



NATIONAL OPEN UNIVERSITY OF NIGERIA

**COURSE CODE: BHM 108**

**COURSE TITLE: INTRODUCTION TO MARKETING**

# **BHM 108: INTRODUCTION TO MARKETING**

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## **BHM 108: INTRODUCTION TO MARKETING**

### **COURSE GUIDE**

The course material has been structured around three distinct parts of Marketing. This is shown below

#### **Module One: INTRODUCTION**

Module one aims to generate an understanding of the basic concepts underlying marketing.

These concepts help to shape the attitude and philosophies of the learners towards marketing. It also underlies the philosophy that marketing is a specialized field of study and thus its required to be learnt. This module consists of

1. Introduction
2. Approaches to the study of marketing
3. Marketing management philosophies
4. Marketing environment
5. Functions of marketing

#### **Module Two: CHANNELS OF DISTRIBUTION**

Module two aims to expose learners to various ways of getting goods and services produced to the target markets. By extension, it educates learners on the distributive systems and strategies adopted for consumer and industrial products. This module comprises of

1. Product classification I: Consumer products
2. Product classification II: Industrial products
3. Buying process
4. Channels of distribution
5. Middlemen and marketing activities

#### **Module Three: MARKET STRATEGIES**

Module three examines strategies used to serve the target markets effectively and efficiently.

This module comprises of:

1. Marketing of services
2. Marketing risks
3. Market segmentation
4. Promotion

## 5. Consumerism

This course material is designed to expose the learners to various strategies of satisfying consumers' needs

Each unit contains:

- ✚ Introduction
- ✚ Objectives
- ✚ Main content
- ✚ Conclusion and Summary
- ✚ Tutor Marked Assignment, Self Assessed Exercise, and
- ✚ References.

The whole course material contains interactive of fifteen (15) units. Each part is composed of five (5) units.

### **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:

1. Introducing you to the origin of marketing and marketing philosophies.
2. Classifying marketing functions
3. Identifying various ways of classifying products
4. Explaining the buying process
5. Appreciate the role of middlemen in modern business
6. Explain various means of promoting products and
7. Explain modes of segment markets

### **Course Objectives**

On successful completion of this course you should be to:

1. Define marketing
2. Differentiate marketing, market and marketer
3. Explain marketing management philosophies
4. Identify factors that affects marketing activities

5. Classify various types of products
6. Describe buying process
7. Explain basis of segmenting markets
8. Itemize ways of handling marketing risks
9. Explain various methods of promoting products and
10. Explain the origin of consumerism and consumers rights

### **Assessments**

Students are expected to answer all the questions on

A).Tutor Marked Assignment

B). Self Assessment Exercise

Although, there are selected tutor marked assignment questions that would be send to your study centre manager that you must provide answers for. This forms part of your final grades. Those ones found on the course material will expose you to the likely questions for the final examination.

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## **TSM 106: INTRODUCTION TO MARKETING**

### **UNIT 1: INTRODUCTION**

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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 a need for 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.

Different people with different objectives would opt to learn marketing. However, marketing, as you will soon see, is important whether you are in the marketing function or any other function of a business, even life as a whole. Besides, marketing is a very exciting field. It requires creativity for success. Thus, you have embarked on the study of an exciting subject which can also increase your creativity.

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 personal competence but will also help in attaining your organization’s objectives. The first unit discuss some fundamental issues in marketing as they affects marketing activities.

#### **2.0 Objectives**

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

- (i) Define the term 'marketing'.
- (ii) Outline the concepts underlying marketing.
- (iii) Discuss the importance of marketing.
- (iv) Describe the evolution of marketing.

### **3.0 MAIN TEXT**

#### **3.1 Definitions of Marketing**

Marketing have been viewed by different people differently. This is base on individual perception. Marketing is a crucial human invention. It embraces the activities we engage in to satisfy economic needs and wants. Let pause to examine some definitions by some scholars. These include:

- (a) Marketing is the business process by which products are matched with markets and through which transfer of ownership are effected (Cundiff and Still, 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) (e) Marketing is the business function that identifies customers' needs and wants, determines which target markets the organization can serve best, and designs appropriate products, services, and programmes to serve these markets (Kotler and Armstrong, 1996).
- (e) Marketing is the set of activities that facilities 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 matters, marketing research and sales forecasting.

However, it should be noted that for marketing or exchange to take place, it is necessary that: (a) 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.

### **ACTIVITY 1**

In your own words define marketing

## **3.2 Basic Concepts Underlying Marketing**

### **3.2.1 Needs**

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

### **3.2.2 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 need money. Human needs may be few, but their wants are numerous. These wants are continually shaped and re-shaped by social forces and institutions such as families, church, schools and business corporations. Marketers do not create needs, needs pre-exist in marketers. Marketers along with other inferentials 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.

### **3.2.3 Demands**

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

### **3.2.4 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, organization 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 or cope (beauty); toothpaste for whiter teeth – prevent germs; fresh breath or sex appeal. The marketer's job is to sell the service packages built into physical products. If one critically looks at physical products, one realizes that their importance lies not so much in owning them as in using them to satisfy our wants. For example, we do not buy a bed just to admire it, but because it aids resting better.

### **3.2.5 Exchange**

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

- (ii) Each party has something that might be of value to the other party;
- (iii) Each party is capable of communication and delivery;
- (iv) Each party is free to accept or reject the offer; 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.

### **3.2.6 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 sizes of a market depends on the need of people with common needs and 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 gathered 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.

### **3.2.7 Marketers**

A marketer is someone seeking a resource from someone else and willing to offer something of value in exchange. A marketer could be a buyer and a seller.

### **Self Assessment Exercise**

Before moving on to the evolution of marketing, let us pause here and summarize what has been presented so far. To do this, you should work out the following exercise:

State conditions under which exchange take place

### **3.3 The Evolution of Marketing**

Marketing develops as the society and its economic activities developed 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, industrialization and urbanization.

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, no exchange. However, as time goes on, the concept of division of labour began to evolve. People concentrated on producing more than they need of some items. And whenever people make more than they wanted, the foundation is laid for trade, and trade (exchange) is 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, 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 characterized 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 the World War I and II when surplus and overproduction became an important part of the 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 were 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 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 such as Professor Joe Robinson, who wrote on monopolistic economy. His assumption was 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 maximize 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 facts that

various company uses 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 “the consumers want – satisfaction 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, mobilized to produce goods and services to satisfy consumers’ needs in such a way as to enhance the profit of the firm.

**1960’s (marketing control era)**, this is the period when marketing department became well known and so much important in the U. S. A. One of the authors of the time, Peter Drucker states that marketing department is so complex that it can’t be handled by a single individual. The attention at this period was directed toward markets. Also, consumerism came up due to the failure of the marketing concept. Consumerism is an organized 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.

**1980’s to-date (societal era)**. During this period, communication has turned the whole world into a global village. Effort was on how to satisfy the society needs, and consumers became conscious of their rights.

## **ACTIVITY 2**

To assess your understanding of this section, do work out the following activity.

Briefly differentiate between need and want

### **3.4 The Role of Marketing**

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

makes this point very succinctly when he observes that marketing is a multiplier of managers and entrepreneurs.

3. It helps in sustaining and improving the existing levels of employment. You may ask, how does it happen? The answer is that when a country advances economically, it takes more and more people to distribute goods and proportionately a lesser number to make them. That is, from the employment point of view, production becomes relatively less significant than marketing and the related services of transportation, finance, communication, insurance, etc. which spring around it 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, marketing plays an important role in any economic development, since goods by themselves cannot get to the target users except through marketing institutions. Stages of marketing era were examined in order to appropriate the role of marketing in nation building.

#### **6.0 Tutor Marked Assignment**

Define marketing

#### **7.0 FURTHER READING/REFERENCES**

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

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## **UNIT 2: APPROCHES TO THE STUDY OF MARKETING**

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## **1.0 Introduction**

Each discipline has its own approach of studying. Marketing is not an exemption. This unit will examine various approaches of studying marketing. These approaches are pertinent to marketing executives. The basic understanding of them determines application of them when need arises. It is the fundamental guides that underlie marketing activities. Thus they are regarded as the building-blocks for achieving companies' objectives and goals.

## **2.0 Objectives**

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

1. Explain various approaches to marketing
2. Explain basic reasons underlying them
3. Cite examples of their applications in marketing activities.

## **3.0 Main text**

### **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.

**3.2. 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 classes include consumer and industrial products. It is pertinent to under study these classes of products due to simple fact that consumers' needs varies from one product to another. Let briefly example these classes:

**3.2.1 Consumer goods-** Consumer goods are those bought by final consumers for personal consumption. Marketers usually classify these goods based on consumer shopping habits. Consumer goods include convenience goods, shopping goods, specialty goods, and unsought goods.

**3.2.2 Industrial goods**-Industrial goods are those bought by individuals and organizations 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 what they cost. There are three groups, 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 for. Thus, marketers are interested on the purpose for which these goods are bought for. This formed the bases of their production.

### **Activity 1**

Briefly explain the commodity approach to the study of marketing

**3.3. 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 might study an institution such as a department store to determine how it has evolved over the years and where it seems to be heading to. Just as products consumers consumed vary from one person to another, the needs of institutions are not the same as well. For example, an educational institution varies from an advertised 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.

**3.4. 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. For details about these functions see unit three (3).

**3.5. Managerial Approach:** The managerial approach focuses on the use of marketing in successfully positioning organizations and products in market place. Managerial marketers are especially interested in marketing analysis, planning, organization, implementation, and control. These are managerial roles that must be critical 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 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. But, it should be noted that we are operating in dynamic environment. Thus, marketing activities must be properly articulated and planned otherwise the efforts put in be reward less. This is narrow down to having company mission, objectives and goals.

The approach adopt determined 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, 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 main reason why modern marketing exert effort to either remain on top or acquire other competitor's market shares Thus, as marketing executives, you must define your mission, objectives, goals, target consumers and markets properly. Your ability to have these as part of your strategic plan determined your success or failure.

**3.6. 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 more essence why modern managements/companies are called upon to partner with the host communities to reduce arduous incidents, most particularly the oil companies in Niger Delta of Nigeria and such vices associated with the growth of cities and town, such as Lagos, Abuja, Kano, and Port-Harcourt

### **Activity 2**

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

## **4.0 Conclusion**

Study of approaches to marketing is considered as the cone stone of marketing activities. It is fundamental root through which consumers' needs are met. It is regarded as the factors underlying marketing as a course.

### **5.0 Summary**

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

### **6.0 Tutor Marked Assignment**

Briefly itemize and explain any three approaches to marketing.

### **7.0 References/Further Readings**

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

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## **UNIT 3: MARKETING MANAGEMENT PHILOPHIES**

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### **1.0 Introduction**

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

### **2.0 Objectives**

After studying this unit, you should be able to:

1. Explain the production concept

2. Explain the product concept
3. Explain the selling concept
4. Explain the marketing, and
5. Explain the societal concept.

### 3.0 Main Text

#### 3.1 The Production Concept

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

- a). When the demand for a product exceeds the supply. This is very common to most of goods/services available in Nigeria markets. Examples of these are petroleum products, food stuffs, and educational books. It therefore implies that management should look for ways of increasing production of such products
- b). When the product's cost is too high and improved productivity is needed to bring it down. For example, Henry Ford's whole philosophy was to perfect the production of the model 'T' so that its cost could be reduced and more people could afford it. Another example is the cost of earlier Mobile Phones and their accessories. They were very costly and access was limited to only few privilege individuals in Nigeria as compared to present situation whereby an average individual has one. To order to maintain the market turnover, it thus implies that management should improve the facilities and reduce prices of their products/services as obtained in telecommunication market in Nigeria.

#### 3.2 The Product Concept

The product concept holds that 'consumers will favour products that offer the most quality, performance, and innovative features, and that an organization should thus devote energy to making continuous product improvements. In modern marketing, the product concept plays an important role. This is because; consumers are diverse in their needs and wants; sparsely distributed. Thus, they need to be served base on their peculiarity of needs and environmental consideration. For example, the Toyota and Honda companies adopt this concept for their brands

of cars for Nigeria markets. In hospitality industry, services are provided base on the expectation of the guests. This is why rooms are not charged equally.

However, marketing executives should be careful in applying this concept. Quality and innovative features may involve additional production costs, which in the long-run the consumers might be compel to bear the burden. Thus, income of the consumers and their willingness to pay for these new features should be sought. Otherwise, the product concept can lead to ‘market myopia’. For instance, rail road management once thought that users wanted 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 the organization’s products. The organization must therefore undertake an aggressive selling and promotion effort.

