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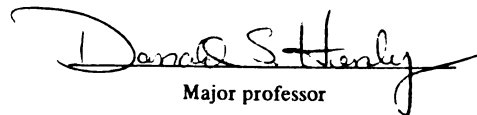
The Role of the Multi-National
Corporations in Nigeria's Development

presented by

PATRICK AMAMKE OKONKWO

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of the requirements for

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Major professor

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THE ROLE OF THE MULTINATIONAL CORPORATIONS
IN NIGERIA'S DEVELOPMENT

By

Patrick Amamke Okonkwo

A DISSERTATION

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ABSTRACT

THE ROLE OF THE MULTINATIONAL CORPORATIONS IN NIGERIA'S DEVELOPMENT

By

Patrick Amamke Okonkwo

A dominant characteristic of the decades immediately following World War II is the evolution of the multinational corporation. This evolution necessitated a change in the perspective of the international companies. The survival of the multinational corporations depended on its world profit perspective. Because, normally the multinational corporations operate in more than two countries, decisions made by these corporations are not made only in terms of one country and its parameters, but in terms of the company's world operations and its attendant parameters. For this reason, it is usually prudent to isolate potential homogeneous parameters in its world operations and institute standardization measures to minimize marketing effort, create consistency and economies of scale in the world marketplace. Initially, the European countries provided the American Multinational with world trade avenues while the European multinationals established subsidiaries in Africa. Recently, both the American and the European subsidiaries have become interested in Nigeria because of its prospect as a potential market in Africa.

Although standardization provides economic advantages, standardization can result in suboptimization of the marketplace. This disadvantage is especially sensitive in the areas of the world that is characterized as "underdeveloped." For this reason, and because of the demands of the nation-state and market persistent unique needs, multinational corporations have resorted to adapting some of their operations to the needs of individual countries. Although studies about standardization and its attendant advantages and disadvantages have been done mainly in Europe and studies about marketing adaptation have been done for individual countries in South America and in Asia, the opportunity for such a study in Black Africa did not present itself because of apparent lack of long-run market potential.

Since 1973, Nigeria has been suddenly thrust into the position of a viable and potential market in Black Africa. Because of the uniqueness of Nigeria and because of its market and manufacturing potential in Black Africa, studies such as this is necessary in identifying the variables that influence adaptation in marketing and manufacturing. Adaptation of business practices in marketing and manufacturing is important for a sustained economic foundation.

Because marketing controllable variables are the benchmark for marketing strategy, the research centered its interest in the areas of product, promotion and distribution strategies. The major objective of the research is to inquire about executive judgments and decision criteria for marketing mix considerations and decisions. Also because of the uniqueness of Nigeria from the Western World in terms of its

socio-cultural, legal, economic and political environments, executive decision criteria in the area of manufacturing was also investigated.

The findings of this study have accomplished the following goals:

1. The major variables that influence adaptation in the Nigerian environment in product, promotion, distribution and manufacturing have been identified.
2. The extent to which the multinationals are willing to change and adapt to the Nigerian environment is still based on the effect of such change to the worldwide operations of the multinational.
3. Changes made in the marketplace by the multinational may enhance a limited gain for the multinational and may not enhance long-run cultivation of the Nigerian market.

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I owe a special debt of gratitude to the entire marketing faculty at Michigan State University. I am especially indebted to Professor Donald S. Henley for his untiring inspiration and assistance throughout my formal education at Michigan State University. My association with him will be an influence on me for the rest of my life. I would like to single out certain of my professors who have influenced my thinking and for whom I have great respect. These are Professor Richard Lewis, Dean of the School of Business Administration; Professor Donald Taylor, Chairman of the Department of Marketing and Transportation Administration; Professor Donald Bowersox, Professor Stanley Hollander and Professor Frank Mossman. I would also like to

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CHAPTER I

INTRODUCTION

The marketing process is in part explained by the theory of specialization. More is accounted for by a theory concerning external or environmental influences to which management of internal factors must be adapted. The environment largely determines the marketing task to be performed, but a conceptual view of the environment must be obtained before its relevance can be appreciated. The environment is a complex of physical and spiritual factors. It is made up of things and people; economic and non-economic factors; the past and the present; attitudes, values, and customs; private and public sectors. Above all, it is subject to change.¹

Entering a foreign market requires decisions regarding the appropriate marketing mix from different possible alternatives. The marketing concept indicates a marketing mix that is in congruence with the demands of the environment and the resources of the firm. The demands of the environment must be met in order for the full advantage of the marketplace to be consummated.

Since competition and innovation are implicit in marketing and the consumer is the focal point of economic effort in which marketing

¹Stewart Henderson, ed., Marketing Manager's Handbook (Chicago: The Dartnell Corporation, 1973), p. 448.

is the essential motive power, marketing is confronted with the major responsibility of understanding and managing change in ways that must be compatible with the environment. Innovation, on the other hand, is implicit in competition because of the demands of the changing environment.

The question that will ultimately be answered is that which pertains itself to the role of marketing in a society. The marketing concept emphasizes customer needs for its market cultivation. If practiced in its fullest sense, it emphasizes want satisfaction as the economic and social justification for a company's existence. Consequently, all company activities in manufacturing and marketing must be devoted to first determining what the customers want and how this want can be made compatible in an environment while making a reasonable profit.

Long-run marketing strategy will require multinationals to tailor their marketing strategy in such a way as to gain a differential advantage. A multinational wanting to be part of an environment must recognize that there are differences and restrictions implicit in nation states.

Schools of Thought

There are two schools of thought on the question of international standardization in the emerging nations. The first school² is

²This school of thought is explained in detail in "Europe and Africa: Decolonization or Dependency," by I. William Zaltman, Foreign Affairs 54 (No. 2; January 1976): 325.

predicated on the assumption that political independence of the less-developed countries masks the continued economic dependence on the world economic structure. Proponents of this philosophy believe that most of the emerging nations will rely on the expertise of the industrialized world for a long time. For this reason, they rely on policies that will enhance a dependence relationship. A dependence relationship is manifested in pushing the manufacturing and marketing activities towards the wealthy western and oriented class. Advocates of this school of thought believe in adapting the tastes of the upper layers of the society in the developing countries to that which prevails in the developed world. This conditioning, in effect, removes the physical presence of the Westerner, but is replaced by those who have been conditioned. Because the "elite" are satisfied as long as their tastes are fulfilled goods from the developed countries are then extended to meet demands by import.

The other school of thought is predicated on the evolutionary process of history. It is believed by those who practice this philosophy that political independence is the first step towards "Full Independence" and that layers of economic dependence on the developed countries will be gradually peeled off. "Full Independence" is determined when the business forces have changed their manufacturing and marketing activities to reflect the environment in which they operate. This process will require the cooperation of the developed countries and the multinational corporations. The effect will result in eventual independence of these emerging nations. Multinationals that subscribe

to this idea are usually market oriented. It is believed that this strategy will help in transferring technology and managerial "know how" to the emerging nations. However, achieving "Full Independence" is an ever ending process and change in itself is gradual. The need for interdependence is not diminished because no country is totally dependent on itself.

Although there is need for complete independence, no country is fully independent of other countries. For example, the Black African countries rely to a great extent on the technologies and know-how of many countries for their manufacturing. Any improvement on their present position is progress towards "Full Independence."

Standardization

The importance of international standardization to the multinational corporation cannot be overemphasized. The advantages of standarization can be maximized as long as homogeneous variables are manipulated efficiently. It is not unusual to read about the tremendous virtues of standardization. The advantages of maintaining design consistency, longer production runs, economies of scale, lend legitimacy to standardization. In more practical terms, international standardization has been found successful to a degree in Western Europe because of the European Economic Community and because of the mobility of the people. Besides the increase in mobility, these countries share many similarities with the United States. However, the socio-cultural dimensions of the Black African countries, such as the style of living and lack of mobility are not common similarities shared by the Black

African countries and Europe, United States and Canada. When standardization is instituted in Black African countries with the assumption that these parameters are the same as in Europe and America, the potential for a possible suboptimization of marketing decisions become apparent.

