

SAIBU TAOFECK BAMIDELE
07060636630
SUMMARY OF MKT108

MARKETING

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

Basic Concepts Underlying Marketing

Need - When the needs are not satisfied, a person will try to reduce the need or look for an object that will satisfy it.

Want - Human wants are desires for specific satisfaction of deeper needs. **Marketers don't create needs, needs pre-exist in markets.**

Demand - 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.**

Market - A market is defined as a set of all actual and potential buyers of a product and service.

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

The Evolution of Marketing

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

At this juncture, it can be stated that marketing evolved in the United States as a by-product of the industrial revolution. Therefore, up to 1910, American economy was very low. It was characterised by shortages of economic resources (goods).

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

The 1960s (**marketing control era**) was the period when marketing department became well known and so much important in the U. S. A., for instance. One of the authors of the time, Peter Drunker states that marketing department is so complex that it can't be handled by a single individual.

The Role of Marketing

- it helps in the discovery of entrepreneurial talent.
- it helps in the economic growth of a country.
- It helps in sustaining and improving the existing levels of employment.

Approaches to the Study of Marketing

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

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.

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

b. **Industrial goods**- these are bought by individuals and organisations for further processing or for use in conducting a business. The industrial goods can be classified according to how they enter the production process and according to their cost. **There are three groups, namely- materials and parts, capital items, and supplies and services.**

Institutional Approach

The institutional approach focuses on the nature, evolution, and functions of particular institutions and various facilitating agencies.

Functional Approach

The functional approach focuses on the nature and dynamics of various marketing functions, such as buying, selling, storing, financing, and promoting.

Managerial Approach

The managerial approach focuses on the use of marketing in successfully positioning organisations and products in the market place.

Social Approach

The social approach focuses on the social contributions and costs created by various marketing activities and institutions.

MARKETING MANAGEMENT PHILOSOPHIES

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These philosophies are the bases upon which marketing activities revolved. Successful marketing executives, critically, study these concepts and apply them where necessary, in order to achieve set goals. These philosophies are called (marketing) concepts-the core of the marketing activities of organizations.

The Production Concept

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

The Product Concept

The product concept holds that consumers will value products that offer the highest quality, performance, and innovative features; and that an organisation should, thus, devote energy to making continuous product improvements.

The Selling Concept

The selling concept or sales concept is another common approach adopted by some firms in penetrating their target markets.

The Marketing Concept

The marketing concept holds that the key in achieving organisational goals consists in determining the needs and wants of target markets and delivering the desired satisfactions, more effectively and efficiently than other competitors.

Examples of marketing concepts relates to the following:

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

The marketing concept rests on four main pillars, namely:

Market focus - no company can operate in every market and satisfy every need; nor can it do a good job within one broad market.

Customer orientation - a company can define its market carefully, and still fail at customer-oriented initiatives.

Coordinated marketing

Profitability - the purpose of the marketing concept is to help organizations to achieve their goals.

Organisational resistance Some departments in a company, often manufacturing, finance, etc. Do not like to see marketing built up, because it threatens their influence in the organisation, allegedly. However, it has been argued that “marketing is the major function of an enterprise- for without

customers, there will be no company". This implies that marketing is put at the center, with other business functions serving as supporting functions. See the diagram below.

The Societal Marketing Concept

The societal marketing concept holds that the organisation should determine the needs, wants, and interests of target markets.

MARKETING ENVIRONMENT

Thus, a company's marketing system must operate within the framework of forces that constitute the system's environment. These forces are either external or internal to the firm. Marketing executives do not have control over external variables; but these variables can be influenced by business activities, while internal variables can be manipulated and controlled. Thus, environmental marketing variables are critical to the success of any business.

External Marketing Environment

The external marketing environment comprises variables which are referred to as uncontrollable. They are regarded as uncontrollable variables, because they cannot be changed by marketing executives. They can only influence them to their business advantage. They are also regarded as constraints and opportunities to the company. These variables are examined below.