The concept assumes the consumers typing show buying inertia or resistance and has to be coaxed into buying more, and that the company has various strategies of effective selling and promotion tools to stimulate more buying. The selling concept is practiced both by profit and non-profit making organizations. For instance, in an insurance industry, 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 ten minutes and the salesperson returns with ‘the boss does not like it, but I got him to agreed.’ The aim is to ‘work up the customer and close the sale.’

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

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

However, for selling to be effective, it must be preceded by several marketing activities such as need assessment, marketing research, product development, pricing and distribution. If marketers do a good job by identifying customers' needs, developing appropriate products and pricing, distributing and promoting them effectively, thus, products might sell very well.

### 3.4 The Marketing Concept

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

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

Starting Point    Focus    Means    Ends



(a) The Selling Concept



(b) The Marketing Concept

### **The selling and marketing concepts contrasted.**

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

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

The marketing concept rests on four main pillars, namely:

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

These concepts are briefly examined below:

a). **MARKET FOCUS:** No company can operate in every market and satisfy every need, nor can it do a good job within one broad market. For example, in automobile industry, Toyota Company has Luxury buses, passenger buses, variety brands of all kinds to satisfy their target markets. Also, in soft drink industry, Coca-Cola Nigeria Plc has 25cl and 35cl bottles of coke for its target markets.

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

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

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

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

To buttress theses views, one Japanese businessman told the author:

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

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

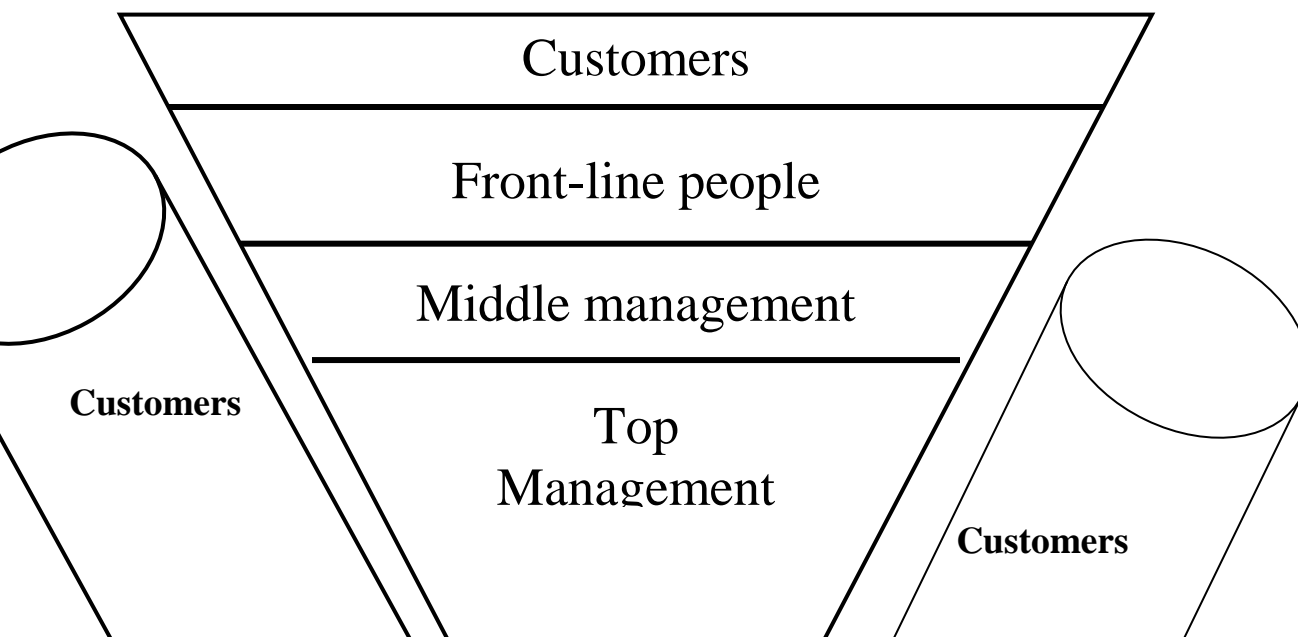
### c). COORDINATED MARKETING

Coordinated marketing means two things:

1. The various marketing functions- sales force, advertising, product management, marketing research and host of others, must be coordinated among themselves. These marketing functions must be coordinated from the customer point of view.
2. Marketing must be well coordinated with other company departments. Marketing does not work when it is merely a department; it only works when all employees appreciate the effects they have on customer satisfaction. Let us examine this case:

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

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



### **The 'correct' view of the company organization chart**

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

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

d).**PROFITABILITY:** The purpose of the marketing concept is to help organization achieve their goals. In private firms, the major goal is profit, while in non-profit and public organizations, it surviving and attracting enough funds to perform their work. In essence, the key is not to aim for profits as such , but to achieve them as a by-product of doing the job well. For example, the General Motors Executive said “we are in the business of making money, not cars.” He is misplacing the emphasis. A company makes money by satisfying customer needs better than her competitors.

This is not saying that marketers are on concerned with 'profits'. Quite contrary, they are highly involved in analyzing the profit potential of different marketing opportunities. The sales-force/people focus on achieving sales-volume goals, while marketing people focus on identifying profit making opportunities.

#### ACTIVITY

Give reasons why you considered marketing concept is contrast to business activities.

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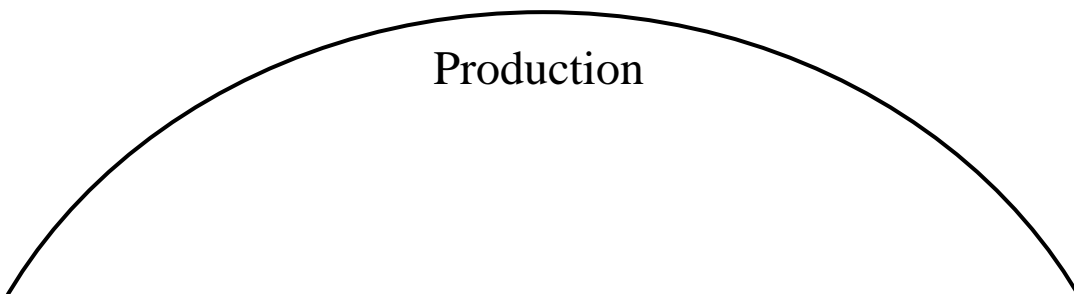
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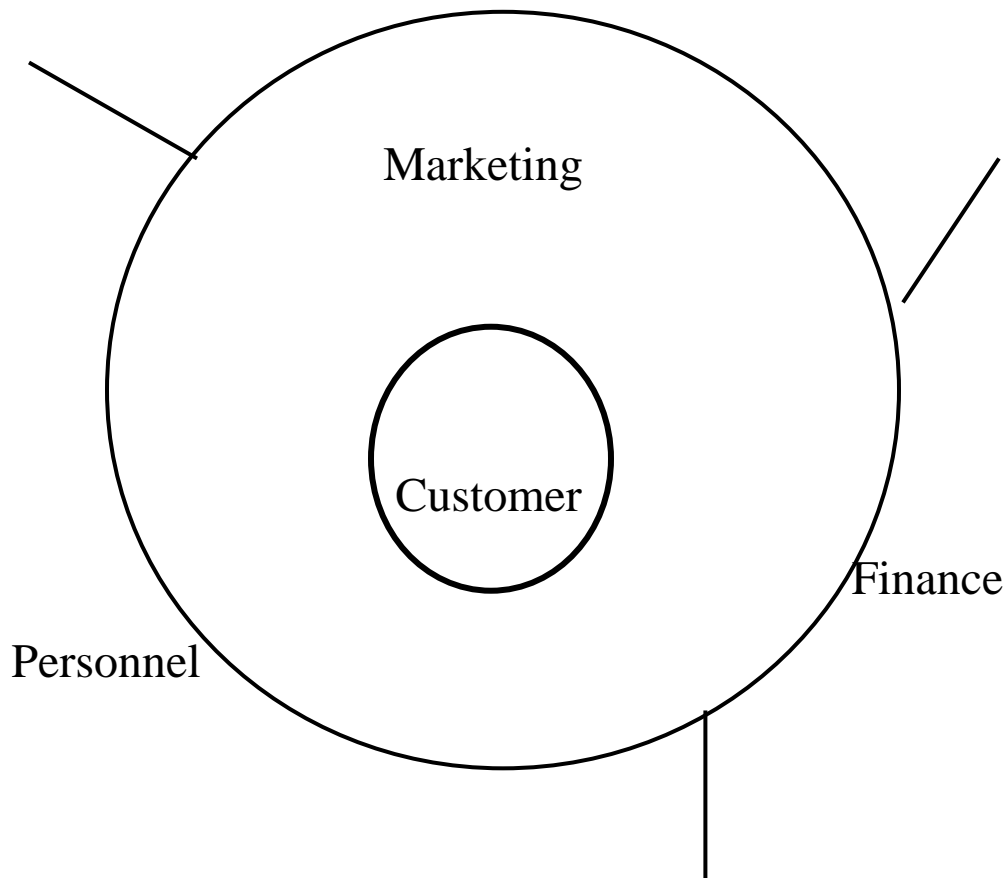
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#### ORGANIZATION RESISTANCE

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





### **Evolving Views of Marketing's Role in the Company.**

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

The marketer's argument for the business concept is that:

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 needs influence or control over these other departments if customers are to receive the expected satisfaction.

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

### 3.5 The Societal Marketing Concept

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

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

Kotler (1994) reported that “Coca-cola company, most people see it as a highly responsible corporation producing fine soft drinks that satisfy consumer tastes.” Yet, certain consumer and environmental groups have voiced concerns that Coke has little nutritional value, can harm people’s teeth, contains caffeine, and adds to the little problem with disposable bottles and cans. In similar manner, Niger delta, South-South of Nigeria cried out for long neglect of the oil companies of social responsibilities, thus leading to all forms of human degradations.

### **Self Assessment Exercise**

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

### 4.0 Conclusion

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 organizational 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 be study them 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 discusses the production, the product, the selling, the marketing and the societal marketing concepts as a basis of get understanding of marketing activities.

### 6.0 Tutor Marked Assignment

Differentiate between the selling concept and the marketing concept.

### 7.0 References/Further Reading

- Armstron, G. and Kotler, P(1994): Principles of Marketing, 6<sup>th</sup> edition, New Jersey, Paramount Communications Company.
- Akanbi, I. A (2002); Fundamentals of Marketing, Kaduna, Ayokunle Printers Limited.
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## **UNIT 4: MARKETING ENVIRONMENT.**

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- 2.0 Objectives
- 3.0 Main Text
  - 3.1 External Marketing Environment
  - 3.2 Micro Environment Variables
  - 3.3 Internal Marketing Environment
- 4.0 Conclusion
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- 6.0 Tutor Marked Assignment
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#### 1.0 Introduction

Marketing environment is very important element that must be critically studied and evaluated before undertaking any business. The environment where the business situated along with other factors determined success or failures of such business. Inability of some businessmen to understudy the business environment caused them their resources as fruitless efforts. 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 of external variables. But these variables can be influence for business activities while the internal variables can be manipulated and control. Thus, marketing

environmental variables are critical to the success of any business. This unit looks into external and internal variables that affect marketing activities.

## 2.0 Objectives

1. After studying through this unit, you should be able to;
2. Explain external marketing variables;
3. Explain internal marketing variable;
4. Describe the implication of these variables on marketing activities.

## 3.0 Main Text

### 3.1 External Marketing Environment

The external marketing environment composed of variables which are refers to uncontrollable. They are regarded as uncontrollable variables, because they cannot be change 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 thus examined below:

#### 3.1.1 Economic Conditions

The economic system of a country determines inflow and outflow of goods and services. That is the economic system influence how resources are shared and employed for production purposes. This thus influences the planning and price mechanism in the economy. It therefore implies that a company can either operate in communist, capitalist or mixed economy.

The economy determines the purchasing power, disposal income of consumers. The economic system being practiced is not 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 organization- 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 macro economic element affecting marketing is the factor of economic growth Stanton 1981). Nations passes through various economic systems. This includes subsistence to industrialized systems. The implications of these stages of economic

systems can not be under estimated. Other economic variable which is interested to marketing executives includes interest rate, money supply, price inflation, and credit facilitates.