Colonial Experience

The experience of the emerging nations in Africa have been that of Colonial rule. The economies of these nations were fashioned solely to feed the colonial countries. This took the form of minimum investment and minimum maintenance policy. The exploitation resulted in the growth and consolidation of industrial capitalism in the colonial countries. It can be said that these colonialists neglected to lay any foundation for future development of these nations. The very uncertainty which is the cry of the multinationals today was created in part by the colonial governments. At the most, the emerging nations inherited the colonial infrastructure.

My point of reference is Nigeria. During the pre-independence era, industrial development in Nigeria was slow. Nigeria was regarded as a rich agricultural country and was groomed to export essential raw materials for the industrial world. Throughout the fifty years prior to independence in 1960, Nigeria had only the minimum of infrastructure necessary to facilitate the export of primary products--cocoa, cotton, groundnut, palm products, tin, columbite. Efforts were directed toward developing the country as a market for the sale of finished goods from the industrialized world and there was no real effort to

industrialize. The facilities required for the import/export trade were shipping, banking, and insurance, and these were fairly well established.³

Over the last decade, however, industrial growth became an important factor in the pace and pattern of Nigeria's economic development. The new burst of activities both in the petroleum and manufacturing sectors have come to constitute the major driving force in the development process.

The Nigerian economy is now faced with the challenge and opportunity of creating an industrial base that can guarantee self-sustaining growth in the future. Marketing can play a substantial role in making this objective come through.

Political Government

Nigeria's political rulers are members of the armed forces. Nigeria is said to practice the free enterprise system; however, the government is active in the private sector. Nigeria has abundant supplies of raw materials, including oil, with abundant low-cost, easily trained labor; growing population of over 70 million which provides the largest single market in Black Africa.⁴

In his 1976-77 budget speech, the Nigerian Head of Government, Lieutenant-General Olusegun Obasanjo made this remark:

³Industrial Directory, 7th ed. (Lagos, Nigeria: Published by the Investment Promotion Center, Federal Ministry of Industries, 1975), p. 170.

⁴Ibid., p. 171.

We are aware that in order to achieve our plan targets, we need the cooperation of all well-meaning people. Our primary aim is to modernize the Nigerian economy. Modernize, not in the sense of copying the structure of the so-called developed countries, but in the sense of bringing to bear upon and adapting the relevant experiences of other economies. The modernization of our economy will involve a substantial amount of transfer of technology. A large proportion of this transfer will take place through mutual partnership with foreign, private, and public enterprises. We welcome such contributions and will continue to provide adequate incentives in that regard.⁵

The cooperation of the multinationals in making Nigeria's development objectives come true cannot be overstated. The multinational "is the best instrument we have for generating entrepreneurial, managerial, and technical competence in the developing nations" and "also for calling forth and training genuine patriots willing and able to give leadership to their countries and their own communities."⁶

Manufacturing

Nigeria's manufacturing sector is characterized by a limited range of diversification (textiles, drugs, apparel, food, etc.), substantial geographic concentration, mainly in Lagos and a relatively high degree of private ownership, largely foreign.⁷ Manufacturing has been a rapidly expanding sector in the economy. Between 1958-59 and 1966-67 value added in this sector rose at an annual rate of more than

⁵Head of the Federal Military Government, His Excellency Lieutenant General Olusegun Obasanjo, Budget Speech, 1976-77, March 1976.

⁶Floyd C. Lawrence, "Multinationals Search for One World," International Business, 1975, a selection of current readings, Industry Week, January 1973, p. 217.

⁷More on this can be found in Survey of African Economies, IMF, Washington, D.C., 1975, p. 298.

12 percent at constant prices, or at a faster pace than the Gross Domestic Product. Consequently, the ratio of manufacturing to GDP increased from 4.4 percent to 7.0 percent over this period.⁸ Measurements of overall performance trend during these years are not available; however, it can be assumed that manufacturing increased marginally because of the internal conflict present at that time.

Since 1965, the capitalization in industrial firms has increased. Original book value per establishment, which averaged \$446,440 in 1965 rose to \$698,860 in 1970 and to \$747,360 in 1971. Fixed capital expenditure of industrial firms has also been on the upswing.⁹

Within the industrial sector the larger enterprises have been growing the fastest.¹⁰ The public has made substantial investments in manufacturing. Data for 1967 indicated that about 18 percent of the consolidated paid-up capital of the manufacturing sector was held by the government. The dominance of foreign-owned companies has been quite marked. In 1967 about 70 percent of the paid-up capital of limited companies was of foreign origin, while private Nigerians accounted for 12 percent. However, these figures have changed somewhat since 1973.

As noted earlier, Nigeria welcomes foreign investment in different facets of the economy. The government is intensifying

⁸Ibid., p. 300.

⁹Ibid., p. 301.

¹⁰ Ibid., p. 303.

efforts to see that the projected Nigeria Iron and Steel Complex takes off as planned, by or before 1980 to enable the country to achieve her industrialization goals. The government is also pushing ahead for a petrochemical complex, two gas liquidation plants, and two additional refineries.¹¹ The question of power for Nigeria's development will not be a problem for a multinational that intends to manufacture and market in Nigeria.

Investment Climate

Since joining the Organization of Petroleum exporting countries, Nigeria's earning power has increased. It is said that this sudden wealth opens up the investment opportunities in Nigeria. Although it is said that Nigeria provides one of the best environments in the developing world,¹² it does also limit foreign participation in some of its industries.¹³ Therefore, it cannot be said to "offer some of the most liberal incentives for prospective investors."¹⁴

Marketing in Nigeria

Nigeria is characterized by a large market and a diversified people. National development is entrenched in the people's belief.

¹¹ Federal Nigeria 3 (No. 1; April-May-June 1977): 14.

¹² Ibid., p. 14.

¹³ The Nigerian Enterprises, Promotion Decree published in 1977; Classify businesses into three categories: (a) Enterprises exclusively reserved for Nigerians, (b) Enterprises in respect of which 60% of the equity must be owned by Nigerians, and (c) Enterprises in respect of which 40% of the equity must be owned by Nigerians.

¹⁴ Federal Nigeria, p. 14.

Marketing can play a decisive part in providing the market with those needs which are compatible with the needs of the Nigerian people and help enhance their being.

Marketing includes the action and processes by which businesses, institutions, and governmental agencies creatively and systematically identify the needs and wants of their respective customers or clients, design and develop the goods, services, and/or ideas to satisfy these identified needs and wants, communicate the facts about them, and deliver need-satisfying goods and/or services to customers before and after purchase, with the objective of maximizing customer satisfaction and creating maximum values at minimum cost to the respective systems involved.¹⁵

Obviously, marketing institution building is essential in building long-range implicit solutions to the problems of the environment. It is important to know if the multinationals are changing their marketing and manufacturing activities to reflect the Nigerian environment. It is felt by Nigerians that the multinational's adaptation policy is most important in Nigeria's desire for a sustained economic foundation.

Points of Issue

1. To what extent are the manufacturing multinationals operating in Nigeria adapting their manufacturing and marketing activities to reflect the Nigerian environment. In other words, what are the multinationals doing in their marketing decisions and how does it reflect the environment in which it is operating. For example, what type of distribution channel is most feasible in Nigeria given the

¹⁵James Hlavacek, Claire Cabin, Marketing Definitions Committee, April 1975.

prevailing circumstances, or what type of promotional mix or price and price ranges are used in lieu of the level of income, socio-cultural dimensions, or what type of machinery can best suit the Nigerian environment in lieu of the level of education of the people? The question that would be addressed is that which would concern what is being done by the multinationals and whether these actions are compatible with the environment in the areas of manufacturing, product, place and promotion. (Price will not be considered because of price control instituted by the Government.)

2. To what extent are the manufacturing multinationals operating in Nigeria adapting their manufacturing and marketing activities to reflect the Nigerian environment and to what extent can these changes be said to be fostering a non-dependence relationship. The extent to which it fosters a non-dependence relationship begins with changes adopted for reasons of environmental conditions. In other words, are the changes made for the reasons of environmental conditions? For example, if a multinational builds market-positioned warehouses, could it be because the road or the transportation infrastructure is poor? Changes in market operation which are made so as to assure availability in spite of the poor infrastructure is said to foster non-dependence.

