighted too.

6.0 TUTOR -MARKED ASSIGNMENT

Explain the features of services.

7.0 REFERENCES/FURTHER READINGS

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UNIT 2 MARKETING RISKS

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Risks
 - 3.2 Marketing Risks
 - 3.3 Classifications of Marketing Risks
 - 3.4 Methods of Handling Marketing Risks
- 4.0 Conclusion
- 5.0 Summary
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1.0 INTRODUCTION

Every decision taken by man is subject to one risk or the other. However, risks vary from individual to individual and from organisations to organisations. Marketing has to do with the needs of consumers and satisfaction of wants. While carrying out these tasks, a number of risks would have to be grappled with. Some of these risks are insurable, while some are not insurable. This unit examines some marketing risks which a businessman should bear in mind, while in business.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- explain the term marketing risks
- classify marketing risks, and
- state methods of handling marketing risks.

3.0 MAIN CONTENT

3.1 Risks

Risks pervade all human activities. Risks are taken in business because of the uncertainties in the market. Uncertainty may arise due to lack of information. When there is little or no information about an event, the risk of taking an action is at its greatest point. As information is readily made available on events, then, decision can be taken. For instance, businessmen do store goods in anticipation of future rise in price. Thus, accurate data is imperative for one to achieve business objectives.

Therefore, marketing risks are those risks associated with buying and selling of goods, and rendering of services.

3.2 Marketing Risks

In the process of buying goods and rendering commercial services, some risks have to be contended with. Some of these of risks are as follows:

- damage to goods while in transit
- deterioration and un-saleable goods
- goods may be stolen
- changes in price
- obsolete goods
- bad and doubtful debts, etc.

3.3 Classifications of Marketing Risks

Marketing risks can be classified into two, namely, uninsurable and insurable.

a. Uninsurable marketing risks

Some of these include the following.

1. The possibility that the goods cannot be sold at a profit- thousands of business fail yearly with resultant losses to the owner's and as well as to creditors. The possibility that a sale will end up in losses is a characteristics of a competitive economy. Business losses are extremely difficult to insure.
2. External risks- most of uninsurable risks are external, rather than internal. These include- among others, changes in technology, changes in distribution methods, fluctuation in prices and changes in laws and policies.
3. Internal risks- some internal risks that are not insurable include-
 - physical destruction or deterioration of inventories; this may be due to natural disaster, such as flood, wind, and drought.
 - theft, fraud and pilferage of stock- these risks are extremely difficult to insure; this is because it is difficult to get accurate data about such risks.
 - credit extension periods resulting from the inability of debtors to pay back the goods purchased on credits.

b. Insurable marketing risks

In marketing, some of the risks that are usually accepted to be insured by insurance companies are as follows.

1. **Fire insurance-** almost all type of buildings, houses, warehouses and factories can be insured against the loss from fire. The contents of building can be insured against fire disaster. The premium paid depends on the type of building, the content and location.

2. **Motor vehicle insurance-** this is a well known insurance policy in Nigeria. The coverage includes theft, liabilities, third party, damages, and fire. A comprehensive insurance is taken to cover all damages to the vehicle.
3. **Burglary, robbery and theft insurance-** most business and individuals undertake insurance covers against these forms of risks. Burglary involves unlawful and forceful removal of property from a business premises; robbery is the forceful taking of property from another person; while theft is any act of stealing which may be through burglary or robbery.
4. **Marine insurance-** this is the type of insurance taken to cover transportation by water; marine insurance covers all perils of shipments on the high seas. The insurance covers all degrees of loss from damages to the vessel and its contents, etc.
5. **Life insurance-** the main form of life assurance in Nigeria is retirement and pension plans. This is to enable the company to provide income to workers after retiring from work.

SELF-ASSESSMENT EXERCISE

List the various forms of life insurance policies initiated by Obasanjo's administration.