### 3.1.2 Demographic Environment

Demography is the statistical study of human population and its distribution characteristics. Demography is essentially important to marketing managers. This is because; people who have money to spend and the willingness to spend it is what refers to as market. Marketing managers are also interested in the size and growth rate of population in different cities, regions and nations; age distribution and ethnical variables. Other variables include educational levels, household patterns and regional characteristics and movements. Marketing managers should therefore analyze the geographic distribution and demographic composition of the population as a first step toward understanding the consumer market.

#### **Activity**

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

- a.-----.
- b.-----
- c.-----
- d. -----
- e.-----

### 3.1.3 Social and Cultural Environment

The society in which people grow up shapes the 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 and as well as 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, peoples' view on the society. It should be noted that people varied n their attitudes towards their society. Some defined it, some run it, some take what they can from it, some want to change it, some are looking for something deeper, and while some

want to leave it. Some of the important socio-cultural variables that affect marketing activities include-the religious beliefs, the role of marriage, peoples' feeling and dressing, and societal festivals.

People living in a particular society held many core beliefs and values that tend to persist over time. For example, in Africa culture, it is expected that a younger person should respect an elderly person. Specially, a younger person prostrate for an elderly person in Yoruba's culture. While in Nupe's culture, he/she stoop for an elder. Besides, our mode of dressing also reflects the cultural orientation received. For example, an average Northerner put on 'Baba-Riga' (Big guan).

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 shouldered. For example, pork meat business can not flourish in the Northern Nigeria, because of their religious beliefs. Likewise suit business would hardly survive in Northerner 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 served as marketing opportunity. Marketers sometimes reap unexpected rewards in targeting subcultures. For instance, marketers have always loved teens because they are society's trends, sellers in fashion, music, entertainment, ideas and attitude (Kotler, 1997). Although, core values are fairly persistent, cultural swings do take place. Thus, marketers should have keen interest in sporting cultural shifts that might augur new marketing opportunity or threat.

#### **3.1.4 Political and Legal Environment**

Marketing decisions are strongly affected by developments in political and legal environment. The environment is composed of laws, government agencies and pressure groups, and government policies that influence and limit various organization's and individual's affairs.

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 the country. Sometimes, these laws also create new business opportunities. For example, the government of Umar Shehu Yar'adua lifted tariff on rice importation, thus, creating opportunity for Nigerian businessmen. This is the essence why marketing managers should critically studied and evaluate government policies.

However, business legislation has three main purposes namely:

1. To protect companies from unfair competition
2. To protect consumers from consumers from unfair business practices and
3. 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- Nigerian Custom and Excise, Nigerian Immigration, Standard Organization of Nigeria, Nigerian Consumer Protection Council, and some others.

The main concerned of these business laws is on what point do the costs of regulation 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 retaining economic growth. This therefore implies that marketing managers should have a good working knowledge of the major laws protecting competition, consumers and society.

### **Activity**

Give three reasons why business legislatives are made

1. -----
- 2.-----
- 3.-----

### 3.1.5 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 hurt the carbon-paper business and autos' hurt the railroads and television hurt the news papers. Also, the new information technology has brought a lot of opportunities to Nigerians and has also transformed ways of doing business both within 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 analyzes, 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 be however be noted that technological breakthrough are not evenly distributed across nations. Thus, marketing managers should make effort in monitoring new technologies as a way of protecting their business activities. Kotler (1997) observed that instead of moving into new business, many old industries fought or ignored them, and their businesses declined.

### 3.1.6 Natural and Competitive Environment

Nations varied in natural endowments. Some nations are blessed in natural resources, Nigeria, Saudi-Arabia, Kuwait, etc 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 affects business activities.

Competition- In virtually all socio-economic systems, competition is a strong environmental force to be reckoned with. People/consumers generally and basically buy 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 the Macro environment variables, it is essential also to examine the micro environment variables. Before you do that, you are enjoined to pause and attempt this activity.

## Activity

List and explain briefly the 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 would be able to influence her potential and prospective buyers on the goods and services offered into the market.

### 3.3 Internal Marketing Environment

The company internal controllable variable known as 4ps or marketing mix are variables which marketers used to achieve business organizational goals. They are refers 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:

#### 3.3.1 The 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 the 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.

#### 3.3.2 The Price

Fixing prices for products is not solely task of marketing executives. They however supply all the necessary information to the management committee that would decide on the price change. 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.

### 3.3.3 The 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 existing a particular company. It is a tool through which companies stimulate or arouse the consumers demand for the products to be sold; help to educate consumers on how to use or obtain maximum benefit from the product offered into the markets. Therefore, promotion is 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.

### 3.3.4 Distribution/Place

The distribution variable affects 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- the wholesalers, retailers, dealers, and agents. It is the responsibility of the marketing department to develop the most potent marketing mix strategies in achieving the company's objectives.

## **Activity**

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

## 4.0 Conclusion

Today business management is increasingly realizing the wisdom and benefits of apply the systems concept to marketing. A marketing system is an interacting set of institutions; activities and flows of designed to facilitate exchange transactions between an organization 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 upon 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 examined uncontrollable variables, such as technology, competition, political and legal, etc environmental variables as they affects marketing activities. It also look into internal variables, such as product, price, place and product characteristics.

## 6.0 Tutor Marked Assignment

- a) List and explain the macro environmental variables
- b) Give reasons why marketing mix are refers to as controllable variables.

## 7.0 References/Further Reading

Akanbi, I. (2002): Fundamentals of Marketing, Kaduna, Ayokunle Printers Limited.

Kotler, P (1997): Marketing Management-Analysis, Planning, Implementation and Control, 9<sup>th</sup> Ed. New Jersey, A Simon and Schuster Company.

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## UNIT 5: FUNCTIONS OF MARKETING

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3.3	Physical Distribution
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### **1.0 Introduction**

Marketing activities is common in our economic affairs. Thus an average businessman claimed that he/she is a marketer. This unit attempted to define and states the functions of marketing in any economic development like ours.

### **2.0 Objectives**

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

1. Classify functions of marketing
2. Explain merchandising functions
3. Explain physical functions, and

4. Explain auxiliary functions

### **3.0 Main Text**

#### **3.1 Classifications of Marketing Functions**

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

#### **3.2 Merchandising Function**

The functions is subdivided into the following:

- 3.2.1. Product planning and development: Product planning starts with the idea generation, idea screening and development of a prototype product. It also take into consideration the purchasing power of the consumers, taste and market segmentation. Research and development is established for the analyses of ideas generated.
- 3.2.2. Standardization and Grading: This is concerned with setting certain standards / levels to accomplish the produced goods. This is carried out by the production department and regulated by some government agencies, such as Standards Organisation of Nigeria. For example, Sprite is 30 cl, Coke is 35 cl, etc.
- 3.2.3. 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 the end-users. These marketing institutions include the wholesalers, retailers and agents.
- 3.2.4. Selling: This is concerned with selling of the finished goods to the end-users either through the manufacturers or the marketing channels. In order to get the attention of their target consumers, they embark on various promotional strategies, such as discounts, promotools, bundle sales, bonus, etc.

#### **Activity**

List and explain the merchandizing function of marketing.

#### **3.3 Physical Distribution**

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

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

### 3.4 **Auxiliary Function**

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

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

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

## **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 specialized that requires special skills and training. Hence, for you to be successful in marketing, you need to engage in various training in marketing, of which this one of them.

## **5.0 Summary**

This unit examined marketing functions which include: product planning and development, standardization and grading, storage, transportation, marketing information and risk bearing as the primary assignment of professional marketers

## **6.0 Tutor Marked Assignment**

List and briefly explain the physical function of marketing.

## **7.0 References/Further Reading**

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

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

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

## **UNIT 6: PRODUCT CLASSIFICATION I: CONSUMER PRODUCTS**

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- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Text
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  - 3.2 Product Levels
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    - 3.4.4 Unsought Goods
  - 3.7 Marketing Strategies for Consumer Goods.
- 4.0 Conclusion
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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**

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

- (i) Define a product.
- (ii) Classify products into either consumer or industrial products.
- (iii) Explain the characteristics of industrial products.

## **3.0 Main Text**

### **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 understand this with the aid of an illustration – While conducting seminar for operational salesmen who had been on the field for 10 to 12 years, salesmen were asked a question, “What are you selling”?

Different answers were received from different groups. One group answered, “Soaps”. When asked, “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 visualize soap – others claimed they sold “bulbs, drills, etc.”

A product is the key marketing mix variable on which all the other marketing mix variables revolved. 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 the 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 as goods, services, ideas, people, places, and even organizations 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 refers to as a good, as well as an intangible service (such as ideas, a place, an event, an organization), or any combination of tangible objects and intangible services.

However, Stanton (1981: 161) defined 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 consumer is not 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 organization.

### Activity

Define a product?

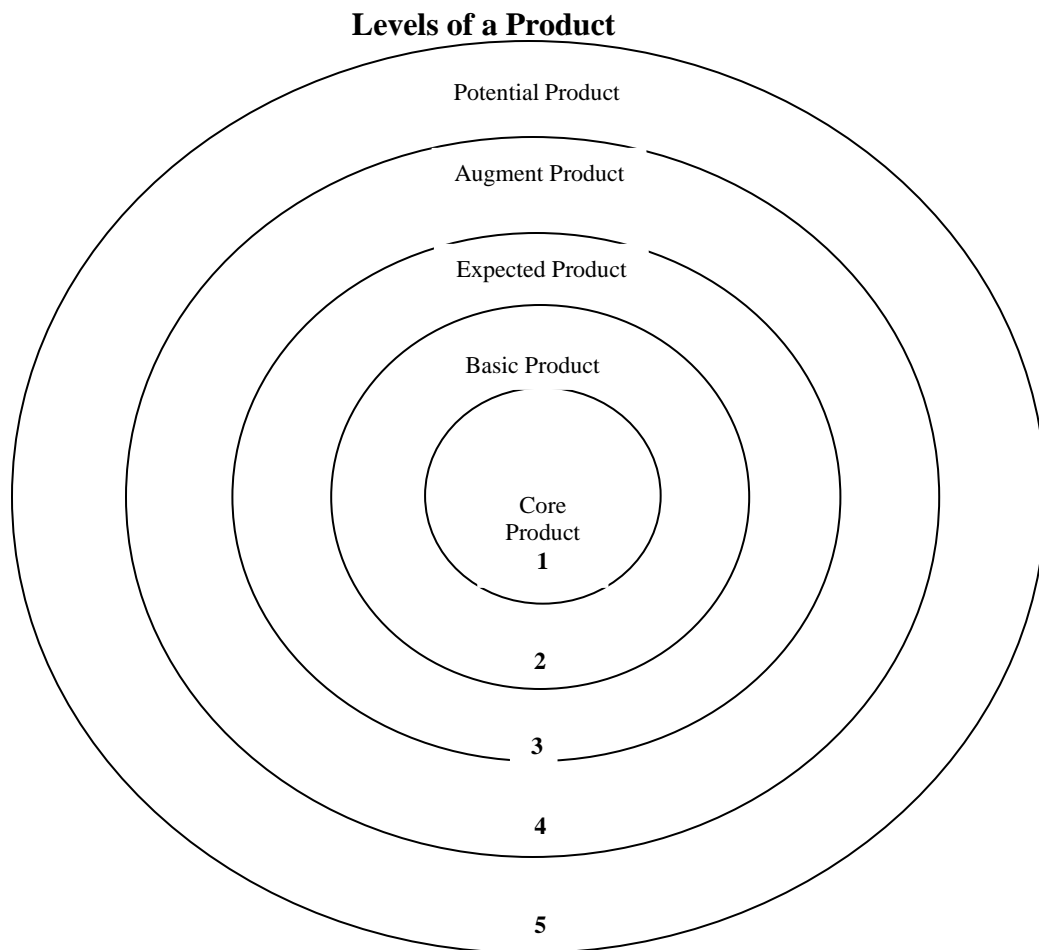
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### 3.2 Product Levels

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



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

- (1) **The Core Benefits:** That 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 the 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 might 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

#### **3.4 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.

#### **3.4.1 Convenience Products/Goods:**

These are standardized 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 eyes, he buys it on impulse. Such goods are not purchased on regular basis.

#### **3.4.2 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 word, 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, etc. are of great importance. They therefore have to be marketed differently. Examples of such goods are clothing, household appliances, furniture and others.

#### **3.4.3 Specialty Goods:**

These are products that consumers insist on having. The buyers are willing to wait until the right products 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, jewelries, fashion clothing, photocopy machines, camera, etc. They are usually very costly items and include luxury items.

#### **3.4.4 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 they saw them on displays at the point of purchase. Most new and 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.