3. Is the multinational's ability to adapt to the Nigerian environment affected by the structure of the decision making system? In other words, how does the structure of the multinationals affect their adaptation policy in Nigeria?

4. Is there any relationship between the length of existence of the subsidiary and its adaptation policies? The issue here is that which pertains to the cultural aspects of adaptation. Have the "old" subsidiaries subscribed to adapting to the environment in which they have invested a long time period?

Scope of Study

Primarily the scope of this study will be restricted to:

1. Seeking to identify clusters of variables that influence adaptation in product, promotion, distribution and manufacturing in the Nigerian environment. In other words, seeking to identify the environmental variables that influence the subsidiary to institute changes which are compatible with the environment. (Price is not included because of the price control decree instituted by the Government of Nigeria.)
2. Seeking to identify the adaptation of the subsidiaries of the multinationals operating in Nigeria and to see whether they are consonant with the Nigerian environment. Often changes in marketing may be made that may not enhance the subsidiaries in relation to its relevance to the Nigerian environment.
3. Attempt to gauge to what extent adaptation is important to the multinationals in Nigeria. The conclusions reached here will be based on the nature of the answers received from the multinationals and the interviewer's judgment of such answers.

Hypotheses

1. The changes made by the multinational corporations in product planning, place of sale considerations, promotion, and manufacturing are made in order to reflect its activities to the Nigerian environment.
2. The changes made by the multinational corporations have resulted in fostering a degree of non-dependence relationship.
3. The length of time engaged in business in Nigeria is a sign that the subsidiary of the multinational will adapt its marketing and manufacturing activities to reflect the Nigerian environment.
4. The predominance of the decision to adapt is made by the executives in Nigeria and not in the multinational headquarters.

Usefulness of Study

No Black African country has ever found itself so positively positioned to build a strong economic foundation. The value of such a study can be seen by the added body of knowledge it will contribute to the existing knowledge about Nigeria. As investment and trade between Nigeria and the rest of the world increases, it becomes more important to investigate and report more frequently, the multinational and host country's mutual needs.

The multinationals in Nigeria are going through a unique circumstance and need periodically to be reminded of the responsibility they owe to the environment and the people. This study recognizes the importance of the multinational as a very important factor in economic development in the underdeveloped world. This study will only make its conclusions about Nigeria.

Some Past Research

There have been a number of studies that have devoted themselves only to the general management problems in the developing countries. E. R. Barlow in his Mexico study observed that "the necessity for adaptation was particularly noticeable in the marketing area. The companies studied were following much the same methods of marketing their products in Mexico as in the United States." He went on to say that "despite the basic similarities, a United States marketing program could not be transferred intact to Mexico."¹⁶

In a study by Skinner of American manufacturing firms in developing countries, he concludes that manufacturing equipment for the developing countries should be geared towards them. Factors should be geared so that system is not left to relatively inexperienced foreign managers.¹⁷

Although these studies lend some insight into the broader aspect of management as opposed to marketing, they do not fully address themselves to marketing and manufacturing questions. Even if they did answer these questions, there shall still be a need for the study of adaptation of marketing and manufacturing in Nigeria. Lack of study about Nigeria may have been a result of Nigeria's recent gaining of independence from Great Britain after about half a century of colonial rule.

¹⁶E. R. Barlow, Management of Foreign Manufacturing Subsidiaries (Boston: Harvard University, Graduate School of Business Administration, 1953), pp. 193-194.

¹⁷For more on Skinner's findings, see Wickham Skinner, American Industry in Developing Economies (New York: John Wiley and Sons, Inc., 1968).

Research Methodology

This is a qualitative research because of the objective nature of the study. The universe is comprised of all the foreign owned companies in Nigeria. Ten companies were selected judgmentally. Personal interviews with company officials were conducted in Lagos, Nigeria, between November 22 and December 22, 1977. The ten firms comprise companies with their headquarters in Europe and the United States of America. The dominance of Europe as the headquarter site can be accounted for by the historical ties that Nigeria had with Britain, in particular, and Europe in general.

Limitations of Study

It is difficult to know if the responses received from the company officials are an accurate description of the situation as they see it from the eyes of the corporation. The data that was collected is qualitative by nature and does not lend itself to statistical proof. Therefore, the findings cannot be conclusive. Because the selection of the firms to be interviewed was judgmental, no generalization can be made.

Time constraint was a constant limiting factor and the difficulty in getting the company officials to give the interviewer more time was always present.

CHAPTER II

ENVIRONMENTAL STRATEGY FORMULATION

Stage of Economic Development

A thorough description of Nigeria's stage of economic development is difficult because of the lack of sufficiently comprehensive statistical series. In the period immediately after the civil war, Nigeria made rapid economic recovery which placed it as the wealthiest Black country. Although primarily agricultural, Nigeria receives most of its wealth from the oil sector of the economy. The agricultural sector suffered a temporary setback between 1973 and 1976 because of the oil boom. The agricultural sector had been the backbone of the Nigerian economy until that time. Great improvements have occurred in the last year since, through public effort, the sector is gradually returning to its pre-1973 situation. In the 1975-76 fiscal year, Nigeria spent about \$8 billion on importation of food and manufactured products.¹

One great source of satisfaction as noted by Lieutenant General Olusegun Obasanjo, Nigeria's Head of State in his 1977-78 Budget Speech, is that agriculture contributed significantly to growth in 1976-77.

¹Levi Nwachuku, "Nigeria's Uncertain Future, Current History, March 1976, p. 167.

Compared with an increase of only 1 percent in 1975-76, farmers increased their production by some 3 percent in the past year.²

Nigeria's Head of State continued by emphasizing that Nigeria is in a transition.

In the past year, investment in machinery and equipment (transport) continued to grow relatively faster than investments in buildings and construction and land improvement. Machinery and equipment jointly grow by about 50 percent while building and construction and land improvement together improved by 32.8 percent. This pattern of our fixed capital formation is consistent with reasoned expectation that during periods of rapid industrialization, the growth of machinery and transport equipment should exceed that of other types of formation. In short, the nation is entering a period of industrialization.³

Nigerian Market

There is a question as to what Nigeria's population is. The estimate is between 76.6⁴ and 82.0 million⁵ with a rate of population growth of 2.5 percent.⁶ The majority of the population is rural since most of Nigeria's population are farmers. There is considerable migration to urban areas, mostly in the southern part of the country.⁷ The

²Federal Nigeria 3 (No. 1; April-May-June 1977): 7.

³Ibid., p. 7.

⁴New African Development (Africa) 11 (No. 11; November 1977): 1083.

⁵Nwachuku, "Nigeria's Uncertain Future," p. 166.

⁶Ibid., p. 166.

⁷Walter Schwarz, Nigeria (New York: Praeger Publishers, 1969), Chapters 9, 10, 11.

Nigerian market has a large growth potential, especially when one considers that for every four Black Africans, one is a Nigerian. }
 Nigerians themselves are as varied as their environment, though tribal groups are divided more by language, culture and history than by race.⁸
 Of the three predominant tribal groups, Hausa-Fulani is the language of some 28 percent of the population; Ibo of some 18 percent; and the Yoruba of some 16 percent.⁹ Because of language and cultural differences, opportunity exists for the multinational to segment its promotional messages, product designs and end-use considerations. For example, the dairy and chocolate industry is experiencing difficulty penetrating the southern Nigerian market. The reason for this is that traditionally, the southerners live in rain forests where cattle raising is not practiced. Therefore, milk-based products are not favored when consumed. However, the southerner can be made aware of the fact that the same milk-based product can be mixed with other ingredients to make palatable southern meals.

Nigeria is relatively new in the race for industrialization. In its quest for rapid industrialization, the Nigerian government, by its proclamations, limits competition in the marketplace. For example, "import duties on consumer goods and, where feasible, on imported raw materials, are being raised or imposed where it is felt that undue dependence on imports exists.¹⁰ This type of action by the government helps protect the local industries.