3.4 Methods of Handling Marketing Risks

Since risks are unavoidable and usually unpleasant, most businessmen and individuals, as much as possible, want to avoid or find a way of reducing the impact of their consequences. This they can achieve by transferring the burden of the losses (where possible) to others. However, not all marketing risks are transferable. Risk management is an aspect of business activities. It is a marketing function that increases its importance as business activities expand. Experts on risks management can be engaged in this respect. Some of the workable methods adopted in preventing risks include the following.

- To prevent destruction by natural causes, watchmen can be employed to prevent theft and pilferages, a company can also install fire-fighting equipment to fight fire outbreaks.
- The premises of a company can be fenced off to prevent entry by unwanted people or control the route of movement of people within the business area.

Detectives can be employed to monitor customers.

- Credit collections must be planned and people with poor credit risks must be identified and handled appropriately.
- Proper storage facilities can be constructed to prevent damages from weather changes and damages of stocks by rodents etc.
- A firm must have a good market analysis, a sound plan and good sales forecast plus proper control methods to operate successfully.

- The company may engage an expert on risk management. This expert should be able to advise on the adequate amount to set aside each year for each class of risks.
- Manufacturing to order- to reduce losses from low demands, management may encourage placing of order before production.
- Subcontracting- the risk of loss can be spread if some part of the work can be given out to other contractors to perform. For example, if a person is given a contract to build a house, he may subcontract the electrical and plumbing works to other professional colleagues. This will spread the risks over many people.
- Setting marketing boards- the setting up of marketing boards and production companies, in the 1950s and 1960s in Nigeria, were attempts by the federal government to ensure price stabilisation for primary products. If such marketing boards can be reactivated and empowered, this will help to reduce some of the business risks in Nigeria.

SELF-ASSESSMENT EXERCISE

Briefly explain the term marketing risks.

4.0 CONCLUSION

In this unit, you have been made to know that risks are unavoidable and usually unpleasant. Thus, every rational human being wishes to reduce it to the barest minimum. This can be achieved through taking insurance policies as appropriate.

5.0 SUMMARY

Any decision taken is subject to one form of risk or the other; this is particularly true with respect to developing countries where there are little or no data for business decisions. This unit has examined risks, marketing risks and various forms of marketing risks. The unit also considered various methods of handling marketing risks.

6.0 TUTOR-MARKED ASSIGNMENT

Briefly explain the term marketing risks.

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UNIT 3 MARKET SEGMENTATION

CONTENTS

- 1.0 Introduction
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 - 3.2 Market Segmentation
 - 3.3 Benefits of Market Segmentation
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 - 3.5 Considerations for Effective Segmentation
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1.0 INTRODUCTION

Market consists of buyers with varied needs, wants and purchasing power. Besides, sellers do not specialise on the same goods or service; rather they handle various goods and services. For such markets to be effectively served, there is a need to divide the markets in line with the needs and purchasing power of the buyers. This unit examines market segmentation as the basis for serving the markets better.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- define market segmentation
- state the benefits of market segmentation, and
- explain the basis of market segmentation.

3.0 MAIN CONTENT

3.1 Market

Organisations that sell to consumer and business markets understand that they cannot appeal to all buyers in the markets in the same way. Buyers are too numerous, too widely scattered, and too varied in their needs and buying practices. Also, different companies vary widely in their abilities to serve different segments of the market.

Rather than trying to compete in an entire market, sometimes against superior competitors, each company must identify the parts of the market that it can serve best.

A market is the set of actual and potential buyers of product. Markets consist of buyers, and buyers differ in one or more ways. They may differ in their wants, resources, locations, buying attitudes, and buying practices. Thus, markets consist of people with needs and wants- with enough disposable income to spend on the goods and services provided, to satisfy their special needs and wants. The willingness to expend their income on these goods and services is also crucial.

3.2 Market Segmentation

Buyers in an environment have unique needs and wants; thus each buyer is potentially a separate market. Most often, sellers design a separate marketing program for each buyer. However, each buyer requires a unique combination of goods and service as the buying habit and motives differ. In order to meet the needs of consumers, marketers divide the total markets into smaller segments, on the basis of the kind of similar demands for a product. Also, most companies realise that they cannot compete in meeting all the different shades of unique demands in an economy, so they aim at focusing on few segments that seem more profitable to them.