- **Economic conditions** The economic system of a country determines the inflow and outflow of goods and services. That is, the economic system influences how resources are shared and deployed for production purposes.
- **Demographic environment** Demography is the statistical study of human population and its characteristics-in terms of distribution. Demography is, essentially, important to marketing managers.
- **Social and cultural environment** The society in which people grow up shapes their beliefs, values, and norms (Kotler, 1997). People absorb, almost unconsciously, a world view that defines their relationship to themselves, to others, to nature and to the universe.
- **Political and legal environment** Marketing decisions are strongly affected by developments in political and legal environment.
- **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.
- **Natural and competitive environment** Nations varies in natural endowments. Some nations are blessed in natural resources; for instance Nigeria, Saudi-Arabia, Kuwait, etc. are rich in oil.

Micro Environmental Variables

Three environmental variables are directly a part of a company's marketing system, but external to the company. These are the firm's market, suppliers and marketing intermediaries. They are also classified as non-controllable variables. However, they can be influenced, to a greater degree, than the macro-variables. A marketing manager, for example, may be able to exert some pressure on its suppliers or

middlemen; and through its advertisement, a firm will be able to influence her potential and prospective buyers on the goods and services offered into the market.

Internal Marketing Environment

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

- 1 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.
- 2 Price** Fixing prices for products is not, solely, the task of marketing executives. They, however, supply all the necessary information to the management committee that would decide on the change in price.
- 3 Promotion** Promotion is, usually, the communication tool employed by marketers to inform people or the market about availability of products/services offered into the markets or existence of a particular company. It is a tool through which companies stimulate or arouse consumers' demand for the products to be sold; it also helps to educate consumers on how to use or obtain maximum benefit from the product offered into the markets.
- 4 Distribution/Place** The distribution variable relates to the location of the products in the markets. Marketing professionals usually has some control or total control over this variable. Marketing is often responsible for the selection and management of the company's intermediaries. The intermediaries include- wholesalers, retailers, dealers, and agents. It is the responsibility of the marketing department to develop the most potent marketing mix strategies to achieve the company's objectives.

FUNCTIONS OF MARKETING

Classification of Marketing Functions

1. Merchandising function - The function is subdivided as follows. Product planning and development- product planning starts with idea generation, idea screening and development of a prototype product. It also takes into consideration the purchasing power of consumers, taste and market segmentation. Research and development is established for the analyses of ideas generated.

i. Standardisation and grading- this is concerned with setting certain standards / levels to accomplish the produced goods. This is carried out by the production department and regulated by some government agencies, such as Standards Organisation of Nigeria.

ii. Buying and assembling- here, we are concerned with the marketing institutions that purchases goods or services at a cheaper prices in order to resell at a minimum prices to end-users. These marketing institutions include the wholesalers, retailers and agents.

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

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

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

i. **Marketing finance-** this can be by way of allowing credits to customers and as well as obtaining credits from other customers, such as banks, individuals, etc.

ii. **Risk-bearing-** risk means 'uncertainty'; entering into a business entails risks, such as loss, loss of items, road mishap, weather risk, etc.

iii. **Market information gathering-** this relates to necessary information about the markets, the target consumers in terms of their purchasing power, taste, colour, choices, competition and their products.

CHANNELS OF DISTRIBUTION

A Product

A **product** can be described in form of anything like goods, services, ideas, people, places, and even organisations that are offered for exchange; or a **product** is the bundle of benefits or satisfactions offered to a customer. Also, a **product** is defined as anything offered or sold for the purpose of satisfying a need or want on both sides of the exchange process.

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

Stanton (1981: 161)

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

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

Classifications of Products

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

Consumer products

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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** - That is, goods which consumers, generally, purchase frequently with little effort.
- **Shopping goods** - These are goods which are purchased after going around shops and comparing the different alternatives offered by different manufacturers and retailers.
- **specialty goods** - These are products that consumers insist on having. The buyers are willing to wait until the right products are available before they buy them.
- **unsought goods** - These are goods that people do not seek for either because they did not plan ahead to buy them or they did not know about their existence before seeing them on display, at the point of purchase. Most new, recently introduced products fall into this class.