### **3.7 Marketing Strategies for Consumer and Industrial Products**

Industrial products are generally subject to greater standardization, 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 soaps, Lux soap offers 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 organization 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 found ourselves. Basic understanding of their class helps to shape consumers' consumption and as well as meeting the organization of objectives of profit making.

### **5.0 Summary**

In this unit, you learnt about the:

- Definitions of products
- 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**

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

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

## **UNIT 7: PRODUCT CLASSIFICATION II: INDUSTRIAL PRODUCTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Text
  - 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 consumers' goods, it is equally important to know what industrial products mean. This unit examines an industrial product, the classes it thus entails and it uses in our economy.

## 2.0 Objectives

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

1. Define an industrial product
2. Explain its classifications and
3. Explain its benefits

## 3.0 Main Text

### 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 those products 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) classified 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 the production firms. They are very costly items that need major decisions before they are purchased. They include product items as buildings, heavy manufacturing machines, computers, etc. These are usually custom made items that will require direct negotiations between the buyers and the sellers.

#### **3.1.2 Equipment, tools and accessories**

These are usually standardized 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; sea and water products. They are usually standardized 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 like 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 the organization equipment and for keeping the organizations and their machines in proper shape. They are usually standardized items and of low prices. Examples are stationery fuel, water, grease, etc.

## **3.2 Characteristics of industrial products**

- (i) The demand for industrial goods is derived from the demand for the final goods for 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. 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**

Industrial products are generally subject to greater standardization, 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 soaps, Lux soap offers you a complexion like that of a film star.

### **4.0 Conclusion**

A product is the key marketing mix variables on 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 products means, various classifications of industrial products and necessary strategies needed to be adopted. We hope, these concepts would build up factors underlying channels of distributions, the next unite.

### **6.0 Tutor Marked Assignment**

What are the characteristics of industrial products?

### **7.0 References/Further Reading**

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

Kotler, P. (1987): **Principles of Marketing Management**, Prentice-Hall of India Private Limited, New Delhi.

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

## **UNIT 8: BUYING PROCESS**

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### **1.0 Introduction**

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

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

1. Give reasons why people buy goods or services offered into the market.
2. Explain the buying process
3. Explain the roles in the buying process.

### **3.0 Main Text**

#### **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 buyers is to obtain the right guilty from the right source at the right price. This is a set objective that is difficulties to adhere, 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 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. Manger the company's inventory so as to provide the best services to customers at the boast cost.

### 3.2 The Buying Process

In any given transaction, there must be a seller and a buyer. Although in Nigeria situation, most often the buyers are always more than the sellers that are the demand are always more than the suppliers. Thus, the suppliers determine the market the goods should be sold, the quantity and price to be sold. Hence, the buyers have to take whatever is offered. But in market economics like U.S.A, Japan, U.K etc. the buyers pick and choose from the very many available sources and supplied after considering the attributed item to meet their demand peculiarities.

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 been started, potential buyers can with draw at any stage order to the actual purchase, and some stage can be skipped.

A total stage approach is likely to be used only in certain buying situations. A first purchase of a product for instance or in buying high priced, infrequently 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.



## Out coming/post purchase

### **Explanation:**

#### **i. Felt need**

The process starts when an unsatisfied need (motive) creates inner tension. This may be biogenic 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. Or perhaps dissatisfaction with the present product created. Once the need has been recognized, often consumers become aware of conflicting motive or competitive uses for their scarce resource of time or money. Often times, there are conflicting needs, buyer must resolve these conflict before proceeding.

#### **ii. Searching for alternatives.**

a. Once a need has been recognized, both product and brand alternative must be identified, supposing Mr Abu have 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:-

- What the time and money costs are
- How much information the consumer already has from past experienced.
- The amount of the perceived risk if a wrong selection is made.

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

iii. **Purchasing activities**

After searching and evaluating the consumer at some point must decide whether or not to buy. If the decision regarding brand, price, store, colour, and so on. Therefore, anything 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, marketer needs to know answer to many questions regarding consumer's shopping behaviour. 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 by consumers are:

- a. Convenience of location, rapidity of service ease of locating merchandise and uncrowded conditions
- b. Price
- c. Assortment of merchandise
- d. Services offered
- e. Alternative store appearance
- f. Caliber of sales personnel

iv. **Use behaviour**

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

v. **The purchase outcome/post purchase**

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 operative before or during the time a purchase is made. However a buyer's feeling after the sale are 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 all but routine purchases 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 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 this briefly explained under the following leadings.

- i. **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
- ii. **Deciders:-** These are the people make the buying decision. For example, for an item bought for personal use the user may motor 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 additive, the husband and the wife as well as other purchase of some items such as furniture's and other household appliances. However, institutional and business purchases are more complex and many people may be a committee setied to decide on most purchase, because of the high risk involved in their purchases.
- iii. **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 would involve purchasing officers, committees etc.
- iv. **User:-** These are individuals or departments that consumed or vice the products/service purchased. They are the target markets which the company directs her communications to.

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

### **3.4 Buying for Resale**

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

1. **Selectors:-** Their work is to visit supplier, trade fairs, fashion shows etc to identify appropriate merchandise for their organization
2. **Buyers:-** These 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 add or to drop. Once a product line has been selected the buyers will ask suppliers to produce sample for examination, trials and testing by the various technologists in the company.
3. **merchandiser:-** 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's 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 purchasing of goods services. For this reason, the following strategies should be adopted:-

1. Select a key supplier to do business with. Although this strategy may not guarantee success because there may be supply failure due to strike action notwithstanding understanding and cooperation at long-run will achieve the desired result.
2. Spread suppliers with some key companies. This will ensure that the company is able to have suppliers, even if one source fails.
3. Obtain a generic product, instead of buying specialized company items
4. Classify suppliers into groups:- 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 their 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, other may wish to interact with the potential consumers who have bought and used the product or services accordingly. Because of these reasons and other, buying is considered to be a process which consumers may wish to pass through or skipped some stage 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. This unit examines various buying processes.

#### **5.0 Summary**

This unit looked into various processes in buying activities, from the perspectives of 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 sale their goods.

#### **6.0 Tutor Marked Assignment**

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

#### **7.0 References/Further Reading**

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## **UNIT 9: CHANNELS OF DISTRIBUTION**

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### **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 faces. A company's channel decision directly affects every other marketing decision. For example, the company's pricing depends on whether it uses mass merchandise r

high quality specialty stores. The firm's sales force and advertising decisions depends on how much persuasion, training and motivation the dealers need. A whether a company develops or acquires certain new products may depend on how well those products fit the abilities of its channel members.

Most producers use intermediaries to bring their products to the market. They try to forge a distribution channel – asset of interdependent organizations involved in the process of making a product or service available for use or consumption by consumer or business user. The use of intermediates has become necessary in making goods available t target markets.

## **2.0 Objectives**

After studying this unit, you should be able to:

1. Explain Marketing Channels.
2. Explain types of Channels.
3. Itemize the role of distribution channels in the overall marketing of products.
4. State factors involve in selection of an appropriate channel mix.

## **3.0 Main Text**

### **3.1 Channels of Distribution**

The term channel of distribution is used to refer to the various intermediaries who help in moving the product from the producer to the consumer. There are a variety of middlemen and merchants who act as intermediaries between the producers and consumers. Stanton (1981: 283) defined a channel of distribution for a product as “the route taken by the title to the ultimate consumer or industrial users”. A channel always includes both the producer and the final customer for the product, as well as all middlemen involved in the title transfer. Even though agent middlemen do not take actual title to the goods, they are included as part of a distribution channel. This is because they play such an active role in the transfer of ownership. Channel of distribution is also defined as “a system designed to move goods and services from producers to customers, which consists of people and organization supported by various facilities, equipment, and information resources”. However, Armstrong and Kotler (1994) reported that distribution channel is “a set of interdependent organizations involved in the process of making a product or service available for use or consumption by the consumer or industrial user”.

Channels of distribution are the most powerful element among marketing mix elements. Many products which were intrinsically sound died in their infancy because they never had the right

road to the market. However, developing a sound distribution network and launching aggressive advertisement campaigns, a company can carve out a niche for itself. Many Nigerian manufacturers took advantage of the distribution network built by erstwhile companies where business was considerably reduced to changes in import policy, such as Coca-Cola, Nestle Company and others.

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. 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 create 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 1**

Define a channel of distribution.

#### **3.1.1 Distribution**

The functions performed by the members of the marketing channels include:

- (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 communications 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.

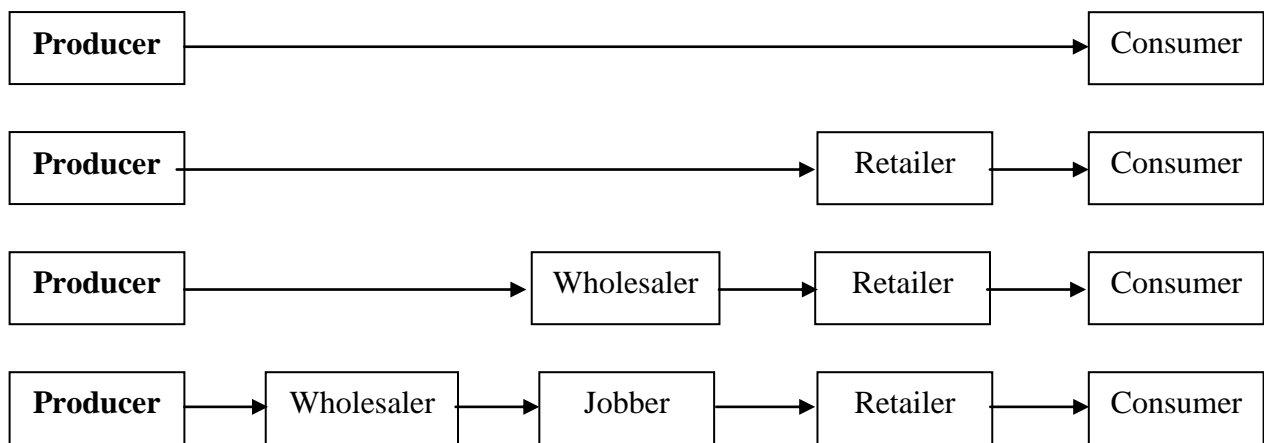
(g) **Risk-taking:** assuming the risks of carrying out the channel work.

### 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. Because the producer and the final consumer both perform some work, they are part of every channel. We used 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.

**Figure 1:**



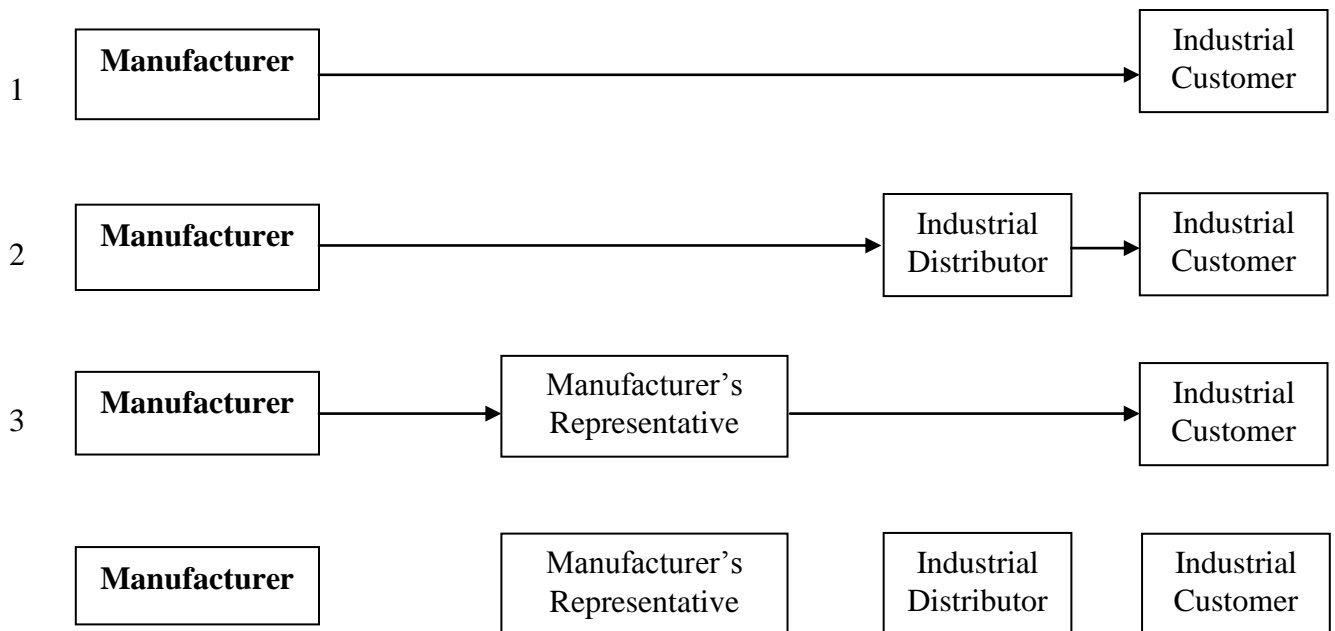
**(A) A channel for consumer goods**

(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: The most common channel for consumer goods is this. 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 the wholesalers in marketing its goods. The use of Jobbers could be attributed to their specialised experiences.