Market segmentation is therefore the process of dividing consumers in a given economy into target markets. It is aimed at dividing the total market in an economy where demands for a given product are heterogeneous into homogeneous demand groups or segments, for the purpose of providing unique or specific products or services for each segment.

SELF-ASSESSMENT EXERCISE

Define market segmentation

3.3 The Benefits of Market Segmentation

The benefits of market segmentation are summarised below:

- marketing opportunities for each segmentation and the total market can be easily determined
- appropriate marketing efforts for each market segment can be well defined and implemented
- each market segment becomes a marketing unit for planning, implementation and control purpose.

3.4 Basis of Segmenting Business/Consumer Markets

Consumer markets can be segmented through a single variable or a combination of variables. However, it should be noted that segmentation of consumer markets vary

from company to company and product to product. The general segment variables are as follows.

3.4.1 Geographic Segmentation

Geographic segmentation entails dividing a market into different geographic units such as nations, states, regions, counties, cities, etc. A company may decide to operate in one or a few geographical areas, or to operate in all areas, but pay attention to geographical differences in needs and wants. Examples of companies who segment their market using geographical segmentation include Nigeria Bottling Company Plc., Seven-up Company, Unilever Nigeria plc, NNPC, etc. Many companies today are “regionalising” their marketing program socialising their products, advertising, promotion and sales efforts to fit the needs of individual regions, cities, etc.

3.4.2 Demographic Segmentation

Demographic segmentation consists of dividing the market into groups based on variables such as age, gender, family size, family life cycle, income, occupation, education, religion, race, and nationality. Demographic factors are the most popular bases for segmenting customer groups. Besides, demographic variables are easier to measure than most other types of variables. Even when market segments are defined using other bases, such as personality or behaviour, their demographic characteristics must be known in order to assess the size of the target market and to reach it efficiently.

For example, some companies use age and life-cycle segmentation, offering different products or using and life-cycle groups. For instance pharmaceutical enterprises have different products (drugs) for different ages. Also manufacturers of clothing materials use this variable as a basis of segmenting their markets into baby clothes, boys and girls clothes, youth clothes and adult’s clothes to facilitate selling activities and to serve the market efficiently. Gender segmentation has long been used in clothing and cosmetics section. Men’s dresses are quite different from women’s dresses in Africa, and in Nigeria in particular .Although these days, due to western culture; a woman also uses men’s dresses. However, hair dressing and cosmetics, are purely dominated by women.

Those who operate in the entertainment industry also use gender mutation as a way of segmenting the market, to ensure efficiency. Income segmentation, however, has long been used by the marketer of products such as automobiles, clothing, cosmetics, jewelleryes, wristwatches, etc. Many companies target different consumers with luxury goods and convenience service. For example in the aviation industry where airlines such as Arik, Bellview, British Airways chanchangi etc., operate, passengers are classified into –first class, second class and third class, respectively. This is based on the amount of money paid by passengers.

In the hospitality industry, income segmentation is one way of serving customers. In fact, the amount of money paid by guests determines the facilities to enjoy. Since income varies from person to person, and from industry to industry, markets use income segmentation as a way of identifying consumers' needs in order to make provisions, accordingly.

3.4.3 Psychographic Segmentation

Psychographic segmentation means dividing buyers into different groups based on social class, lifestyle, or personality; people in the same demographic groups can have different psychographic makeup. Social class, on the other hand, influences the types of good and service consumed. Abraham Maslow classified human beings into various classes, using needs as a basis. For example, rich men who live in big cities such as Abuja and Lagos resides in Maitama, Asokoro, VGC or Lekki, respectively. These places are designated as rich men's places; likewise, rich men prefer going to super-markets to shop for their goods, rather than visiting open markets. These places are considered as high class for rich men in Nigeria.

All the classifications serve as ways of locating, the target consumers and produce goods and services to satisfy their needs. For example, 5 star hotels are located in Lekki, VGC (lagos), Asokoro, Maitama (Abuja) just because of the people who are residing over there. Social classes are groups whose members share similar values interests and behaviours.