⁸Ibid., p. 4.

⁹Ibid.

¹⁰For example in his 1978 Budget Speech, Lt. General Olusegun Obasanjo imposes import prohibition.

Since Nigeria has only a few industries,¹¹ and since the trend is towards their protection, competition from the import markets does not appear to pose a threat to the domestic market. Governmental protection practices have created an oligopolistic market structure at the manufacturing level in Nigeria. At the retail level, Nigeria is characterized by many buyers and sellers offering very similar and homogeneous products. The retailers are small and many in number. The Nigerian environment is further limiting competition from external sources by limiting the type of business and amount of investment a foreigner can engage in. The relevant decree is named "The Nigerian Enterprises Promotion Decree 1977." Under this decree all enterprises in Nigeria are classified into three categories:

- Schedule 1 consists of enterprises exclusively reserved for Nigerians;
- Schedule 2 consists of enterprises in respect of which 60 percent of the equity must be owned by Nigerians.
- Schedule 3 lists enterprises in respect of which 40 percent of the equity must be owned by Nigerians.

Below in Figure 1 are the full lists of the three schedules:

¹¹Industrial Directory, 7th ed. (Lagos, Nigeria: Published by the Investment Promotion Center, Federal Ministry of Industries, 1975).

Figure 1. Enterprises Promotion Decree

Schedule 1: Enterprises Exclusively Reserved for Nigerians

1. Advertising and public relations business.
2. All aspects of pool betting business and lotteries.
3. Assembly of radios, radiograms, record changers, television sets, tape recorders and other electric domestic appliances not combined with manufacture of components.
4. Blending and bottling of alcoholic drinks.
5. Blocks and ordinary tile manufacture for building and construction works.
6. Bread and cake making.
7. Candle manufacture.
8. Casinos and gaming centres.
9. Cinemas and other places of entertainment.
10. Commercial transportation (wet and dry cargo and fuel).
11. Commission agents.
12. Departmental stores and supermarkets having an annual turnover of less than N2,000,000.
13. Distribution agencies excluding motor vehicles, machinery and equipment and spare parts.
14. Electrical repair shops other than repair shops associated with distribution of electrical goods.
15. Establishments specializing in the repair of watches, clocks and jewelry, including imitation jewelry for the general public.
16. Estate agency.
17. Film distribution (including cinema films).
18. Garment manufacture.
19. Hairdressing.
20. Ice-cream making when not associated with the manufacture of other dairy products.
21. Laundry and dry-cleaning.
22. Indenting and confirming.
23. Manufacturer's representatives.
24. Manufacture of jewelry and related articles, including imitation jewelry.
25. Manufacture of suitcases, brief cases, hand-bags, purses, wallets, portfolios and shopping bags.
26. Municipal bus services and taxis.
27. Newspaper publishing and printing.
28. Office cleaning.
29. Passenger bus services of any kind.
30. Poultry farming.
31. Printing of stationery (when not associated with printing of books

Figure 1--Continued

32. Protective agencies.
33. Radio and television broadcasting.
34. Retail trade (except by or within departmental stores and supermarkets).
35. Rice milling.
36. Singlet manufacture.
37. Stevedoring and shorehandling.
38. Tire retreading.
39. Travel agencies.
40. Wholesale distribution of local manufactures and other locally produced goods.

Schedule 2: Enterprises in Respect to Which Nigerians Must Have Majority Interest

1. Banking-commercial, merchant and development banking.
2. Basic iron and steel manufacture.
3. Beer brewing.
4. Boat building.
5. Bottling of soft drinks.
6. Business services other than machinery and equipment rental and leasing such as business management and consulting services; fashion designing.
7. Clearing and forwarding agencies.
8. Canning and preserving of fruits and vegetables.
9. Coastal and inland waterways shipping.
10. Construction industry.
11. Departmental stores and supermarkets having annual turnover of not less than N2,000,000.
12. Distribution agencies for machines and technical equipment.
13. Distribution and servicing of motor vehicles, tractors and spare parts thereof of similar objects.
14. Fish and shrimp trawling and processing.
15. Fertilizer production.
16. Grain mill products except rice milling.
17. Industrial cleaning.
18. Insecticides, pesticides and fungicides.
19. Internal air transport (scheduled and charter services).
20. Insurance--all classes.
21. Lighterage.
22. Manufacture of bicycles.
23. Manufacture of biscuits and similar dry bakery products.
24. Manufacture of cement.
25. Manufacture of cosmetics and perfumery.

Figure 1--Continued

26. Manufacture of cocoa, chocolate, and sugar confectionery.
27. Manufacture of dairy products, butter, cheese, milk and other milk products.
28. Manufacture of food products like yeast, starch, baking powder, coffee roasting; processing of tea leaves into black tea.
29. Manufacture of furniture and interior decoration. Manufacture of metal fixtures for household, office and public buildings.
30. Manufacture of leather footwear.
31. Manufacture of matches.
32. Manufacture of metal containers.
33. Manufacture of paints, varnishes or other similar articles.
34. Manufacture of plastic products such as plastic dinnerware, tableware, kitchenware, plastic machinery parts, bottles, tubes and cabinets.
35. Manufacture of rubber products, rubber footwear, industrial and mechanical rubber specialities such as gloves, mats, sponges and foam.
36. Manufacture of tires and tubes for bicycles and motorcycles; of tires and tubes for motor vehicles.
37. Manufacture of soap and detergents.
38. Manufacture of wire, nails, washers, bolts, nuts, rivets, and other similar articles.
39. Other manufacturing industries such as non-rubber and non-plastic toys, pens, pencils, umbrellas, canes, buttons, brooms and brushes, lampshades, tobacco pipes and cigarette holders.
40. Mining and quarrying.
41. Oil milling, cotton ginning and crushing industries.
42. Paper conversion industries.
43. Plantation sugar and processing.
44. Plantation agriculture for tree crops, grains and other cash crops.
45. Printing of books.
46. Production of sawn timber, plywood, veneers and other wood conversion industries.
47. Petro-chemical feedstock industries.
48. Publishing of books, periodicals and such like.
49. Pulp and paper mills.
50. Restaurants, cafes and other eating and drinking places.
51. Sugar refinery and packaging.
52. Screen printing on cloth, dyeing.
53. Inland and coastal shipping.
54. Slaughtering, storage associated with industrial processing and distribution of meat.
55. Tanneries and leather finishing.

Figure 1--Continued

56. Wholesale distribution of imported goods.
57. Photographic studios, including commercial and aerial photography.

Schedule 3: Enterprises of Which Nigerians Must Own 40 Percent

1. Distilling, rectifying and blending of spirits such as ethyl alcohol, whiskey, brandy, gin and the like.
2. Tobacco manufacture.
3. Manufacture of basic industrial chemicals (organic and inorganic) except fertilizers.
4. Manufacture of synthetic resins, plastic materials and man-made fibres except glass.
5. Manufacture of drugs and medicines.
6. Manufacture of pottery, china and earthenware.
7. Manufacture of glass and glass products.
8. Manufacture of burnt bricks and structural clay products.
9. Manufacture of miscellaneous non-metallic mineral products such as concrete, gypsum and plastering products, including ready-mixed concrete; mineral wool, abrasive; asbestos products; graphite products.
10. Manufacture of primary non-ferrous metal products such as ingots, bars and billets; sheets, strips, circles, rods, tubes, pipes and wire rods, casting and extrusions.
11. Manufacture of (fabricated metal) cutlery, hand tools and general hardware.
12. Manufacture of structural metal products--components of bridges, tanks, metal doors and screens, window frames.
13. Manufacture of miscellaneous fabricated metal products, except machinery and equipment, such as safes and vaults; steel springs; furnaces; stoves, and the like.
14. Manufacture of engines and turbines.
15. Manufacture of agricultural machinery and equipment.
16. Manufacture of metal and wood working machinery.
17. Manufacture of special industrial machinery and equipment, such as textile and food machinery, paper industry machinery, oil refining machinery and equipment, and the like.
18. Manufacture of office, computing and accounting machinery.
19. Manufacture of other machinery and equipment except electrical equipment, pumps, air and gas compressors; blowers; air-conditioning and ventilating machinery; refrigerators, and the like.
20. Manufacture of electrical industrial machinery and apparatus.
21. Manufacture of radio, television and communications equipment and apparatus