**Figure 2:**





### **(B) Channels for industrial products.**

**Source:** Amstrong and Kotler (1994): Principles of Marketing, 5th Edition, Englewood Cliffs, New Jersey.

- (1) Manufacturer to Industrial Customer (Buyer) from the above diagram, manufacturers uses direct marketing to distribute their products to the 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 support are often best handled through a direct channel, because the manufacturer might be the only entity with sufficient expertise to help customer 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 personalized 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 which wish to maintain control ship over its 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 are adopted by manufacturers who wish to have control of marketing activities of their products. However, some title to the goods are given to the industrial distributors, who sell to the industrial customers when needed and at the quantity needed.

### **3.3 The Importance of Channels of Distribution**

The importances of channels of distribution are summarized below:

- (1) Channels of distribution are the most powerful element among marketing mix elements. Many products which were intrinsically sound died in their infancy because they never found the right road to the markets.
- (2) Channels take care of the transaction aspects of marketing, including the selling, the financing and the risk taking associated with strong products in anticipation of future sales.
- (3) They perform the logical function of moving products from the point of production to the point of purchase.
- (4) They help producers promote goods and services.

### **Self Assessment Exercise 2**

State four importance of channels of distribution.

### **3.4 Selecting an Appropriate Channel**

The channel decisions are important (for two reasons). The costs involved in the use of a channel entail the price that the consumer has to pay. The channel decision also has a bearing on other marketing decisions like pricing and product line. 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 the markets; (b) maximum promotional efforts and (c) minimum cost. The following factors usually govern the selection of channels.

(1) The Type of Product:

For selling perishable products like bread and milk or vegetable, it is important to have a short-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 such as furniture, refrigerators, airconditioners etc. But 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, airconditioners, 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 the case of bulky and expensive machinery, the manufacturer may approach the customer directly through his own 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. Channels design is influenced by the competitors' channels. 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 toothpastes grocery stores are commonly used.

(4) Cost Involved in Distribution:

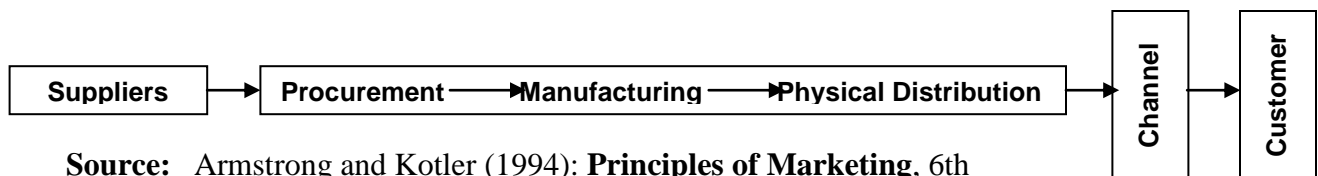
Cost, no doubt, is a very important consideration. The longer the channel of distribution, the greater is its cost, and manufacturers look for ways to keep down the cost and prefer distribution through middlemen who have their own established sales-force as it is more economical and involves less financial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

However, in making a choice, the manufacturer has to consider his objectives, resources and the channels available to him after considering the above factors. He would like to use the channel of distribution which will produce the combination of sales volume and cost that yields him 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. But most companies like to use multiple channels of distribution to ensure that their produces reach the maximum number of people.

The task of manufacturers does not end after the 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 his 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 physical firms – warehouses and transportation companies to assist in this task. Armstrong and Kotler (1994) observed 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:



**Source:** Armstrong and Kotler (1994): **Principles of Marketing**, 6th Edition Englewood Cliffs, New Jersey.

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

(1) Location of Manufacturing Facilities:

There are two interrelated issues. Firstly, where to locate the manufacturing facility and secondly, how many facilities should be set up. The basic decisional parameters would be the availability of the basic raw material and the location of the market. It may be decided to locate the manufacturing facility nearer to the source of supply and ship the finished outputs to the outlying markets or to erect the production facility near the geographical market to be served and arrange the shipment of the inputs. The location of NNPC in Port Harcourt was based on the availability of raw material (crude oil) yonder. 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 centralized warehouse for the main product but has to maintain a number of service centres 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 would 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 should be maintained, of what items and where. 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 would like to concentrate on production and leave the task of distribution to an outside agency such as “Independent Marketers” in Nigeria. Whether to contract out distribution or not, is a major decision and would require an in-depth analysis of the 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**

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

## **7.0 References/Further Reading**

Armstrong, G. and Kotler, P. (1994): **Principles of Marketing**, 6th Edition, Englewood Cliffs, New Jersey.

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## **UNIT 10: MIDDLEMEN AND MARKETING ACTIVITIES**

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  - 3.3 Classification of middlemen
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    - 3.3.2 Merchant Middlemen
  - 3.4 Retailers
  - 3.5 Functions of middlemen
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor – Marked Assignment
- 7.0 References/Further Reading

### **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 specialized 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

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

1. Explain who is a middleman
2. State various types of middlemen
3. Describe importance of middlemen in marketing and
4. State reasons why they are refer to as ‘price jackpot’.

## 3. O Main Text

### 3.1 Middlemen

A middleman is an independent business concern/entity that operates as a link between producers and ultimate consumers or industrial users. Middlemen render services outside purchasing and

sales of goods, by transferring goods and title to goods to the 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 marketed. While agent middlemen never own the goods, but do actively assist in the transfer of title. Brokers and manufacturers’ agents are examples of agent middlemen, while the wholesalers and retailers are examples of merchant middlemen.

Before you proceed further, do attempt this exercise

#### Activity

Who is a middleman?

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### 3.2 Importance of Middlemen

Middlemen are very important in many ways, especially on marketing activities. It may not be economic for a producer to deal directly with ultimate consumers. For instance, how convenient it would be if there were not retail middlemen- such as hawkers, supermarkets, retail stores, vendors, etc. This is why this adage in marketing comes to bear “you can eliminate the middlemen, but you cannot eliminate their functions (activities)”. Someone have to perform these activities-if not the middlemen, then the producers or the final customers. Therefore, the importances of middlemen are discussed below:

1. Middlemen serve as purchasing agents for consumers, and sale specialists for the 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 benefit 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: - The middlemen create for consumers’ space and time utilities. They are often located within or very close to the buyers, so that buyers purchase goods needed at their own convenience.

Attempt the following exercise before proceeding.

### **Self Assessment Exercise**

State the importance of middlemen in marketing.

### **3.3 Classification of Middlemen**

Middlemen are classified as merchant and agent middlemen.

#### **3.3.1 Agent Middlemen**

This type of middlemen do not take title to the goods they sale. They perform specialized marketing functions for that own the goods. They are known by the special marketing functions they performed within the channels of distribution. These functions include among others they receive commissions for the functions they performed to either consumers or wholesaler and even the producers. They are usually found in the sale of industrial goods. The types of of agent middlemen include

- i. Selling Agents

They are usually large institutions. They have marketing facilities for the functions they performed. An agent is usually chosen to represent a manufacturer fully/wholly in a given target market. He takes control of the marketing of all the producers' products in the market. He often serves as the marketing department for the producer. He is not restricted by territory, thus, render financial assistance to producers. They are financially sound and thus determine the goods carry on. 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

They are representatives that are authorized by the 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 of goods. Manufacturers' 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. Commission Merchants

These agents take physical possession of the goods they trade with. They deal on agricultural and forestry materials that need to be stored and transported from the point of production to the market. They supply storage and transportation facilities for the goods they handled. They also negotiate the terms of trade, but paid on commission basis. Although this depends on the amount received from the goods sold. They do not take title to the goods they sold.

#### iv. Brokers

These agents specialized in specific commodities and provide their principals with established contacts for the sale of their goods. Their main function is to bring to bear knowledge on the source of supply and prospective buyers within a given field and to negotiate the terms of trade. Brokers perform valuable services for negotiating sales for specialized goods and seasonal products that do not require constant distribution.

### **3.3.2 Merchant Middlemen**

This type of middlemen owns the goods they sold. They buy the goods and take possession of them. They bear the risk involve in marketing them. Profits or losses from the sale of the goods often accrue to them. The two main ones are wholesalers and retailers.

## **Wholesalers**

Wholesalers are merchant middlemen that take title to the goods they sold. 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 the ultimate consumers. They however sell to those who would resell the goods or use them to produce other goods.

### **Functions of Wholesalers**

The functions of wholesalers are summarized below:

- ❖ Buying
- ❖ Selling
- ❖ Product development and standardization
- ❖ 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.

#### a). Full-Function Wholesalers

The full-function wholesalers perform all the marketing functions mentioned above. They carry a variety of products. Although, they some of them who do carry specialized goods. Examples of this are

- ✚ General merchandise wholesalers
- ✚ Limited line wholesalers
- ✚ Specialty-line wholesalers.

#### b). Limited Function Wholesalers

They are merchant wholesalers. They take title to the goods sold. They however do not perform all the wholesaling functions on the goods they handled. They also tend to concentrate on the handling 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 for their personal, non-business use.

A retailer is defined as “a middleman who sells mainly to the ultimate consumer. He may sell to institutions but most of his sales are made to industrial or household consumers. He usually sells in small lots”.

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 and ultimately in touch with the ultimate consumers and thus occupy a strategic position in the whole chain of distribution. The basic features of retail trading are 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 at our house-step premises.

#### **3.4.1 Functions of Retailers**

The following are some of the functions of retailers:

- Estimation of the probable demand of the consumers for the various types of goods dealt with by him.
- Assembling of various types of goods from different wholesalers.
- Sale of the various products to the consumers as and when needed by them.
- Physical movement of goods from the wholesaler’s warehouses to their own stores.
- Storage of goods to maintain uninterrupted supply of goods to the consumers.
- Assumption of risk of loss of goods by fire, theft, deterioration, etc. as long as they are not disposed of to the consumers.
- Extension of credit to some selected regular customers.

- Providing information about consumer tastes and preferences to wholesalers / manufacturers.

### Activity

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

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### 3.4 2. 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 at busy street corners or busy streets. Some traders sell their wares at weekly markets as applies to our rural markets in our communities in Nigeria. Our discussion will be limited to some selected retail stores, namely:

- (i) **Specialty Stores:** Carry a narrow product line with a deep assortment within that line: apparel stores, sporting-goods stores, furniture stores, florists and bookstores. Speciality stores can be sub-classified by the degree of narrowness in their product line. A clothing store would be a single-line store; a men's clothing store would be a limited-line store; and a men's custom-shirt would be a super specialty store.
- (ii) **Department Stores:** Carry several product lines – typically clothing, home furnishing, and household goods with each line operated as a separated as a separate department managed by specialist buyers or merchandisers.
- (iii) **Supermarkets:** Relatively large, low-cost, low-margin, high-volume, self-service operations 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 shopped type of retail store.

- (iv) **Convenience Stores:** Relatively small stores that are located near residential areas, are open long hours, seven days a week, and carry a limited line of high-turnover convenience products. Their long hours and their use by consumers mainly for “fill-in” purchases make them relatively high-price operations.
- (v) **Catalogue-Showrooms:** Sell a broad selection of high-mark-up, fast-moving, brand-name goods at discount prices. These include jewelry, power-tools, cameras, luggage, small appliances, toys, and sporting goods. Customers order the goods a catalog in the showroom, then pick these goods up from a merchandise pickup area in the store. Catalog showrooms made 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 requirements at a lower 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 the ordinary retailers. It should be noted that there are other types of retail outlets.

### **3.5 Functions of Middlemen**

The merchant middlemen are referred to as ‘pure marketing organizations’. 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 compiled 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 product handled.

#### **2. Contacting, Sorting Allocation and Assisting**

Without the middlemen, end users of goods and services would have to locate and negotiate the terms of trade with them. Middlemen gathered different producers’ goods into their stores for consumers to buy easily. These tasks carried out allow consumers to buys goods in smaller and frequent purchases 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 are engaged in advertising the products they deal in.