- a. **Lifestyle** - people coming from the same sub-cultural social class and occupation may have quite different lifestyles. Lifestyle is a person's pattern of living as expressed in his her activities, interests and opinions. Lifestyle captures something more than the person's social class or personality. Marketers are, increasingly, segmenting their markets by consumers' lifestyles. For example, cosmetics and clothing sellers used social class and life styles as a way of segmenting markets.

In addition, some magazines and newspapers are designed to capture particular markets such as sports, music, etc. Life style classifications are by no means universal; they can vary, significantly, from country to country. The life style concept, when used carefully, can help the marketing expert to understand changing consumer values and how they affect buying behaviour.

- b. **Personality**- each person's distinct personality influences his or her buying behaviour. Personality refers to the unique psychological characteristics and lasting responses that lead to, relatively, consistent and lasting responses to one's environment. Personality is, usually, described in terms traits, such as self-confidence, dominance, interaction, autonomy, defensiveness, adaptability and aggressiveness. Personality can be useful in analysing consumer behaviour for certain product or brand choices. Marketing executives use personality variables to segment markets, giving their products personalities that correspond to consumers' expectations. Some

of the products sold using personality strategies include cosmetics, automobiles, liquor, clothing, wrist-watches, neck-lace, houses, etc.

3.4.4 Behaviour

Behavioural segmentation implies dividing buyers into groups based on their knowledge, attitude, uses, or responses to a product. Some marketing executives are of the view that behavioural variables are the best start point for building market segments. Variables such as occasions, benefits sought, status, usage rate, loyalty status, attitude toward products- among others, are used by marketers to segment markets.

SELF-ASSESSMENT EXERCISE

Give reasons why income and gender segmentation are considered popular.

3.5 Considerations for Effective Segmentation

For any potential market to be effectively segmented, the following factors are considered important.

- a. **Measurement** - The size, purchasing power and profiles of the segments can be measured. However, certain segmentation variables are difficult to measure, for example, left-handed people, etc.
- b. **Accessibility** - The market segments should be reachable and easily be served. For instance, product xyz was designed for blind and dumb people, who are scattered in the country, thus, to access such target market may not be easy. Marketing practitioners should device means of reaching their target markets. The blind and dumb can be reached through hospitals, special homes, etc.
- c. Market segments should be large enough or profitable centers. A segment should be the largest possible homogeneous group worth pursuing with a tailored marketing program. It will be a fruitless effort to design products or services, and the company will not be able to achieve desired target or break even.
- d. Programs should be designed to effectively serve segments, irrespective of the competitors in such markets.

4.0 CONCLUSION

In this unit, you have been made to know that a sound marketing program starts with the identification and analysis of the market for a product or service. A market is made up of people with money to spend, and who are willing to spend it. For most products, the total market is too broad and heterogeneous for a strategy of market segmentation- that is, developing one product and one marketing program to reach the entire market. A more effective strategy is market segmentation; that is, the total market is viewed as several smaller, but more uniform sub-markets.

5.0 SUMMARY

Marketing executives have various ways of reaching target consumers. This unit has examined one way through which marketing executives serve their target consumers. This is known as 'market Segmentation'. Market and various types of markets, benefits of market segmentation, basis of segmenting consumer and industrial markets and conditions for effective segmentation have also been considered in this unit.

6.0 TUTOR- MARKED ASSIGNMENT

Why does the demand for business/industrial goods usually fluctuate more widely than that of consumer goods?

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UNIT 4 PROMOTION

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 - 3.2 Reasons for Promotion
 - 3.3 The Promotion Mix
 - 3.4 Factors Influencing Promotion Mix
- 4.0 Conclusion
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1.0 INTRODUCTION

The desire of producers/manufacturers is to produce as much goods as possible or render services as deemed necessary. These goods produced need to be distributed by professionals to end users. The end users need to be informed of the availability of these goods or services offered into the market. While informing the consumers about the availability of such goods or services in the market, marketing professionals use various means in communicating with the target markets. These means of communicating with the target consumers vary from product to product and one stage of product life cycle to another. This unit examines marketing promotion and its importance to marketing activities.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- explain the term ‘promotion’
- state the importance of promotion to marketing
- list the promotional mix
- discuss factors influencing promotional mix.