Figure 1--Continued

22. Manufacture of electrical appliances and housewares.
23. Manufacture of electrical apparatus and supplies not elsewhere classified, such as insulated wires and cables, batteries, electric lamps and tubes, fixtures and lamp switches, sockets, switches, insulators, and the like.
24. Ship building and repairing (excluding boat building).
25. Manufacture of railway equipment.
26. Manufacture of motor vehicles and motorcycles.
27. Manufacture of aircraft.
28. Manufacture of professional and scientific and measuring and controlling equipment, such as laboratory and scientific instruments, surgical, medical and dental equipment, instruments and supplies and orthopaedic and prosthetic appliances.
29. Manufacture of photographic and optical goods.
30. Manufacture of watches and clocks.
31. Ocean transport/shipping.
32. Oil servicing companies.
33. Storage and warehousing--the operation of storage facilities and warehouses (including bonded and refrigerated warehouses) for hire by the general public.
34. Textile manufacturing industries.
35. Hotels, rooming houses, camps and lodging places.
36. Data processing and tabulating services (on a fee or contract basis).
37. Production of cinema and television films (or motion picture production).
38. Machinery and equipment rental and leasing.
39. All other enterprises not included in Schedule 1 or 2 not being public sector enterprises.

(The Decree was deemed to have come into force since June 29, 1976.)

U.S. Department of Commerce Report
Issued in 1976

The following is an excerpt from the U.S. Department of Commerce Report issued in 1976 following a three-month visit of four officials of the Department to Nigeria on an economic survey:

Spectacular growth. With nearly a third as many people as the United States, Nigeria is the most populous country in Black Africa.

It is also the wealthiest, with annual oil revenues of some \$7.5 billion available for underwriting massive infrastructure, industrial and agricultural development programs.

Spending potential. Nigeria, unlike most developing countries, can finance its development needs without relying on foreign capital. This makes Nigeria a vastly more dynamic and lucrative market than those which must depend on supplier credits and international loans to pay the foreign exchange cost of needed equipment and services.

One Nigerian Government corporation boggled an American supplier by insisting on paying cash for a recent \$10 million shipment.

This spending power has important implications for American competitors in the Nigerian market. First, it means Nigerians can follow their tendency to go first class. Nigerians are very conscious of their country's wealth; they want its airports, offices, highways, and hotels to reflect its prosperity.

Secondly, Nigerian financial independence virtually wipes out any competitive advantage to third-country firms stemming from their ability to offer soft credit terms.

Competition for Nigerian business will be between the American and third-country suppliers rather than between their respective export banks.

So Nigeria is not the typical developing country, but it does not fit the popular image of the OPEC member State either. The smaller or more sparsely populated OPEC States can have the luxury of a more deliberate pace of development spending; some can afford to limit production to conserve oil resources for the future, to shore up prices, or exert political leverage.

But for Nigeria, petroleum-financed development is imperative. Most observers predict that the Nigerian Government would not artificially limit oil production if it might threaten economic progress.

So far, however, Nigeria appears to be a long way from the point at which revenue shortfall might jeopardize advancement. Since 1973, revenues have increased even faster than imports.

By April 1975, Nigeria's foreign exchange reserves were about \$6 billion, compared with an annual import bill of about \$3 billion. It is unlikely that spending will prove a limiting factor.

Regular Wholesalers

In Nigeria, the merchant wholesaler does not operate a full function enterprise as is the case in the Western developed countries. The firms are independently owned, and they purchase in large quantities from producers and manufacturers, accept delivery at one or more of its warehouses, breaks down and stores its purchases, assembles orders in relatively small quantities. They do not send out sales force to canvass the trade, deliver orders to its customers, extend credit, offer advice to its customers or supply marketing information to both customer and suppliers. In Nigeria, the wholesaler's job is virtually limited to the storage of goods.

The Nigerian environment is characterized by cash-and-carry wholesalers who operate on cash basis with no merchandise delivery. By employing almost none or very few salespersons, and eliminating delivery service and credits, such middlemen can economically serve the small retailer. To take advantage of such services, the retailer must travel to the warehouse, pay cash, and transport the order to the retail location. Although they serve the small retailer well, they do severely limit the number of retailers that can take advantage of their service. The demand side of the vicious circle more typically is ignored, however, and that leads to poor planning and business failure.¹²

¹² E. Jerome McCarthy, Effective Marketing Institutions for Economic Development, AMA Proceedings, 1964, p. 393.

Wholesale Channel

Consumer products customarily pass through many hands before they reach the retail level. Goods, such as consumer products that require local inventory, may be kept within the trading firm's operation all the way to the retail level, since many of these companies have retail as well as wholesale outlets.¹³ This is typical of the European channel model.

If goods are carried through the Nigerian channel, however, many buyers of wholesalers may be involved.¹⁴ Nigeria has, to a certain extent, been the victim of accelerated rapid development. As mentioned earlier, it relied on its agricultural sector until 1973. The sudden rise in oil prices and the subsequent increase in demand thrust Nigeria into rapid development.

Marketing institutions necessary for Nigeria's stage of economic development probably can be characterized best as traders and merchants. These traders and merchants sell in small quantities in the urban and rural areas. In a growing market and especially with a market with buying power, financing function is very critical. This is because in underdeveloped economies money resources are not always present to the individual businessman. In Nigeria this difficulty is compounded by increased demand. In such cases, the middlemen will poorly or

¹³Louis Stern and Adell El-Ansary, Marketing Channels (Englewood Cliffs, N.J.: Prentice-Hall, 1977), p. 539.

¹⁴ Ibid.

grudgingly, if at all, offer any services. Selling is treated more as trading than aggressively seeking to expand the market.¹⁵

Retail Market

The retail market in Nigeria is characterized by many small and independent businessmen who go back and forth between the warehouse selecting necessary assortments for their market. He is a small businessman who cannot afford the luxuries of warehouses or other functionaries as found in the developed world. The retailer is not organized in any way. Entry is not difficult. Many Nigerians engage in the retail business. This market can be classified as free competition. The present retail system as it functions does not individually have the capacity to service the market. Because of limited resources, individual businesses are not able to fully cultivate a market.

There are two distinct retail markets in Nigeria. One is the urban-retail outlets in the larger cities, whose composition much resembles similar commercial districts of other large cities. Only the wealthy Nigerians contribute to this sphere of retail operations consisting of department stores and specialty stores.¹⁶

The other, more popular retail center, is the collective market operating out of temporary facilities. Some of the metropolitan areas have permanent structures for these traders.¹⁷

¹⁵ McCarthy, p. 393.

¹⁶ Stern and El-Ansary, p. 539.

¹⁷ Ibid.

Advertising in Nigeria

Informal communication by word-of-mouth reaches many more people than does a mass-advertising campaign. Nevertheless, advertising in newspapers and magazines and outdoor advertising is usually effective as well as inexpensive.

It is estimated that these sources reach over six-million inhabitants.¹⁸ Radio remains the principle instrument of communication since illiteracy is not a hindrance to this media. The radio programs are broadcast in languages spoken by the listening area. Television is gaining popularity, although only a few households have them.

Middlemen

There are many kinds of middlemen. Almost everyone, in fact, is different from any other one. However, middlemen cannot be characterized as full function or limited function wholesalers. Each middleman decides what is necessary for him. However, most of the middlemen are cash and carry middlemen. The middlemen perform mostly the storage function. The middlemen serve as collection points for different goods. Most of the wholesalers and the big retailers are located in the urban areas while the small retailers are located predominantly in the rural areas.