### 4. Storage

In order to gather goods in one store, middlemen rent or build big warehouses to store goods of different manufacturers. This provides consumers the opportunity to make selection among various goods warehoused.

### 5. Transportation

Middlemen provide their own transport to move the goods they purchased to their warehouses.

### 6. Financing

Middlemen buy their (own) goods in bulk and pay in cash most often to the producers to enable them to carry further production. They sometimes grant credit to consumers and manufacturers.

### 7. Channel of Communication

Middlemen serve as agents to both the manufacturers and the 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, analyzing and making inferences for either improvement or production of new products.

## **4.0 Conclusion**

Middlemen balance producers' expectations and consumers' wants through activities of concentration, equalization, 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**

This unit examined who is a middleman. The various functions carried out such person was expressly discussed. The importance of these middlemen was looked into with regards to marketing activities. These middlemen were classified into various types. Their functions were equally discussed.

### **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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## **UNIT 11: MARKETING OF SERVICES**

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## 1.0 Introduction

Before now, an average consumer recognizes the tangible physical products they purchased than the services that goes along with such products. Change they say is constant. Thus, with the changing in the economic activities globally, most especially in Africa and Nigeria in particular, consumers are conscious about services-marketing. Consumers wish to associate themselves with companies or organizations that provide super and efficient services for the products they purchased or consumed. It becomes imperatives for marketing executives to integrate service-marketing as an integral part of their products. This unit attempt to examine service-marketing and its implications on marketing activities.

## 2.0 Objectives

Some people might 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 recognize that there is both a product component and a service component in the sale of most, if not all, goods. In this regards, most organizations do not think of themselves as product or seller of goods instead, producers of services. After studying though this unit, you should be able to:

1. Define service and service-marketing
2. Classify various forms of services
3. State characteristics of services

4. Mention task involve in developing service marketing, and
5. Describe marketing strategies for service firms

### 3.0 Main Text

#### 3.1 Service Marketing

In attempting to define 'service-marketing' it is imperative to examine briefly the antecedent of services provided. Marketing developed initially for selling physical products such as tooth paste, cars, equipment, books, etc. But as people become conscious about their environment, and as their purchasing power continuing to improve, they demands for fair treatment for the products purchased and consumed. One of the major trends in the World and Nigeria in particular I recent times has be the dramatic growth of services.

Thus, while defining 'service-marketing', there are divert views among scholars. However, for the purpose of this course, we will limit ourselves to the following definitions:

Stanton (1983:441) define services as "those separately, identifiable, essentially intangible activities that provide want-satisfaction, and that are not necessary tied to the sale of a product or another service. To produce a service, 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: 640) defined 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, traveling by an airplane, visiting a psychiatrist, getting a hair cut, having a car repaired, watching a professional sports, watching movies, having clothes cleaned by a dry cleaner, seeking advise from a lawyer/consultant, etc all these involve buying services". The definitional problem may continue, however, the bottom line is "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 any product involvement whatsoever. 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 business or professional firms with profit making motives-commercial services. Marketing-services can be describe as strategies adopted by the producers of services either to communicate or deliver their products (efficiently) to the target markets.

### **Activity 1**

In your own words, what is service-marketing?

#### **3.2 Importance of Service Marketing**

Stanton (1983) reported that statistics since World War II that consumer expenditures for services have increased almost every year at a more rapid rate than expenditures for products.

This is just a pointer or signal of its importance in our economic development. Here is some of their importance:

- a) The growth of business services may be attributed to the fact that business has become increasingly complex, specialized and competitive. As a result, management has been compelled to seek expert advice in providing such services- advertising, labour-relations, product-delivery, etc.
- b) The rate of growth has not been uniform for all categories of consumer services. As disposable incomes increases, and life-style changes, the demand for some services has grow relatively faster that some others. For example the attendance at movie centres declined as people turn to television.
- c) Many product manufacturers have diversified into services because of high demand in that area.

### **Activity 2**

Why 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.

- i. 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 organization. The burden falls mainly on a company's promotional program. For example, insurance companies thus promote services 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 billing per-second for long distance calls as practiced by GLO- company and other networks in Nigeria.

ii. 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.

iii. Heterogeneity

It's impossible for a service industry or even an individual seller of services to standardize 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 repairs jobs, a mechanic does 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, the service companies should pay particular attention to the 'product planning stage of its marketing program'.

iv. 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 sum, for service providers to be regarded as the foremost, 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.

## **SUGGESTED ANSWER**

Services are highly perishable and thus cannot be stored. For example, empty seats in a stadium and an idle mechanic in a garage, all represent business that is lost. Until such services are re-demanded. However, there are notable exemptions to this generalization regarding perishability of a service. For example, in health and insurance industries, services are purchased and held by the insurance company until needed by the buyer or the beneficiary.

### **3.4 Tasks Involve 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 looked into.

#### **1. Market Analysis**

Market analysis is essentially the same whether a firm sells products or services. Therefore, the marketers of services should understand the components of population and income as they affect the market of their services. Also, they must carefully analyze 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 breadth of the services mix offered.
- c) What if anything, needs to be done in the way of service attributes, such as branding or packaging.

The high perishability, fluctuating demand and inability to store services make product planning critically important marketers. However, a service industry can expand or contract its 'product mix', after existing services and trade up or down. The reasons for this are- the company may want to increase the total volume; reduce seasonal fluctuations in volume etc. Thus, product planning is much easier for service-products than physical products we consumed. For example, packaging, colour, labeling product's style is virtually non-existent in service marketing. However, branding and standardization 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 post-pone purchase or even perform some services themselves ( such as 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 (NEPA, WATER BOARD etc), medical care and repairs services are typically sold without middlemen. Note, excluding middlemen does limit the geographical markets that service sellers can reach or captured. However, it enable the service providers to personalize their services, thus helps to get customers response quickly. In modern management especially in service industry, strategies have been designed to broad its distribution system. For example, in Banking industry, ATM, and E-Banking services have be provided to facilitate quick and un-interrupted services.

### **Promoting Services**

Management task is much difficult when the company must build her 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 the organizational goals. However, personal selling is essential while developing relationship between buyers and sellers. Many service firms, especially in the 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

Services are intangible products rendered to end users of such services. Because of its special nature it calls for strategic management. Most of the products we consumed are services. Hence the industry is more competitive than before. It therefore calls for expertise experiences in achieving organizational goals.

#### 5.0 Summary

This unit explained services and its characteristics. Various forms of services were discussed. The tasks of developing an effective marketing program were extensively discussed.

#### **6.0 Tutor Marked Assignment**

List and explain features of services.

#### **7.0 References/Further Reading**

Armstrong, G. and Kotler, P (1994): Principle of Marketing, 6<sup>th</sup> Ed, New Jersey,

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## **UNIT 12: MARKETING RISKS**

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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 individuals and organizations to organizations. Marketing concerned itself with consumers needs and wants satisfaction. While carrying out these tasks, they are vulnerable to risks. 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

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

1. Explain the term 'marketing risks'
2. Classify marketing risks, and
3. List methods of handling marketing risks.

## 3.0 Main Text

### 3.1 Risks

Risks pervade all human activities. Risks are taken in business because of the uncertainties in the market. Uncertainty results due to lack of information about phenomena. When there is no or little information about an event, the risk of taking an action is at its greatest point. As information is readily made available on events, then, the less is risks in taking decision. For instance, businessmen do stored goods for 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 associated with such act. Some of these of risks include:

- ❖ Damage of goods while in transit
- ❖ Deterioration and un-salable goods.
- ❖ The goods may be stolen
- ❖ Changes in prices
- ❖ Obsolete goods
- ❖ Bad and doubtful debts, etc.

### 3.3 Classifications of Marketing Risks

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

#### 3.3.1 Uninsurable Marketing Risks

Some of these include

1. The possibility that the goods cannot be sold at a profit. Thousands of business fail yearly with resultant losses to be 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 the 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, acts, and policies.
3. Internal risks- Some of the internal risks that are not insurable include-
  - a. Physical destruction or deterioration of inventories. This may be due to natural disaster, such as flood, wind, and drought.
  - b. Theft, fraud and pilferage of stock. These risks are extremely difficult to insure. This is because it difficult to get accurate data about such risks.
  - c. Credit extension periods resulting from the inability of the debtors to pay back the goods purchased on credits.

### 3.3.2 Insurable Marketing Risks

In marketing, some of the risks that are usually accepted to be insured by insurance companies include:

1. Fire insurance: Almost all types of buildings, houses, warehouses and factories can be insured against the loss from fire. The contents of these class of building can be insured against various forms of five. The premium paid depends on the type of building, content and their locations.
2. Motor vehicle insurance: This is most commonly and well known insurance policy in Nigeria. The coverage include-theft, liabilities, third party, property damages, collusion 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 after the close of work; 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 insurance on transportation by water. The ocean marine insurance covers all perils of shipments on the high seas. The insurance covers all degrees of loss from injury to the vessel and its contents, etc.
5. Life insurance: The main form of life assurance in Nigeria is the retirement and pension plans. This is to enable the company to provide income to workers after they might have retired from work.

### **Activity**

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

### 3.4 Methods of Handling Marketing Risks

Since risks are unavoidable and usually unpleasant, most businessmen and individuals want to avoid as much as possible or find a way of reducing the impact of its 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 in importance as business activities expands. Experts on risks management can be engaged in this respect. Some of the workable methods adopted in preventing risks include:

1. To prevent destruction by natural causes, watchmen can be employed to prevent theft and pilferages, the company can also install fire fighting equipment to fight fire outbreaks.
2. The premise can be fenced off to prevent entry by unwanted people or control the route of movement of people within the business areas.
3. Detectives can be employed in stores to police shoppers and goods can be displayed instead of keeping too many stocks in stores.
4. Credit collections must be planned and people with poor credit risks must be identified and guaranteed against.
5. Proper storage facilities can be constructed to prevent damages from weather changes and damages of stocks by rodents and vermin.
6. The firm must have a good market analysis, a sound plan and good sales forecast plus proper control methods to operate successfully.

7. The company may engage an expert on risk management. This expert should be able to advice on the adequate amount to set aside each year for each class of risks for which the company insures for.
8. Manufacturing to order: To reduce losses from low demands, management may encourage placing of order before production.
9. 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.
10. Setting marketing boards: The set up of marketing Boards and production companies in the 1950s and 1960s in Nigeria were attempted by the Federal Government to ensure price stabilization for its primary products. If such marketing boards can be re-activated and empowered, this would help to reduce some of the business risks in Nigeria.

### **Self Assessment Exercise**

Briefly explain the term marketing risks.

### **4.0 Conclusion**

Risks are unavoidable and usually unpleasant. Thus, an every rational human being wishes to reduce it to the barest minimum. This can be achieved through insuring insurable ones with the necessary authorities and provides necessary preventions.

### **5.0 Summary**

Any decision taken is subject to one form of risk or the other. More so business activities, especially for developing countries where there are little or no data for business decisions. This unit examined risks, marketing risks and various forms of marketing risks. The unit also discusses various methods of handling marketing risks.

### **6.0 Tutor Marked Assignment**

Briefly explain the term 'marketing risks'.

### **7.0 References/Further Reading**

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

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## **UNIT 13: MARKET SEGMENTATION**

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## 1.0 Introduction

Market consists of buyers with varied needs wants and purchasing of power. Besides, sellers do not specialized on the same goods or service, rather they carries various manufactures goods and service. 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

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

1. Defined market segmentation
2. Explain the benefits of market segmentation, and
3. Explain the basis of market segmentation

## 3.0 Main text

### 3.1 Markets

Organizations that sell to consumer and business market recognize that they can not appeal to all buyers in those markets or at least not to all buyers in the same way. Buyers are too numerous, too widely scattered, and too varied in their needs and buying practices. And different companies vary widely in their abilities to serve different segmentation 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 differs in their wants, resources , locations, buying attitudes, and buying practices thus, markets consists of people with needs and wants with enough disposable income to spend the goods and services provided to satisfy there special needs and wants, and the willing ness to expend their income on these goods and services.

### 3.2 Market Segmentation

Buyers in an environment hare a unique needs and wants, thus each buyers is potentially a separate market. Most often, sellers designed a separate marketing of programs 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

realize that they can not compete in meeting all the different shades of unique demands in an Economic, so they aim at focusing on few segments that seen more profitable to them.

Market segmentation is therefore the process of dividing the 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 of unique or specific products or services for each segment.