3.0 MAIN CONTENT

3.1 Promotion

Some people are of the view that promotion and selling are synonymous. Although they are related, they are not the same. Selling is actually one of the components of marketing. Some people view selling as the transfer of title which does not include advertising or other methods of stimulating demand. In a broad term, promotion

includes advertising, personal selling and all other selling tools. In a narrow term, promotion is defined as a marketing strategy used to inform the general public of the availability of goods and /services, in a particular target market.

Basically, promotion is a marketing tool used as a means of informing, persuading and communicating. These three terms are related, because to inform is to persuade and convince a person. Persuasion and information becomes effective through some form of communication. For example, MTN sponsored “who want to be a millionaire on NTA as a way of informing the general public about its services.

It is imperative for marketing managers to treat promotional efforts as a complete sub-system within the total marketing system. This means, coordinating sales force activities, advertising programs and other promotional efforts. Although in practice, some companies use them separately or in combination. Notwithstanding, for an effective marketing program, the total promotional effort must also be coordinated with product planning, pricing and distribution sub-system in a firm.

3.2 Reasons for Promotion

Several factors point to the need for promotion, these days. For instance, as the distance between producers and consumers increases, and as the number of potential customers grows, the problem of marketing communication becomes significant. Some of these reasons are discussed below.

a. Dissemination of information

Once middlemen are introduced into a marketing pattern, it is not enough for a producer to communicate only with the ultimate consumers or industrial users. It is pertinent that middlemen should be informed about the availability of products/services. This means that wholesalers, in turn, must promote the products to retailers, and while the retailers do the same to consumers. This, thus, emphasises the importance of promotion; even the most useful and wanted product will be a marketing failure, if no one knows anything about its existence.

b. Serves as a marketing strategy

The competition between different industries, as well as between individual firms within an industry has placed tremendous pressure on the promotional programs of an individual seller. In our offices and homes, we are exposed to various goods and services through the mass media, personal selling, etc.; this is geared towards winning the heart of consumers.

c. Serves as an aid for product usage

Products, these days, have become very technical; and thus people (potential consumers) need to be educated on how to operate these products or gadgets. Some domestic products such as television, washing machines, refrigerators etc., need to be demonstrated to buyers; even with the provision of operating manual, a buyer will still have to be educated on the basics of using some products- due to their technicality.

d. Stimulation of buying

Some demands are dormant, and thus during economic depressions, people are unwilling to spend their money on certain things. Therefore, consumer needs to be assured that goods and/or services bought are worth the value of the money exchanged for the goods. Besides, during periods of shortages, advertising can stress product conversion and efficient use of the products. The sales force can direct its efforts towards securing accounts and helping customers solving their shortage induced problems.

3.3 The Promotion Mix

The promotion mix is the assortment of communication tools employed by marketing professionals to sell their goods and services. The right promotion mix will depend on the marketing activities that the company has to perform to get its products or services sold. In this section, five promotional mix or variables are briefly explained. The elements of promotion mix are:

- a. advertising
- b. sales promotion
- c. personal selling
- d. publicity and public relations
- e. packaging.

a. Advertising

Stanton (1983) defines ‘advertising’ as consisting of all the activities involved in presenting a non-personal (oral or visual) openly, sponsored message regarding a product, service or idea to a group. Kotler (1984) defines advertising as “any paid form of non-personal presentation and promotion of idea, goods or services by an identified sponsor”. The message called an advertisement is disseminated through one or more media, and is paid for by an identified sponsor.

b. Forms of advertising

All advertising may be classified as either product or institutional. In product advertising, advertisers inform or stimulate the market for products or services being sold. Product advertising is often further sub-divided into direct-action and indirect-

action advertising. In direct-action advertising, sellers seek quick response to their adverts.