Buying and Selling

Generally, the buying function is composed of those activities necessary to assemble goods for ownership and control. The primary

¹⁸Stern and El-Ansary, p. 540.

purpose of buying is to bring commodities together, upon demand. Buying in Nigeria is not consummated as a "result of demand satisfaction activities of members of marketing channel systems--from producer to intermediary and ultimate consumers."¹⁹ Because of the relative scarcity in the Nigerian market, buying is usually initiated by the buyer and not the seller.

Selling in Nigeria does not involve locating buyers. Negotiations are usually limited to allocation or the assortment sought by the buyers. Price negotiations are not common in the wholesale level. Negotiating with buyers is found to be important, but the buyer must seek out the seller--not vice-versa.

Transportation and Storage

The process of marketing exchange of products from seller to buyer is normally accompanied by a change in their locations.²⁰ The locations of the manufacturers or even the wholesalers in Nigeria are principally in Lagos. This is why the importance of transportation is keenly felt in Nigeria because the greater the distance between buyers and sellers, the greater the cost of transportation and often a loss to the seller with regard to creating place utility. As mentioned earlier, it is the buyer's responsibility to seek out the seller. Since the buyers buy in small quantities, transportation is usually

¹⁹ J. Taylor Sims, J. Robert Foster, and Arch A. Woodside, Marketing Channels, Systems and Strategies (New York: Harper and Ross, 1977), p. 30.

²⁰ Ibid., p. 32.

not the responsibility of the seller. The function of making sure that the maximum place utility is obtained is left strictly to the buyers. Since the retailers buy in small quantities, they do not have much need for storage.

Economic Growth

Economic growth can be defined most simply and directly as the expansion of a nation's capability to produce the goods and services its people want.²¹ Since the productive capacity of an economy depends basically on the quantity and quality of its resources as well as its level of technological attainment, economic growth involves the process of expanding and improving these determinants of productive capacity.²²

Sustained economic growth is the objective of Nigeria. It is believed that a sustained economic growth and expansion will, in the end, increase the material welfare or well-being of Nigerians. The increase in the material welfare and well-being of Nigerians will depend on the availability of goods and services to all Nigerians.

The Process of Economic Growth

The fundamental determinants of economic growth on the potential for production of any economy are: (1) the quantity and quality of labor force; (2) the quantity and quality of natural

²¹Wallace C. Peterson, Income, Employment and Economic Growth, rev. ed. (New York: W. W. Norton and Company, Inc., 1967), p. 401.

²²Ibid., p. 401.

resources; (3) the quantity and quality of capital; and (4) the level of technological attainment of the society.²³ There are other variables that contribute to this determination. For example, the distribution of wealth, the pattern of consumer tastes and some factors such as capital formation patterns that are essentially institutional by nature.

The Quantity and Quality of Labor in Nigeria

The importance of education in the determination of quality of labor cannot be overemphasized.²⁴ Because the Western type of formal education first penetrated the southern part of Nigeria, more educated Nigerians are to be found in the South than in the North. This phenomenon is rapidly changing because of Nigerian's acceptance of education for all its citizens as a pre-requisite to economic development.

Education is valued highly by the people of Nigeria. Nigerian families make incredible financial sacrifices to get their children educated.

The multinational must adapt itself to this reality in the determination of its marketing mixes and the determination of manufacturing machinery. What type of manufacturing plant will give the multinational the greatest contribution to Nigeria's economic development putting into consideration its level of education? Can the

²³ Ibid., p. 402.

²⁴ Joseph L. Massie and Jan Luytjes, Management in An International Context (New York: Harper and Row Publishers, 1972), p. 288.

multinational rely on its Nigerian marketing decision-makers to initiate marketing strategies that are consonant to the environment? It cannot be emphasized enough that the quality of education has some relationship with the quality of labor and consequently economic development.

Although Nigeria has a large population, it does not necessarily mean that there is an abundance of labor. An abundance of labor will depend on the type of work and the geographical location of the manufacturing entity and marketing effort assignment. Most of the multinationals are located in the metropolitan areas whereas only about 20 percent of the Nigerians live in the metropolitan area. This means that most of the multinationals share this small amount of qualified people.

The quantity of Nigeria's labor force and the geographic location of the manufacturing entity has some bearing on the level of economic development as it pertains to the peoples' welfare. For example, about 70 percent of the country's population live in rural areas. Of this, approximately 44 percent constitute the rural labor force drawn from the age groups of 15 to 55. In absolute terms, the agricultural sector is the primary source of employment in the country. Nevertheless, the sector is characterized by general under-employment due to the seasonal nature of agricultural activities and the division of labor between the sexes.²⁵

²⁵The Third National Development Plan, 1975-1980, vol. 1 (Lagos, Nigeria: Published by the Central Planning Office, Federal Ministry of Economic Development, p. 64.

Education

Historically, education has enjoyed a high priority in Nigeria's development planning. In the First National Development Plan 1962-68, it ranked fifth, judged by the magnitude of financial resource allocation. In the Second Plan, 1970-74, the sector attracted more emphasis. Out of the gross public sector investment of about N2.000 billion, it accounted for N77.8 million or 13.5 percent of that total investment. In physical terms, the achievements of these past development efforts have, however, been very modest. Greater attention was paid to the consolidation and improvement in the quality of education at the various levels. To the extent that in some cases these improvements meant the raising of fees as well as merger, and in some cases, outright closure of substandard institutions, their immediate impact was a reduction in the number of schools and enrollment (Table 1).²⁶

Educational Objectives

The objectives of the educational program under the 1975-1980 plan are:

1. to expand facilities for education aimed at equalizing individual access to education throughout the country;
2. to reform the content of general education to make it more responsive to the socio-economic needs of the country;
3. to consolidate and develop the nation's system of higher education in response to the economy's manpower needs;
4. to streamline and strengthen the machinery for educational development in the country;

²⁶ Ibid., p. 237.

Table 1. Enrollment Targets in Universities

Institutions	Recent Trends						Targets	
	1960		1964		1971		1973	
	No. of Insti- tutions	Enroll- ment	No. of Insti- tutions	Enroll- ment	No. of Insti- tutions	Enroll- ment	No. of New Insti- tutions	Enrollment 1979-80
Ahmadu Bello University	--	--	1	719	1	3,835	1	5,828
University of Lagos	--	--	1	558	1	2,934	1	3,400
University of Ibadan	1	1,136	1	2,284	1	3,989	1	4,618
University of Nigeria	1	259	1	2,499	1	3,363	1	4,677
University of Ife	--	--	1	659	1	NA	1	4,005
University of Benin	--	--	--	--	1	250	1	645
Four new universities	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	4	8,795
Grand Total	2	1,395	5	6,719	6	14,371	6	23,173
							4	53,000

Source: The Third National Development Plan 1975-1980, vol. 1 (Lagos, Nigeria: Published by the Central Planning Office, Federal Ministry of Economic Development), p. 243.

5. to rationalize the financing of education with a view of making the educational system more adequate and efficient;
6. to make an impact in the area of technological education so as to meet the growing needs of the economy.²⁷

Private Consumption

It is projected that domestic expenditure in both constant and current prices will rise from about \$10.08 billion in 1974-75 to \$24.48 billion in 1969-80 (see Tables 2 and 3). The implied average annual rate of growth is about 19 percent. If this growth performance can be sustained, the standard of living of the average Nigerian should double in seven years.²⁸ This projection may be optimistic; however, the recent increase in oil prices and the avowed determination of the Nigerian people for economic development calls for some type of hope. The recent oil glut, due to Alaskan oil and the reduction of oil production in Nigeria from 2.2 million barrels a day to 1.5 million barrels a day, is a cause for concern.

Nigeria is a member of the Organization of Petroleum Exporting Countries and has enjoyed in the last five years a measure of financial buoyancy arising from escalated earnings from crude oil of which she is the world's sixth largest producer.²⁹ Therefore, the aggregate quantity of its resources is large as compared to other Black African

²⁷Nigerian-American Economic Relations, Jarboe Printing Co., Inc., 1978, p. 23.

²⁸Third National Development Plan 1975-80, vol. 1, p. 45.