#### ACTIVITY

**To assess your understanding of this section, do work out the following exercise:**

Define market segmentation -----  
-----  
-----  
-----

### 3.3 The Benefits of market Segmentation

The benefits of market segmentation are summarized below:

1. Marketing opportunities for each segmentation and the total market can be easily determined
2. Appropriate marketing efforts for each market segment can be well defined and implemented
3. Each market segment becomes marketing a trolling unit planning implementation control purpose. That is, each market segment is regarded as a profounder.

### 3.4 Bases of Segmenting Consumer Markerts

Consumer markets can be segmented through a single variable or a combination of variables. It should be however be rated that segmentation of consumer markets varied from company to company and product to product however, the general segment variables are discuss below.

#### 3.4.1. Geographic Segmentation

Geographic segmentation consists of dividing the market into different geographic unit 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 those companies who segment their market using geographical segmentation include- coca-cola, Pepsi-cola, unlined Nigeria plc, NNPC, etc. Many companies

today are “regionalizing” their marketing programs-localizing their products, advertising, promotion and sales efforts to fit the needs of individual’s 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. One of the reach is that consumer needs, wants and usage rate vary closely with demographic variables. Besides, demographic variables are easier to measure than most other types of variables. Ever when market segments are fist 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 at efficiently.

For example, some companies uses age and life-cycle segmentation, offering different products or using and life-cycle groups. For instance pharmaceutical enterprises have different product (drugs) for different ages. Also manufacture of clothing materials used this variable as basis of segmenting their markets into: - Baby clothes boy and girls clothes youth clothe (market), and adults clothes facilitated selling activities and to serve the market efficiently

Gender segmentation has long been used in clothing hair-derision of, cosmetics and magazines. Men dresses are quite different from women dresses in Africa in Nigerian in particular .Although this day, dues do western culture, a woman also uses men dresses. However, in hair dress sing and coestuestics, are purely predominated by women. This is one of the reason for women generally who are into hair dressing and cosmetic business mess in Nigerian sales faster than their men, counterparts who are into Barbing saloon. Manufactures of show also uses gender mutation as a way of segmenting the market and served them efficiently. Income segmentation however has long been used by the marketer of products and services such as automobiles, clothing cosmetics, Air-rings, wristwatches, Houses, foods, etc. many companies target afferent consumers with luxury goods and convenience service. For example in aviation industry where such airlines such as Bed view, Nigerian Airways, British Airway chechegi etc operates, passengers are classified into –first class, second class and third class respectively. All this is based on the amount of money paid by the passengers

In hospitality industry, income segmentation is one ways of serving the customers. Infect, the amount of money paid or charged by the hoteliers determined the faculties enjoyed by the gusset.

Since income varies from person to person and from industry to industry market used income segmentation as a way of identifies consumers' needs and provides goods or services accordingly

### **3.4.3 Psychographic Segmentation**

Psychographic segmentation means dividing the buyers into different groups based on social class, lifestyle, or personality characteristic, people in the same demographic groups can have different psychographic makeup

Social Class: Social class on the other hand influence the types of good and service consumed.

Abraham Maslow classified human beings into various classes, using needs as the basis. For example, a rich man who lives in big cities such as Abuja resides in Maitama Aso Koro, VGC or Lekki. These places are designate as rich man place likewise, rich man 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.

Other examples of social class are association available (trade and non-trade). All there classifications served as a ways of location of the target consumers and product goods and service to satisfy their needs. For examples, 5star hotels are located in Lekki VGC (lagos).

Asokoro, Maitama (Abuja) just because of the people who are residing over there

Social classes are society's relatively permanent and order division whose member share similar values interests, and behaviours. Markets are interested **\*\* (see page 8b)\*\***

**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 social class or personality. It profiles a person whole pattern of acting and interacting in the old people s interest in various goods is a effected by their lifestyles. Marketers are increasingly segmenting their **xxx** **xxx** markets by consumer lifestyles. For example, cosmetics and clothing sellers used social class and life styles as a way of segmenting the markets. In addition, some magazines and newspapers are designed to captured particular market 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 use carefully can help the marketing practitioners understanding changing consumers' 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 own environment. Personality is usually described in terms traits, such as self-confidence, dominance, interaction, autonomy, defensiveness, adaptability and aggressiveness. Personality can be useful in analyzing consumer behaviour for certain product or brand choices.

Marketing executives used 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 Segmentation

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

#### 3.5 Basis for Segmenting Business Markets

Consumer and business markets used these variables to segment their markets. Business buyers can be segmented geographically; usage rate; users' status; loyalty status. Other variables used are demographic (industry, company size); operating characteristics, purchasing approaches; situational factors and personality characteristics.

In conclusion, these variables have helped marketing management to segment their target markets and served them efficiently and effectively using various marketing strategies at their disposal.

So far, we have presented different ways of segmenting consumer and business markets. Before examining factors that affects effective segmentation, let us demonstrate our understanding of the topic. For this purpose, do work on the following exercise

#### **Self Assessment Exercise**

Give reasons why income and gender segmentation are considered popular and easiest

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### 3.6 Consideration for Effective Segmentation

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

#### 3.6:1 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, people in pupa, etc.

#### 3.6:2 Accessibility

The market segments should be reachable and easily being served. For instance, product xyz was designed for blind and dumb people, who are scattered in the country, thus, to access such target market might not be easy. Thus, marketing practitioners should device mean of reaching their target markets. The blind and dumbs can be reach through hospitals, special remind homes, etc.

#### 3.6:3 Substability

The market segments should be large enough or profitable centres. A segment should be the largest possible homogeneous group worth pursuing with a tailored marketing program. It would be a fruitless effort to design products or services, and the company could not achieve target of evn break-even.

#### 3.6:4 Action ability

Effective programs should be design to attract and effectively serving the segments, irrespective of the competitors in such markets.

### **4.0 Conclusion**

A sound marketing program starts with the identification and analysis of the market for a product or service. A market is people with money to spend and willingness 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. The market is also subdivided into consumer and industrial markets. The industrial market consists of organizations that buy goods and services to be used I

their businesses. While the consumer market composed of domestic users of goods and services offered into the markets.

### **5.0 Summary**

Marketing executives have various ways of reaching target consumers. This unit examined one of the ways through which marketing executives served their target consumers. This is known as 'market Segmentation'. Market and various types of markets were examined. Benefits of market segmentation were look into. The basis of segmenting consumer and industrial markets were extensively discussed. It also examined conditions for effective segmentation.

### **6.0 Tutor Marked Assignment**

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

### **7.0 References/Further Reading**

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## **UNIT 14: PROMOTION**

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## **1.0 Introduction**

The desire of the producers/manufacturers is to produce as much goods as possible or render services as they can. These goods produced need to be distributed by professionals to the end users. The end users need to be inform 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 the target consumers varies from product to product and one stage of product life cycle to another. This unit examines marketing promotion and it importance in marketing activities.

## **2.0 Objectives**

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

1. Explain the term ‘promotion’
2. State the importance of promotion in marketing,
3. List the promotional mix, and
4. List factors influencing promotional mix.

## **3.0 Main Text**

### **3.1 Promotion**

Some people are of the view that promotion and selling are synonymous. Although, they are related, but not the same. Soling is actually one of the components of marketing. Some people viewed selling the transfer of title or only the activities of sales people and does not include advertising or other methods of stimulating demand. In a broaden term, promotion includes advertising, personal selling, and all other selling tools. In a narrow term tem, promotion is defined as a marketing strategy for forming the general public, in particular the target markets, the availability of goods and /services. Sometimes, it serves as reminder to the potential users of company products in relation to the competitor’s products.

Basically, promotion is a marketing tool used as means of informing, persuading and communicating. These three terms are related, because to inform is to persuade and conversely a person who is persuaded is also being informed. Persuasion and information becomes effective through some form o communication. For example, Global COM and MTN sponsored “who

want to be a millionaire in NTA as a way of informing and communicating their services being sold to the general public (Nigeria market).

It is imperative for marketing managers to treat the promotional efforts as a complete subsystem within the total marketing system. This means, coordinating sales force activities advertising programs and other promotional efforts. Although in practice, some companies used 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 subsystem in a firm.

### **3.2 Reasons for Promotion**

Several factors point to the need for promotion no this 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 thus discusses below.

#### **3.2.1 Dissemination of Information**

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

#### **3.2.:2 Served as Marketing Strategy**

The competitions between different industries; as well as between individual firms within an industry have placed tremendous pressure on the promotional programs of on individual sellers. In our offices and homes, we are exposed to various goods and services through mass media, personal selling, etc which are geared toward winning costumers' preference for individual's company'[s products.

#### **3.2:3 Served 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 the buyers on the its

operational usage, even with the provision of manual, some products need to be educated before usage due to their technicality.

### **3.2:4 To Stimulate Buying**

Some demands are dormant and thus during economic depressions, people are unwilling to spend their money on them. Therefore, consumers need 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 uses of the products. The sales force can direct its efforts towards securing accounts and helping customers solve their shortage-induced problems.

### **3.3 The Promotion Mix**

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

1. Advertising
2. Sales promotion
3. Personal selling
4. Publicity and public relations
5. Packaging.

#### **3.3:1 Advertising**

Stanton (1983) defined 'advertising' as consists of all the activities involved in presenting to a group a non-personal, oral or visual, openly sponsored message regarding a product, service or idea, while Kotler (1984:464) defined 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.

#### **Forms of Advertising**

All advertising may be classified as either product or institutional.

In product advertising, advertisers thus inform or stimulate the market for products or services being sold. Product advertising is often further subdivided into direct-action and indirect-action advertising.

In direct-action advertising, sellers thus sought a quick response to their advertisements. 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 1**

Before proceeding further, differentiate between -direct action and indirect-action advertising.

#### **(i) Institutional Advertising**

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

- a) Patronage: Represent 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.
- b) Public Relations: Provide information about the advertiser's role in the community. For example,. A manufacturer's ads tell what the company is doing to reduce the pollution caused by its company-Niger Delta Oil Companies' case study.
- c) Public Service: This shows the advertiser as a "good citizen". A company ads urge the public to support day traveling rather than night traveling" as encouraged by Nigeria 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 purchase as long as the 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 is often featuring appeals to the loyal customers to continually to patronize their stores because certain advantage over other stores within or outside the premises. Examples of these stores include retail stores in our estates and our streets of homes.

### **3.3:1 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 defined 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 non-current 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.

### **3.3:3 Personal Selling**

Personal is defined as the oral presentation in a conversation with one another 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 advantage of being flexible in operations as discussed below:

- a) 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.
- b) Personal selling permits a minimum of effort. In personal selling, a company has an opportunity to pinpoint its target market far more effectively than with any other promotional device.
- c) It is the personal selling that results in the actual sales. Salesmen perform for management many other services that are not strictly selling jobs. They do collect information, reflect customer attitude, and relay complaints to the management.

The main disadvantage of personal selling is that it is regarded as very costly. It is true that the use of salesmen enables business units to reach their market with a minimum of wasted effort. But, the cost of developing and employing salesmen is high.

Besides, personal selling is often limited by a company's inability to get right caliber of people needed to do the job.

### **3.3 4 Publicity and Public Relations**

Publicity is an 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 would be released. It can be in form of news-release, a press conference, letters, etc.

### **3.4.5 Packaging**

These days, packaging is not only regarded as part of the product, but also as 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 protect 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 Promotional Mix**

These factors are briefly explained below:

#### **3.4 1 Funds Availability**

Regardless of what may be the most desirable promotional mix, the amount of money available for promotion is the real determinant of the mix.

#### **3.4.2 Nature of the Market**

Decision s on the promotional mix would be greatly influenced by the nature of the market.

#### **3.4.3 Nature of the Product**

Consumer products and industrial products frequently required different strategies. Thus, the nature of products in the markets determines the promotional mix to be adopted.

#### 3.4.4 Stages of the Product Life cycle

Promotional strategies for a product are influenced by the life-cycle stage that a product is in, at any given time. Product life-cycle includes- introduction, growth, maturity, and decline.

### **Self Assessment Exercise 2**

Briefly explain factors that influence promotional mix.

#### **4.0 Conclusion**

Marketing 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 the target consumers. Importance of promotion in marketing activities was discussed. Various forms of promotional mix were looked into. It also examined factors influencing promotional mix.

#### **6.0 Tutor Marked Assignment**

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

#### **7.0 References/Further Reading**

American Marketing Association (1960): A Glossary of Marketing Terms, Chicago, AMA.