An advertisement with a coupon, may urge the reader to, immediately, order for a free sample. Indirect-action advertising is designed to stimulate demand over a longer period of time; such advertisements are intended to inform customers about the products or service availability and the highlight its benefits.

SELF- ASSESSMENT EXERCISE

Differentiate between direct-action and indirect-action advertising.

(i) Institutional advertising

Institutional advertising is designed to create a proper attitude towards the seller and to build goodwill; rather than to sell a specific product or service. Institutional advertising is subdivided into three, namely:

- **patronage-** this entails presentation of information about the advertiser's business. For example, retail store advertises for hourly operations or change in delivery policy as service offered along with the products being sold.
- **public relations-** this provide information about the advertiser's role in the community. For example, a manufacturer's ads reveal what the company is doing to reduce the pollution caused by its company-Niger Delta Oil Companies' case study.
- **public service-** this shows the advertiser as a "good citizen". A company ads urge the public to support day time travelling, rather than night travelling" as encouraged by the Federal Road Safety Corps.

(ii) National and local advertising

a) National advertising is that advertisement sponsored by manufacturers or other producers. A manufacturer's advertising is designed to build the demand for its products. The producers do not care where the goods are purchased, as long as customers buy them. Local advertising is placed by retailers. The emphasis is on the stores; retailers do not care about the products or brand bought, as long they are bought in their retail stores. Thus, the advertisement often features appeals to loyal customers to continually patronise their stores because of certain advantages over other stores within or outside the premises. Examples of these stores include retail stores in our estates and our streets of homes.

1. Sales promotion

Sales promotion is described as "short term incentives to encourage the purchase or sale of a product or service. The American Marketing Association defines it as:

- “those marketing activities other than personal selling, advertising, and publicity that stimulate consumer purchasing and dealer effectiveness, such as displays’, shows and expositions, demonstrations and various noncurrent selling efforts not in the ordinary routine”.

Sales promotion mostly serves as a bridge between advertising and personal selling to supplement and coordinate efforts in these two areas. It should be noted that as the number of brands increases, for example, the competitive pressures for display space in retail’s stores intensify for manufacturers. These forces increase retailers’ demands for more sale promotional effort from their suppliers. Sale promotional devices are often the only promotional materials at the point of purchase.

2. Personal selling

Personal selling is defined as the oral presentation in a conversation with one or more prospective purchasers for the purpose of making sales. The goal of all marketing efforts is to increase profitable sales by offering want-satisfaction to the market, over the long run. Personal selling is, by far, the main promotional method used to reach these target goals. Personal selling has the advantage of being flexible in operation as discussed below.

- Sales people can tailor their sales presentations to fit the needs and behaviour of individual customers. Also, salesmen can see the customer’s reaction to a particular sales approach and then make the necessary adjustments, immediately.
- Personal selling permits a minimum effort. In personal selling, a company has an opportunity to pinpoint its target market far more effectively than with any other promotional desire.
- It is personal selling that results in actual sales. Salesmen perform many other services that are not strictly selling jobs. They do collect information, monitor customers’ attitude, and relay complaints to the management.
- The main disadvantage of personal selling is that is regarded as very costly. It is true that the use of salesmen enables business a unit to market with a minimum wasted effort; but, the cost of developing salesmen is high. Besides, personal selling is often limited by a company’s inability to get the right caliber of people needed to do the job.

3. Publicity and public relations

Publicity is indirect advertising and it is in the form of propaganda. It is a non-personal stimulation of demand for a product, service or business unit by a company in a published medium. Publicity is sometimes regarded as part of public relations. Public relations is described as “building good relations with the company’s various publicity, building up a good corporate image and handling or heading off unfavourable rumours, stories and events”. Publicity is mainly informative. The sponsor does not pay for the media time and space, and thus, has control over when

and how the information will be released. It can be in form of news-release, press conference, letters, etc.