²⁹Federal Nigeria 3 (No. 1; April-June 1977): 14.

Table 2. Gross Domestic Expenditure at 1974-75 Prices

Item	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80
	----- (N million) -----					
1. Private consumption expenditure	6,335.4	6,820.4	7,530.0	8,580.6	10,075.1	11,866.5
2. Government final consumption expenditure	1,472.7	1,715.8	2,175.9	2,399.6	2,607.2	2,920.0
3. Gross fixed capital formation	2,600.0	3,218.2	3,690.1	4,256.2	4,952.2	5,636.3
4. Exports of goods and non-factor services	6,837.2	7,198.3	7,587.1	7,896.5	8,321.1	8,745.9
5. Less import of goods and non-factor services	<u>2,256.1</u>	<u>2,809.6</u>	<u>3,349.1</u>	<u>3,944.1</u>	<u>4,735.9</u>	<u>5,555.8</u>
6. Gross domestic product at market prices	14,989.2	16,143.1	17,634.0	19,188.8	21,219.7	23,612.9

Source: Third National Development Plan 1975-1980, vol. 1 (Lagos, Nigeria: Published by the Central Planning Office, Federal Ministry of Economic Development), p. 52.

Table 3. Gross Domestic Expenditure at Current Prices

Item	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80
	----- (N million) -----					
1. Private final consumption expenditure	6,335.4	7,169.7	8,182.3	9,941.6	12,298.6	15,319.6
2. Government final consumption expenditure	1,472.7	1,803.7	2,364.4	2,780.2	3,182.6	3,769.7
3. Gross fixed capital formation	2,600.0	3,540.0	4,465.0	5,665.0	7,250.0	9,080.0
(a) Public	(1,600)	(2,340)	(3,015)	(3,815)	(4,810)	(6,020)
(b) Private	(1,000)	(1,200)	(1,450)	(1,850)	(2,440)	(3,000)
4. Exports of goods and non-factor services	6,837.2	7,558.2	8,368.6	9,144.1	10,110.1	11,159.8
5. Less imports of goods and non-factor services	2,256.1	3,056.8	3,965.3	5,080.0	6,635.0	8,467.1
6. Gross domestic product at market prices	14,989.2	17,014.8	19,415.0	22,450.9	26,206.3	30,862.0

Source: Third National Development Plan 1975-1980, vol. 1 (Lagos, Nigeria: Published by the Central Planning Office, Federal Ministry of Economic Development), p. 52.

countries. However, aggregate figures usually mask other considerations such as the distribution of wealth.

Distribution of Wealth

Information about the distribution of wealth in Nigeria is sketchy, but Nigeria has been known to be characterized by poverty and affluence. The most educated Nigerians enjoy at this time Government scale wages (see Table 4). These wages are pegged in the Government sector. This middle group is small; the exact count is not available. There are indications that this middle group will grow. The reason for this optimism is the continued growth of the economy (Table 3). Most of the working Nigerians share the responsibility of not only their nuclear family, but the extended relatives as well. He sends money to relatives frequently, thereby reducing the differential and at times equating spending power between the rural and urban population. Because purchasing power is shared, this group cannot represent any concerted economic purchasing group by themselves. This cultural phenomenon is not understood properly by some of the multinationals. Product pricing and packaging become very important considerations. For example, the cosmetics and cigarette multinationals are responding favorably in this respect by packaging products in the quantity that can be purchased given the peoples' purchasing capacity.

The majority of Nigerians live in the rural areas and can be characterized as being the lower income group. They are usually engaged in subsistence living and receive constant help from sons and daughters or relatives who are living and working in the urban

Table 4. Government Wage Scale

Grade Level	Salary Levels (\$)
16	19,872
15	17,644
14	15,724
13	13,968
12	12,403
11	11,174
10	10,291
9	8,544
8	6,662
7	5,203
6	4,032
5	3,052
4	2,323
3	NA
2	1,651
1	NA

Source: West Africa, No. 3129 (Buckinghamshire, England: West Africa Publishing Co., 27 June 1977).

areas. This group can be said to have as much purchasing power as the middle group because the family's wealth is shared. The middle class and lower class can be differentiated by education and/or technical knowledge. This phenomenon can help the multinational in its promotional adaptation policies. For example, in product differentiation, one manufacturer with one product can vary the sales appeal to reach different market segments.

The upper class is characterized by the professional group and wealthy businessmen. Although this group shares their wealth to an extent with the lower groups, they have discretionary income which can be used for luxuries. This is the traditional target of the multinationals. This group represents the elite group. They are also the smallest group.

Level of Technological Attainment

Nigeria relies on the Western World for its development plan. A large amount of the expenditure for economic development is geared towards setting up of manufacturing or assembly industries. The level of technology is still underdeveloped.

The technological knowledge attained by Nigerians is learned from the Developed World. Nigeria will rely on the Western World for knowledge, training and research and development in this area for the foreseeable future.

For example, "in the 1975-1980 Development Plan, an investment expenditure of N30.00 million will be devoted to the improvement of industrial research and the commercial utilization of the results of

industrial research. To this end, in order to hasten the indigenization of technology, steps will be taken to ensure that Nigerians are exposed to advanced technology so that they will be able to take over operations from the expatriates within the shortest possible time. The government will, in this connection, strengthen the industrial technology through the effective use of the industrial research institutions.³⁰

Although the Nigerian government is working towards this end by formal education, the multinational can better achieve this diffusion of technology through competition in the marketplace. However, free enterprise which characterizes the multinationals' environment would be a better forum to technological innovation because of competition.

Economic Aggregation

Top management personnel at the headquarters of the multinational corporation have the responsibility of looking after the survival and growth of their subsidiaries. This means that the multinational must monitor the economic aggregations and then attempt to weigh the impact of its actions on the environment.³¹ For this reason, a description of economic aggregations in Nigeria is pertinent.

Gross Domestic Product

The real gross domestic product grew in Nigeria at an annual average rate of 10.6 percent between 1960 and 1973, reaching \$23,243 million in 1975. The real income between 1973 and 1975 also grew at

³⁰ The Nigerian Trade Journal 22 (No. 4; 1976): 21.

³¹ Arving V. Phetak, Managing Multinational Corporations (Baeger Publishers, 1974), p. 31.

an annual rate of 9.6 percent. In real terms, the national economy grew by 10 percent in 1976/77 compared with the growth rate of 2.8 percent in 1975.³²

The projected gross domestic product, valued at 1974-75 factor cost is presented in Table 5 for each of the activity sectors and for the economy as a whole. The projected growth rate over the five year period averages 9.5 percent. The result of this cumulative growth performance is to raise gross domestic product at factor cost from a base of \$14,411 billion in 1974-75 to \$22.692 billion in 1979-80. In per capita terms, income projected to rise from 205 estimated in 1974-75 to about 290 in 1980 representing a cumulative real growth of almost 40 percent. Nigeria has a population of over 70 million.³³

Inflation

Inflation will be referred to in its broadest possible sense, that is any increase in the general price level which is sustained and non-seasonal in nature.³⁴ The Nigerian economy has, for the past several years,³⁵ been characterized by steadily rising prices. In comparing the constant and current projections of the gross domestic product, Tables 6 through 11, it is clear that inflation is high. In

³² To the Point International 5 (No. 1; 9 January 1978): 18

³³ Third National Development Plan, 1975-1980, vol. 1, p. 43.

³⁴ Wallace C. Peterson, Income, Employment, and Economic Growth (New York: W. W. Norton and Company, Inc., 1967), p. 384.

³⁵ Third National Development Plan, 1975-1980, vol. 1, p. 43.