PRODUCT CLASSIFICATION II-INDUSTRIAL PRODUCTS

Industrial Products

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

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

- **Installation** - These are major capital items that form the main assets of production firms. They are very costly items that need major decisions before they are purchased. These include buildings, heavy manufacturing machines, computers etc.
- **Equipment, tools and accessories** - These are usually standardised items that are used by a wide range of industrial users. They are products like typewriters, hand tools, filing cabinets, air conditioners
- **Raw materials** - They are the materials that go through the production line to make up the finished items. They include the raw materials of agricultural products, mining products, forestry products etc.
- **semi-processed components and parts** - These types of industrial goods also form part of the finished items, although some of them are finished items already; examples are buttons for shirts, radio and batteries for cars. Parts can be used by themselves or can be used to form components of the final items.
- **consumables and operating supplies** - These are the convenience items of industrial products. They are used to aid the running and maintenance of equipment and for keeping the organisation and machines in proper shape.

Characteristics of Industrial Products

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- The demand for industrial goods is derived from the demand for final goods which they are used to produce. The higher the demand for the final item, the higher will be the demand for the industrial goods and vice versa
- The demand for industrial goods is mostly inelastic; that is, the amount of items bought of an industrial product remains, essentially, the same regardless of the price.
- Most industrial goods have joint demands with other industrial items.

Strategies for 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.

BUYING PROCESS

Buying Objectives

The aim of any buyer is to obtain the right quality from the right source at the right price.

The Buying Process

In any given transaction, there must be a seller and a buyer.

The buying process is;

- **Felt** - need the process stage is when an unsatisfied need (motive) creates inner tension. This may be a biological need, aroused internally (e.g. the person feels hungry); or the need
- **Searching for alternatives** - Once a need has been recognised, both product and brand alternative must be identified; supposing Mr. Abu has a need to be in Lagos- from Minna. The available alternatives are: • to go by bus in the night (luxury bus) • to go by taxi • to go by bus in the day time
- **Purchasing activities** - After searching and evaluating, the consumer at some point must decide whether or not to buy.
- **User's behaviors**
- **Out coming/post purchase**

Roles in Buying Process

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

- **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.
- **Deciders** - these are the people that make the buying decision. For example, for an item bought for personal use, the user may be the deciders. For example, a gift giver may be the sole decider

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for the purchase of very costly items, such as house, cars etc., and the wife may be the sole authority on food items.

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

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

Buying to Resell

This is the business particle of buying merchandise which is resold without physical changes made on them. There are three types of specialist buyers

- **Selectors** - their work is to visit supplier, trade fairs, fashion shows etc., to identify appropriate merchandise for their organisation.
- **Buyers** - this group of people decides on the budgets, and they work closely with selectors to decide on which product lines will sell well in the market.
- **Merchandisers** - they decide on the level of stock to hold; that is, the quantity to buy or stock in the stores and which stores will carry the various lines.

Buying Strategies

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

- Select a key supplier to do business with
- Spread supplies with some key companies
- Obtain a generic product, instead of buying specialised company items.
- Classify suppliers into group: - Some supplier can be strategic because of their leadership position.

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

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

CHANNELS OF DISTRIBUTION

Most producers use intermediaries to bring their products to the market. The use of intermediaries has become necessary in making goods available to target markets.

Channels of Distribution

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

A channel always includes both the producer and the final customer for the product, as well as all middlemen involved in the title transfer. Even though agents, middlemen do not take actual title to the goods, they are included as part of a distribution channel.

Functions of Distribution Channels

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

Types of Marketing Channels

A. Channel for consumer goods

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

B. Channels for industrial products

- Manufacturer to industrial customer (buyer)
- Manufacturer to industrial distributor, to industrial customer-

The Importance of Channels of Distribution

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

Selecting an Appropriate Channel

An appropriate selection of channels can reduce fluctuations in production. A rational decision regarding choice of channels of distribution should ensure (a) maximum geographical coverage of markets; (b) maximum promotional efforts and (c) minimum cost.

The following factors, usually, govern the selection of channels.

- The type of product
- Nature and extent of the market
- Competitive characteristics
- Cost involved in distribution

Physical Distribution Tasks

Armstrong and Kotler (1994) observes that physical distribution involves planning, implementing, and controlling the physical flow of materials and final goods , from points of origin to points of use, to meet customer requirements at a profit. **The aim of physical distribution** is to manage supply chains, value - added flows from suppliers to final users.

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

- Location of manufacturing facilities
- Location of warehouses
- Mode and method of transportation
- Inventory decisions
- Using external distribution agencies

In essence;

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.