5. Packaging

These days, packaging is not only regarded as part of the product, but also a promotional tool. Most products in Nigeria are purchased by consumers, not because of the contents of the products alone, but the packaging is also considered. Examples are bottled water, such as eva-water, VGC-water, spring water, drugs, refrigerators, generators, televisions (Sony, Toshiba, LG etc).

Packaging performs three main functions:

- it protects the products therein
- it provides convenience of use, storage and replacement
- it promotes a product by communicating its features, uses, benefits and images to the market.

3.4 Factors Influencing Promotion Mix

These factors are briefly explained below.

- i. Availability of funds-regardless of what may be the most desirable promotion mix, the amount of money available for promotion is the real determinant of the mix.
- ii. Nature of the market - Decisions on promotion mix will be greatly influenced by the nature of the market.
- iii. Nature of the product - Consumer products and industrial products, frequently, require different strategies. Thus, the nature of products in the markets determines the promotion mix to be adopted.
- iv. Stages of product life cycle - Promotional strategies for a product are influenced by the stage that a product is in, at any given time. Product life cycle includes- introduction, growth, maturity, and decline.

SELF-ASSESSMENT EXERCISE

Briefly explain factors that influence promotion mix.

4.0 CONCLUSION

Promotion is considered inevitable in modern business activities. Promotion is synonymous to selling. Its aim to inform, persuade, and influence people to buy goods and services offered for sales. It is an essential element in modern marketing.

5.0 SUMMARY

Successful launching of product into markets is one thing and creating awareness is another. This unit looked into various ways of making goods and services known to target consumers.

6.0 TUTOR-MARKED ASSIGNMENT

Personal selling is considered as one of the most effective promotional tool. Yet it has been criticised by many practitioners. Give reasons for these criticisms.

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UNIT 5 CONSUMERISM

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1.0 INTRODUCTION

Consumers or customers are regarded as the pillar of any business activities. Their presence in any business activity improves the economic activities and standard of living of the people. Sometimes, instead of improving their well-being with the goods and services offered into the markets by businessmen, they are rather dissatisfied with such goods and services. It should be noted that the essence of marketing is to satisfy consumers' needs and wants, while making profits at the end. If consumers are not satisfied, then the profit objectives of the business will be defeated. Therefore, there must be a forum through which these dissatisfactions are made known to appropriate authorities. Thus, there is an agency saddled with this responsibility. This unit examines consumers' rights and duties, with respect to goods and services consumed.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- describe the term 'consumerism'
- explain who is a consumer
- state the benefits of consumerism.

3.0 MAIN CONTENT

3.1 Consumerism

Consumerism is a social movement seeking to argue the rights and powers of buyers in relation to sellers. Consumerism became a significant social movement in the late 1960s. Stanton (1983) defines consumerism as "the actions of individuals and

organisations (consumers, government, and business) responding to consumer dissatisfactions in exchange relationships”. Therefore, consumerism is both:

- a protest against the perceived injustices and
- effects to remedy those injustices.

In exchange relationships between buyers and sellers, consumers clearly feel that the balance of power lies with sellers. Consumerism is an expression of this opinion and an attempt to achieve a more equal balance of power between buyers and sellers.

Having defined the term consumerism, let's pause and briefly explain who is a customer. A customer is a person or group of persons or an organisation that purchases goods and services offered into the market in order to satisfy his/her needs. Consumerism/consumer movement is often said to have begun with the publication of Ralph Nader's criticism of 'General Motors' in unsafe speed. However, Kotler (1997) opines that consumerism is indeed a beneficial movement, and that it promises to deliver real gains- in the long run, both to business and the consumer. The movement tends to force business to re-examine its role in society, challenging business people to scrutinise problems that are easily ignored, and challenging managers to look at ends and as well as the means.

3.2 The Scope of Consumerism

Consumers have reacted in a wide/variety of ways to vent their frustrations and correct what they considered to be injustices. Reactions have ranged from:

- refusing to buy a product or shop at a certain store
- burning and looting business establishments.

Consumerism, today, includes three broad areas of consumer dissatisfaction and remedial efforts. The major focus of consumerism involves discontent with direct buyers-sellers exchange relationships between consumers and business firms. Marketing is the main target of consumer discontent with business. This is because marketing is the most visible part of a company's total program and the easiest for consumers to reach.