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## **UNIT 15: CONSUMERISM**

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#### 1.0 Introduction

Consumers or customers as popularly called by businessmen in Nigeria are regarded as the pillar of any business activities. Their presence on any business activities improves the economic activities and standard of living of the people. But sometimes, instead of improving their well being by the goods and services offered into the markets by these 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 would be defeated. Therefore, there must be forum through which these dissatisfactions of the consumers' are made known the necessary authorities. Thus, there is organ saddled with this responsibility known as 'consumerism'. This unit examines consumers' rights and duties with respect to goods and services consumed.

## 2.0 Objectives

After studying through this unit, you should be able to

1. Describe the term 'consumerism'
2. Explain who is consumer
3. Explain factors responsible to consumer movement, and
4. Explain the benefits of consumerism.

## 3.0 Main Text

### 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) defined consumerism as "the actions of individuals and organizations (consumers, government, and business) responding to consumer dissatisfactions in exchange relationships".

Therefore, consumerism is both:

- a) A protest against the perceived injustices and
- b) Effects to remedy those injustices.

Consumers clearly feel, in exchange relationships between buyers and sellers that the balance of power lies with the 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 organization that purchases goods and services offered into the market by a seller (s) in order to satisfy his/her felt 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) opined 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 scrutinize 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 to 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 discontent extend beyond business. Consumerism extends to all organizations with which there is an exchange relationship. Therefore, consumerism involves such diverse organizations as hospitals, schools, and government agencies.

As consumerism grew, its scope expands, even further to involve environmental matters affecting quality of lives in our various homes and houses. That is, the indirect impact that involve exchange relationship between two social units (a business, a person, etc). For example, this is the cry of Niger Delta in Nigeria. The by-products of oil companies in that environment have dis-empowered them from daily domestic activities. 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 1900s and 1960s, there was a consumer movement. Efforts were made to protect the consumers from harmful products and from false and misleading advertisements. However, three factors contributed to the simple reasons why consumer movement was not prominent 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 economic is challenged by diverse needs, improved economic activities and standard of living, more enlightenment, etc.

- ❖ The nature of the legislation related to consumer movements was limited and unpopular. The emphasis of the legislation was on the protection of competition among companies.
- ❖ There were no legislative act, and if at available, it was limited and unpopular. Also, there was no institutional structure to support the movement.

### **Self Assessment Exercise**

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

#### 3.4 Factors Contributing to the Rise of Consumer Movements

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

- a. Consumers are well informed and enlightened
- b. Had additional incomes to cater for their needs
- c. We are now in the era of technological breakthrough, thus, the whole world is now global village.

2. There were institutional structural supports both by the government and group of individuals in support of the movement of consumerism. Examples, Nigerian Consumer Protection Council, Nigerian Administrative Food, Drug and Control, etc.

3. Active role of people globally in support of consumerism through:

- a. Social critic writing
- b. Consumer oriented legislators
- c. Consumers' organizations
- d. Professional agitation.

#### 3.5 Effects of Consumer Movements on Modern Marketing

1. The consumer movement has caused top management and / or the government to take a more active part in review and approval of advertising campaigns.

2. The consumer movement has caused government to play a more active role in the handling of consumers' complaints as carried out by Nigerian consumer Protection Council and National Complain Commission.

3. The movement has provided improvement in the exchange of information and shared understanding between business and consumers.

4. Executives see an opportunity to capitalize on consumerism as a competitive marketing tool, one through which profits can be generated.

### 3.6 Consumers Rights

There are thousands, but one; however, we shall limit our discussion to four

1. Right to Safety: Complaints about unsafe products, unstated dangers in products, unrealized expectations regarding product performance; inadequate repair services, etc.

2. Right to be informed: Complaints about deceptive advertising, deceptive packaging, misleading warranties, insufficient information concerning product contents, operating instructions, etc.

3. Right to Choose: Complaints about confusing assortments of products, brands and packaging size; 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 movement; it has been existed before 1900. However, the modern days movement has be more pronounced because there are more disposal incomes, the whole World has becomes a global village, thus facilitating interaction among nations easily; and legislative acts supporting the movement. In addition, people are enlighten than before, thus becomes aware of their rights and tasks. Hence, consumerism stemmed broadly from cultural changes and consumer discontents and frustrations.

## 5.0 Summary

This unit looked into the term 'Consumerism', it meaning and the reasons why it call for studies. It scope were examined with regards to marketing activities. Factors contributing to the rise of consumer movements were discussed. Effects on consumerism on modern marketing activities and consumers' rights were equally discussed.

## 6.0 Tutor Marked Assignment

Discuss the effects of consumer movement in Nigeria.

## 7.0 Reference/Further Reading

Hermann, R. O: "Consumerism, its Goals, Organization and Future" Journal of Marketing, October 1970, pp. 55-60

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## **TSM 106: INTRODUCTION TO MARKETING**

### **SUGGESTED ANSWERS TO SELF ASSESSMENT EXERCISES**

#### **UNIT 1: Self Assessment Exercise**

State conditions under which exchange take place

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 might be of value to the other party;
- (iii) Each party is capable of communication and delivery;
- (iv) Each party is free to accept or reject the offer; and

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

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)

## **UNIT 2: Self Assessment Exercise 2**

Why social approach to study of marketing is considered important these days?

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. More so than societal values, beliefs and norms varies from one society to another, thus it is important for any marketing practitioners to study social values critically into order to get maximum attention of the target markets.

## **UNIT 3: SELF ASSESSMENT EXERCISE**

Briefly differentiate between the production and product concepts.

### **THE PRODUCTION CONCEPT**

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

- a). When the demand for a product exceeds the supply. This is very common to most of goods/services available in Nigeria markets. Examples of these are petroleum products, food stuffs, and educational books. It therefore implies that management should look for ways of increasing production of such products
- b). When the product's cost is too high and improved productivity is needed to bring it down. For example, Henry Ford's whole philosophy was to perfect the production of the model 'T' so that its cost could be reduced and more people could afford it. Another example is the cost of earlier Mobile Phones and their accessories. They were very costly and access was limited to only few privilege individuals in Nigeria as compared to present situation whereby an average individual has one. To order to maintain the market turnover, it thus implies that management

should improve the facilities and reduce prices of their products/services as obtained in telecommunication market in Nigeria.

#### THE PRODUCT CONCEPT

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

However, marketing executives should be careful in applying this concept. Quality and innovative features may involve additional production costs, which in the long-run the consumers might be compel to bear the burden. Thus, income of the consumers and their willingness to pay for these new features should be sought. Otherwise, the product concept can lead to ‘market myopia’.

#### **UNIT 4: SELF ASSESSMENT EXERCISE**

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

1. Religious
2. Values
3. Attitudes
4. Beliefs and
5. Norms.

#### **UNIT 5: Self Assessment Exercise**

List and explain the merchandizing function of marketing.

#### **Merchandising Function**

The functions is subdivided into the following:

1. **Product planning and development:** Product planning starts with the idea generation, idea screening and development of a prototype product. It also take into consideration the purchasing power of the consumers, taste and market segmentation. Research and development is established for the analyses of ideas generated.
2. **Standardization and Grading:** This is concerned with setting certain standards / levels to accomplish the produced goods. This is carried out by the production department and regulated by some government agencies, such as Standards Organisation of Nigeria. For example, Sprite is 30 cl, Coke is 35 cl, etc.
3. **Buying and Assembling:** Here, we are concerned with the marketing institutions that purchases goods or services at a cheaper prices in order to resell at a minimum prices to the end-users. These marketing institutions include the wholesalers, retailers and agents.
4. **Selling:** This is concerned with selling of the finished goods to the end-users either through the manufacturers or the marketing channels. In order to get the attention of their target consumers, they embark on various promotional strategies, such as discounts, promotools, bundle sales, bonus, etc.

#### **UNIT 6: Self Assessment Exercise**

Define a product?

Stanton (1981: 161) defined 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”.

#### **UNIT 7: Self Assessment Exercise**

Define 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 those products 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) classified industrial products into five, namely:

- Installation
- Equipment, Tools and Accessories
- Raw Materials
- Semi-Processed Components and Parts
- Consumables and Operating Supplies.

### **UNIT 8: Self Assessment Exercise**

List factors responsible for shopping at a particular store

#### **Suggested Answers:**

List factors responsible for shopping at a particular store

#### **Suggested Answers:**

1. Convenience of location
2. Price
3. Assortment of merchandise
4. Service offered
5. Alternative store appearance
6. Caliber of sales personnel.

### **UNIT 9: Self Assessment Exercise 1**

Define a channel of distribution.

#### **Self Assessment Exercise 2**

State four importance of channels of distribution.

#### **Suggested Answers to Self Assessment Exercises 1 and 2**

1. Kotler (1994) reported that distribution channel is “a set of interdependent organizations involved in the process of making a product or service available for use or consumption by the consumer or industrial user”.

. Stanton (1981: 283) defined a channel of distribution for a product as “the route taken by the title to the ultimate consumer or industrial users”.

2. The importance of channels of distribution is summarized below:

1. Channels of distribution are the most powerful element among marketing mix elements. Many products which were intrinsically sound died in their infancy because they never found the right road to the markets.
2. Channels take care of the transaction aspects of marketing, including the selling, the financing and the risk taking associated with strong products in anticipation of future sales.
3. They perform the logical function of moving products from the point of production to the point of purchase.
4. They help producers promote goods and services.

### **UNIT 10: SELF ASSESSMENT EXERCISE**

State the importance of middlemen in marketing.

#### **SUGGESTED ANSWERS:**

Importance of middlemen is thus summarized below:

- 1) They serve as purchasing agents
- 2) They provide credit facilities to both producers and consumers.
- 3) They store goods (in bulk)
- 4) They provide economies of balanced inventories
- 5) They provide economies of spatial and temporal convenience.

### **UNIT 11: Self Assessment Exercise**

In your own words, what is service-marketing?

Stanton (1983:441) 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.”

Kotler and Armstrong (1994: 640) defined service as “any activity or benefit that one party can offer to another that is essentially intangible and does not result in ownership of 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, traveling by an airplane, visiting a psychiatrist, getting a hair cut,

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”.

## **UNIT 12: SELF ASSESSMENT EXERCISE**

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

This is because, service has a special features which are thus discuss below:I.

### **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 organization. The burden falls mainly on a company's promotional program. For example, insurance companies thus promote services 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 billing per-second for long distance calls as practiced by GLO- company and other networks in Nigeria.

### **II. 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.

### **III. HETEROGENEITY**

It's impossible for a service industry or even an individual seller of services to standardize 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 repairs jobs, a mechanic does an 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, the service companies should pay particular attention to the 'product planning stage of its marketing program'.

### **IV. PERISHABILITY**

Services are highly perishable and they cannot be store. 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 sum, for service providers to be regarded as the foremost, 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.

### **UNIT 13: SELF ASSESMENT EXERCIS**

Give reasons why income and gender segmentation are considered popular and easiest

The classification of consumers into male or female is easier known fact even to children. God has naturally classified men and women into these classes by His own creation. Besides, income is one the determinant of classifying workers into low, medium and high class earners. This helps marketing executives to design products or services based on their classes and purchasing power.

- ✚ Buying patterns/habits of industrial users often are quite different from patterns in the consumer markets.
- ✚ The negotiation period is usually longer and purchases are made less frequently.
- ✚ Orders are larger and direct purchases (no middlemen) are common.
- ✚ Purchasing decisions often influenced by more than one person
- ✚ Reciprocity arrangements and leasing are quite common in industrial marketing.

### **UNIT 14: SELF ASSESSMENT EXERCISE 1**

Before proceeding further, differentiate between -direct action and indirect-action advertising.

#### **SUGGESTED ANSWER SEA 1**

- a) Direct –action advertising is a marketing strategy used by manufacturers and or sellers seeking a quick response to their advertisements.
- b) Indirect-action advertising is a promo tool designed to stimulate demand over a longer period of time, intended to informed customers about the existence of a company’s products and highlight its benefits.

#### **SELF ASSESSMENT EXERCISE 2**

Briefly explain factors that influence promotional mix.

**SUGGESTED ANSWER TO SAE 2**

The factors that influenced promotional mix include:

- ❖ Fund availability
- ❖ The nature of the market
- ❖ The nature of the products
- ❖ Stages of product life-cycle.

**UNIT 15: SELF ASSESSMENT EXERCISE**

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

**SUGGESTED ANSWER:**

Some of the reasons why consumer movements were unpopular during the earlier days are:

1. The social-economic activities of the people were very low.
2. The available legislatives were limited I scope
3. There were limited institutional structural supports systems.