MIDDLEMEN AND MARKETING ACTIVITIES

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.

A **middleman** is an independent business concern/entity that operates as a link between producers and ultimate consumers or industrial users.

Importance of Middlemen

- Middlemen serve as purchasing agents for consumers, and sale specialists for suppliers.
- Middlemen, frequently, provide financial services to suppliers and consumers.
- They provide the economies of partial and temporal conveniences
- They provide the economies of balanced inventories - the use of middlemen, allows for 'one stop buying.

Classification of Middlemen

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

1. **Agent middlemen** - These types of middlemen do not take title to the goods they sell. They perform specialised marketing functions for their own goods. They are known by the special marketing functions they perform within the channels of distribution. These functions include (among others)- they receive commission for the functions they perform to either consumers or wholesaler, and even producers.

They are usually found in the sale of industrial goods. The types of agent middlemen are discussed below.

- i. **Selling agents** - They are usually large institutions. They have marketing facilities for the functions they perform. An agent is usually chosen to represent a manufacturer, fully/wholly, in a given target market. He/she takes control of the marketing of all the producer's products in the market. He/she often serves as the marketing department for the producer. He/she is not restricted by territory, but renders financial assistance to producers. They are, usually, used by new producers or producers that are financially weak. They are also used when new markets are to be penetrated by manufacturers.
- ii. **Manufacturer's agents or representatives** - These are representatives that are authorised by manufacturers to sell all or some parts of their products in, clearly, defined territories. The agents are, usually, paid a commission on the total amount sold. They are, usually, smaller in number and financially weak. The producers decide on who handles their products, the prices to charge, and the terms of sales. Manufacturer's agents are employed /engaged where a producer has good quality products, but wish to enter a new market, but lack facilities to do so. They are also employed where a manufacturer may wish to use the experience of a particular distributor to penetrate a target market.
- iii. **Commissioned merchants** - These agents take physical possession of the goods; they deal in agricultural materials that need to be stored and transported from the point of production to the market. They provide storage and transportation facilities for the goods they handle. They also negotiate the terms of trade; but they are placed on commission, usually
- iv. **Brokers** - These agents specialise in specific commodities and provide their principals with established contacts for the sale of their goods. Their main function is to provide

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information on the source of supply and prospective buyers within a given field; they also negotiate the terms of trade. Brokers negotiate sales for specialised goods and seasonal products that do not require constant distribution.

2. Merchant middlemen

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

3. Wholesalers

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

Functions of wholesalers

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

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

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

- **Full-function wholesalers** Full-function wholesalers perform all the marketing functions mentioned above. They carry a variety of products; although, there are some of them who do carry specialised goods.
- **Limited function wholesalers** They are merchant wholesalers; they take title to the goods sold. They, however, do not perform all wholesale functions on the goods they handle. They also tend to concentrate on the handling of few product-lines.

Retailing

Includes all the activities involved in selling goods or services- directly, to final consumers. A retailer is defined as a middleman who sells, mainly, to the ultimate consumer, in small quantities. He/she may sell to institutions, but most of his sales are made to industrial or household consumers. **The retailer is the last link and the most important intermediary in the chain of distribution.**

The basic feature of retail trading is the purchase of goods from wholesalers and selling it in small lots to consumers.

Functions of retailers

- sale of various products to consumers
- physical movement of goods from the wholesaler's warehouses
- to their own stores
- storage of goods to maintain un-interrupted supply of goods to
- consumers

Types of retailers

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

- Specialty store** - this carry a narrow product line with a deep assortment within that line, for example- apparel stores, sporting goods stores, furniture stores and bookstores.
- Department stores** - these deal in several product lines –typically clothing, home furnishings, and household goods
- Supermarkets** - these are, relatively large, low-cost, low-margin, high-volume, self-service outlets designed to serve the consumer's total needs for food, laundry, and household maintenance products.
- Convenience stores** - these are relatively small stores that are located near residential areas, which open for long hours- seven days a week, and carry a limited line of high-turnover convenience products. Their long hours of work and their use by consumers- mainly for "fill-in" purchases, make them, relatively, high-price outlets.
- Cooperative stores** - consumers sometimes join together to form cooperative societies to sell goods on retail basis. The basic purpose is to eliminate middlemen and obtain their needs at a low price. The capital is subscribed by the members through the purchase of shares of small denominations. Cooperative stores purchase their requirements in bulk from manufacturers or wholesalers.