The several areas of consumer's discontent extend beyond business. Consumerism extends to all organisations with which there is an exchange relationship. Therefore, consumerism involves such diverse organisations as hospitals, schools, and government agencies. As consumerism grew, its scope expanded, even further to involve environmental matters affecting quality of lives in our various homes and houses. That is, the indirect impact that involves exchange relationship between two social units (a business, a person, etc). For example, this is the cry of the Niger-Delta community in Nigeria. Exploration activities of oil companies in that environment have left the area devastated over a long period. It thus implies that an exchange relationship between two people or groups creates problems for a third person/group.

3.3 Consumerism: Yesterday's Perspective

Consumerism, really, is not a new phenomenon; in the early 1960s (and even before), there was a consumer movement. Efforts were made to protect consumers from harmful products and from false and misleading advertisements. However, three factors contributed to the simple reasons why consumer movement was not popular in the earlier periods; these are:

- the socio-economic settings are vastly different. In the 1930s, there was a depression, incomes were very low, and the issue of economy abundance was a forgotten issue. But today, the economy is challenged by diverse needs, improved economic activities and standard of living, and improved enlightenment, etc.
- the nature of the legislation relating to consumer movements was limited and unpopular.
- emphasis of legislation was on the protection of competition among companies.
- there was no legislative act, and if available, it was limited and unpopular. Also, there was no institutional structure to support the movement.

SELF-ASSESSMENT EXERCISE

Give reasons why consumerism was not popular in the earlier days.

3.4 Factors Contributing to the Rise of Consumer Movements

Here, let us look at some factors.

1. There is a dramatic shift in the social and economic goals of consumers these days. Today, consumers are more sensitive to social and environmental needs, because:
 - consumers are well informed and enlightened,
 - consumers have additional incomes to cater for their needs,
 - we are now in the era of technological breakthrough, thus, the whole world is now a global village.
2. There are institutional structures to support both the government and group of individuals in support of the movement of consumerism; for example in Nigeria, we have agencies like Consumer Protection Council, NAFDAC etc.
3. People globally support consumerism through:
 - social critical writings
 - consumer oriented legislations
 - consumers' organisations

- professional agitation.

3.5 Effects of Consumer Movements on Modern Marketing

Let us look at a few of these effects, here.

1. Consumer movement has made top management and/or the government to take active part in reviewing and approving of advertising campaigns.
2. Consumer movement has made government to play a more active role in the handling of consumers' complaints- as evident in the activities of the Consumer Protection Council.
3. The movement has provided improvement in the exchange of information and shared understanding between business and consumers.
4. Executives see an opportunity to capitalise on consumerism as a competitive marketing tool, one through which profits can be generated.

3.6 Consumers, Rights

There are a thousand of these rights, but we shall limit our discussion to four, here

1. Right to safety- this cover complaints about unsafe products, unstated dangers in products, unrealised expectations regarding product performance; inadequate repair services, etc.
2. Right to be informed- this is in relation to complaints about deceptive advertising, deceptive packaging, misleading warranties, insufficient information concerning product contents, operating instructions, etc.
3. Right to choose- this covers complaints about confusing assortments of products, brands and packaging size and lack of real competition.
4. Right to be heard- complaints about business firms being unresponsive to consumers' grievances.

4.0 CONCLUSION

Consumer movement is not a present-day activity; it has existed before 1900. However, the modern-day movement has been more pronounced because there are more disposable income, and also due to the fact that the whole world has become a global village, thus facilitating interaction among nations easily. In addition, people are enlightened now more than before; thus, they are aware of their rights and tasks. Hence, consumerism stemmed, broadly, from cultural changes and consumer discontents and frustrations.

5.0 SUMMARY

In this unit, you have learnt the term consumerism, its meaning and the reasons why it should be studied, among other things.

6.0 TUTOR-MARKED ASSIGNMENT

Discuss the effects of consumer movements in Nigeria.

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