Functions of Middlemen

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

- **Selling** - Middlemen help in crating awareness for the products they sell and stimulating demand for such products.
- **Storage** - In order to stock goods in one store, middlemen rent or build big warehouses to store goods of different manufacturers.

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- **Transportation** - Middlemen have their own vehicles which they use to move goods purchased to their warehouse.
- **Financing Middlemen** - buy their goods in bulk, and make payments to enable producers carry on further production
- **Channel of communication** - Middlemen serve as a link between manufacturers and consumers in communicating their complaints, products, needs, and social responsibilities expected of them.
- **Market research** - Middlemen carry out market research on their own business activities and environment. This involves gathering business data, analysing and making inferences for either improvement or production of new products.

Marketing of Services

Marketing developed, initially, in order to sell physical products such as tooth paste, cars, equipment, books, etc.

Stanton (1983) defines services as: “those separately, identifiable, essentially intangible activities that provide want-satisfaction, and that are not necessarily tied to the sale of a product or another service.

Kotler and Armstrong (1994) define service as: “any activity or benefit that one party can offer to another that is essentially intangible and does not result in ownership of any anything. Its production may or may not be tied to a physical product. Activities such as renting a hotel room, depositing money in a bank, travelling by an airplane, visiting a psychiatrist, getting a haircut, having a car repaired.

Importance of Service Marketing

- The growth of business services may be attributed to the fact that business has become increasingly complex, specialised and competitive.
- The rate of growth has not been uniform for all categories of consumer services. As disposable income increases, and life-style changes, the demand for some services has grown relatively faster than some others.

Characteristics of Services

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

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- services. For example, an Airline does not give the same quality of service on each trip. All repair jobs on automobiles are not of equal quality; in a bank, a counter cashier may be unpleasant and slow, whilst another may be cheerful and efficient. It is however important to note that it is often difficult to judge the quality of a service. Therefore, service companies should pay particular attention to the 'product planning stage of marketing program'.
- **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.

Tasks Involved in Developing Service Marketing

- Market analysis
- Planning and developing the services
- Pricing of services
- Channel of distribution for services
- Promoting services

MARKETING RISKS

. Marketing has to do with the needs of consumers and satisfaction of wants. While carrying out these tasks, a number of risks would have to be grappled with. Some of these risks are **insurable**, while some are not **insurable**.

Risks

Risks pervade all human activities. Risks are taken in business because of the uncertainties in the market. Uncertainty may arise due to lack of information. When there is little or no information about an event, the risk of taking an action is at its greatest point.

Marketing Risks

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

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

Classifications of Marketing Risks

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

- i. **Uninsurable marketing risks – 1.** The possibility that the goods cannot be sold at a profit- thousands of business fail yearly with resultant losses to the owner's and as well as to creditors. The possibility that a sale will end up in losses is a characteristics of a competitive

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economy. Business losses are extremely difficult to insure. **2. External risks-** most of uninsurable risks are external, rather than internal. These include- among others, changes in technology, changes in distribution methods, fluctuation in prices and changes in laws and policies.

- ii. **Insurable marketing risks** - In marketing, some of the risks that are usually accepted to be insured by insurance companies are as follows.
 - **Fire insurance-** almost all type of buildings, houses, warehouses and factories can be insured against the loss from fire.
 - Motor vehicle insurance-
 - Life insurance
 - Marine insurance- this is the type of insurance taken to cover transportation by water.

Methods of Handling Marketing Risks

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

- To prevent destruction by natural causes, watchmen can be employed to prevent theft and pilferages, a company can also install fire-fighting equipment to fight fire outbreaks.
- Credit collections must be planned and people with poor credit risks must be identified and handled appropriately.
- A firm must have a good market analysis, a sound plan and good sales forecast plus proper control methods to operate successfully.
- Manufacturing to order- to reduce losses from low demands, management may encourage placing of order before production.

MARKET SEGMENTATION

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

Market

A market is the set of actual and potential buyers of product. Markets consist of buyers, and buyers differ in one or more ways. They may differ in their wants, resources, locations, buying attitudes, and buying practices. Thus, markets consist of people with needs and wants.

Market Segmentation

Also, most companies realise that they cannot compete in meeting all the different shades of unique demands in an economy, so they aim at focusing on few segments that seem more profitable to them.

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

The Benefits of Market Segmentation

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

Basis of Segmenting Business/Consumer Markets

Consumer markets can be segmented through a single variable or a combination of variables. However, it should be noted that segmentation of consumer markets vary from company to company and product to product. The general segment variables are as follows.

- Geographic Segmentation** Geographic segmentation entails dividing a market into different geographic units such as nations, states, regions, counties, cities, etc.
- 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.
- Psychographic Segmentation** Psychographic segmentation means dividing buyers into different groups based on social class, lifestyle, or personality; people in the same demographic groups can have different psychographic makeup. Social class, on the other hand, influences the types of good and service consumed. Abraham Maslow classified human beings into various classes, using needs as a basis. For example, rich men who live in big cities such as Abuja and Lagos resides in Maitama, Asokoro, VGC or Lekki, respectively. These places are designated as rich men's places; likewise, rich men prefer going to supermarkets to shop for their goods, rather than visiting open markets. These places are considered as high class for rich men in Nigeria. Social classes are groups whose members share similar values interests and behaviours. **Lifestyle** - people coming from the same sub-cultural social class and occupation may have quite different lifestyles. **Personality** - each person's distinct personality influences his or her buying behaviour.
- Behaviour** Behavioural segmentation implies dividing buyers into groups based on their knowledge, attitude, uses, or responses to a product.

Considerations for Effective Segmentation

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

- **Measurement** - The size, purchasing power and profiles of the segments can be measured. However, certain segmentation variables are difficult to measure, for example, left-handed people, etc.
- **Accessibility** - The market segments should be reachable and easily be served.

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- Market segments should be large enough or profitable centers.
- Programs should be designed to effectively serve segments, irrespective of the competitors in such markets.

PROMOTION

Some people are of the view that promotion and selling are synonymous. Although they are related, they are not the same. Selling is actually one of the components of marketing. Some people view selling as the transfer of title which does not include advertising or other methods of stimulating demand. In a broad term, promotion includes advertising, personal selling and all other selling tools. In a narrow term, **promotion** is defined as a marketing strategy used to inform the general public of the availability of goods and /services, in a particular target market.

Basically, **promotion** is a marketing tool used as a means of informing, persuading and communicating. . Persuasion and information becomes effective through some form of communication.

Reasons for Promotion

- Dissemination of information
- Serves as a marketing strategy
- Serves as an aid for product usage
- Stimulation of buying

The Promotion Mix

The promotion mix is the assortment of communication tools employed by marketing professionals to sell their goods and services.

The elements of promotion mix are:

- advertising b. sales promotion
- personal selling
- publicity and public relations
- packaging.

Advertising

Stanton (1983) defines 'advertising' as consisting of all the activities involved in presenting a non-personal (oral or visual) openly, sponsored message regarding a product, service or idea to a group. Kotler (1984) defines advertising as "any paid form of non-personal presentation and promotion of idea, goods or services by an identified sponsor".

Forms of advertising

All advertising may be classified as either product or institutional.

Product advertising is often further sub-divided into **direct-action** and **indirect-action advertising**.

- **direct-action advertising** sellers seek quick response to their adverts. An advertisement with a coupon, may urge the reader to, immediately, order for a free sample.

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- **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.

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

National and local advertising National advertising is that advertisement sponsored by manufacturers or other producers.

Sales promotion

Sales promotion is described as “short term incentives to encourage the purchase or sale of a product or service.

Personal selling

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

Publicity and public relations

Publicity is indirect advertising and it is in the form of propaganda. It is a nonpersonal 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”.

Packaging

Packaging performs three main functions:

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

CONSUMERISM

Consumerism is a social movement seeking to argue the rights and powers of buyers in relation to sellers. Consumerism became a significant social movement in the late **1960s**. **Stanton (1983)** defines consumerism as “the actions of individuals and organisations (consumers, government, and business) responding to consumer dissatisfactions in exchange relationships”.

The Scope of Consumerism

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

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- 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.

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

Effects of Consumer Movements on Modern Marketing

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

Consumers, Rights

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

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