Table 5. Enrollment Targets in Primary Schools

Governments	Recent Trends						Targets	
	1960			1971			1975-80	
	No. of Schools	Enrollment	No. of Schools	Enrollment	No. of Schools	Enrollment	No. of New Classrooms	Enrollment
Benue-Plateau	--	--	--	770	179,348	217,017	12,565	780,700
Kano	--	--	--	519	81,464	120,276	21,840	1,017,700
Kwara	--	--	--	551	136,749	151,462	2,535	498,200
North-Central	2,600	282,848	2,684	642	134,092	160,000	14,835	776,500
North-Eastern	--	--	--	690	144,314	171,753	29,365	1,380,000
North-Western	--	--	--	586	92,018	153,280	21,365	1,036,200
East-Central	--	--	--	3,561	978,869	1,268,456	8,445	1,680,900
South-Eastern	6,451	1,430,514	5,986	1,462	431,622	521,089	7,045	847,300
Rivers	--	--	--	492	5,152	243,081	2,155	377,500
Lagos	112	74,468	123	456	240,769	286,247	1,330	375,700
Mid-Western	6,540	1,124,788	1,807	1,813	419,031	474,157	2,995	673,200
Western	--	--	4,375	3,845	869,765	980,000	21,520	2,096,700
Grand Total	15,703	2,912,618	14,976	15,324	3,894,539	4,746,808	150,995	11,521,500

Source: Third National Development Plan 1975-1980, vol. 1 (Lagos, Nigeria: Published by the Central Printing Office, Federal Ministry of Economic Development), p. 238.

Table 6. Gross Domestic Product at Current Factor Cost

Sector	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80
	----- (N million) -----					
1. Agriculture, forestry and fishing	3,372.7	3,700.1	4,098.4	4,516.4	4,967.9	5,457.3
2. Mining and quarrying	6,552.3	7,230.8	7,978.8	8,844.6	9,837.6	11,008.0
3. Manufacturing and crafts	683.9	830.5	1,049.1	1,357.5	1,776.2	2,375.0
4. Electricity and water supply	58.7	69.2	81.6	101.4	126.4	158.6
5. Building and construction	821.4	1,052.5	1,385.3	1,835.9	2,484.3	3,357.2
6. Distribution	971.2	1,132.4	1,336.2	1,609.6	1,966.2	2,419.1
7. Transport and communication	325.0	387.5	476.2	598.4	775.4	1,019.0
8. General: Government	901.8	1,037.1	1,192.6	1,431.1	1,717.3	2,060.9
9. Education	376.4	447.9	542.0	661.2	813.3	1,008.5
10. Health	132.0	155.8	185.4	224.3	271.4	328.3
11. Other services	215.3	245.1	283.2	332.1	395.1	472.8
Total	14,410.7	16,288.9	18,608.8	21,512.5	25,131.1	29,664.8

Source: Third National Development Plan 1975-1980, vol. 1 (Lagos, Nigeria: Published by the Central Planning Office, Federal Ministry of Economic Development), p. 50.

Table 7. Gross Domestic Product at 1974-75 Factor Cost

Sector	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80
	----- (N million) -----					
1. Agriculture, forestry and fishing	3,372.7	3,490.7	3,665.2	3,866.8	4,079.5	4,303.0
2. Mining and quarrying	6,552.3	6,886.5	7,244.6	7,635.8	8,055.8	8,506.9
3. Manufacturing and crafts	683.9	755.0	875.0	1,038.6	1,258.8	1,558.4
4. Electricity and water supply	58.7	67.8	80.0	98.4	122.7	154.0
5. Building and construction	821.4	939.7	1,114.5	1,345.0	1,651.0	2,048.3
6. Distribution	971.2	1,068.3	1,178.3	1,315.0	1,472.8	1,656.9
7. Transport and communication	325.0	365.6	423.7	497.8	597.4	725.8
8. General: Government	901.8	1,037.1	1,192.6	1,431.2	1,717.4	2,060.9
9. Education	376.4	447.9	542.0	661.2	813.3	1,008.5
10. Health	132.0	155.8	185.4	224.3	271.4	328.4
11. Other services	215.3	233.4	254.4	278.8	307.2	340.4
Total	14,410.7	15,447.8	16,755.7	18,392.9	20,347.3	22,692.4

Source: Third National Development Plan 1975-1980, vol. 1 (Lagos, Nigeria: Published by the Central Planning Office, Federal Ministry of Economic Development), p. 48.

Table 8. Gross Domestic Product at 1974-75 Factor Cost--Percentage Distribution

Sector	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80
	----- (Percentage) -----					
1. Agriculture, forestry and fishing	23.4	22.6	21.9	21.0	20.1	19.0
2. Mining and quarrying	45.5	44.6	43.2	41.5	39.6	37.5
3. Manufacturing and crafts	4.7	4.9	5.2	5.7	6.2	6.9
4. Electricity and water supply	0.4	0.4	0.5	0.5	0.6	0.7
5. Building and construction	5.7	6.1	6.7	7.3	8.1	9.0
6. Distribution	6.7	6.9	7.0	7.2	7.2	7.3
7. Transport and communication	2.3	2.4	2.5	2.7	2.9	3.2
8. General: Government	6.3	6.7	7.1	7.8	8.5	9.1
9. Education	2.6	2.9	3.2	3.6	4.0	4.4
10. Health	0.9	1.0	1.1	1.2	1.3	1.4
11. Other services	1.5	1.5	1.5	1.5	1.5	1.5
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Third National Development Plan 1975-1980, vol. 1 (Lagos, Nigeria: Published by the Central Printing Office, Federal Ministry of Economic Development), p. 49.

Table 9. Annual Sectoral Growth Rates of the Gross Domestic Product at 1974-75 Factor Cost

Sector	Average Annual Growth Rate				
	1975-76	1976-77	1977-78	1978-79	1979-80
	----- (Percentage) -----				
1. Agriculture, forestry and fishing	3.5	5.0	5.5	5.5	5.5
2. Mining and quarrying	5.1	5.2	5.4	5.5	5.6
3. Manufacturing and crafts	10.4	15.9	18.7	21.2	23.8
4. Electricity and water supply	15.5	18.0	23.0	24.7	25.5
5. Building and construction	14.4	18.6	20.5	23.0	24.0
6. Distribution	10.0	10.3	11.6	12.0	12.5
7. Transport and communication	12.5	15.9	17.5	20.0	21.5
8. General: Government	15.0	15.0	20.0	20.0	20.0
9. Education	19.0	21.0	22.0	23.0	24.0
10. Health	18.0	19.0	21.0	21.0	21.0
11. Other services	8.4	9.0	9.6	10.2	10.8
12. Aggregate annual growth rate	7.2	8.5	9.8	10.6	11.5
					9.5

Source: Third National Development Plan 1975-1980, vol. 1 (Lagos, Nigeria: Published by the Central Printing Office, Federal Ministry of Economic Development), p. 49.

Table 10. Gross Domestic Product at Current Factor Cost--Percentage Distribution

Sector	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80
	----- (Percentage) -----					
1. Agriculture, forestry and fishing	23.4	22.7	22.0	21.0	19.8	18.4
2. Mining and quarrying	45.5	44.4	42.9	41.1	39.2	37.1
3. Manufacturing and crafts	4.7	5.1	5.6	6.3	7.1	8.0
4. Electricity and water supply	0.4	0.4	0.4	0.5	0.5	0.5
5. Building and construction	5.7	6.5	7.4	8.5	9.9	11.3
6. Distribution	6.7	6.9	7.2	7.5	7.8	8.2
7. Transport and communication	2.3	2.4	2.6	2.8	3.0	3.4
8. General: Government	6.3	6.4	6.5	6.6	6.8	6.9
9. Education	2.6	2.7	2.9	3.1	3.2	3.4
10. Health	0.9	1.0	1.0	1.1	1.1	1.2
11. Other services	1.5	1.5	1.5	1.5	1.6	1.6
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Third National Development Plan 1975-1980, vol. 1 (Lagos, Nigeria: Published by the Central Printing Office, Federal Ministry of Economic Development), p. 49.

Table 11. Annual Sectoral Growth Rates of the Gross Domestic Product at Current Factor Cost

Sector	Average Annual Growth Rate				
	1975-76	1976-77	1977-78	1978-79	1979-80
	----- (Percentage) -----				
1. Agriculture, forestry and fishing	9.7	10.8	10.2	10.0	9.9
2. Mining and quarrying	10.4	10.3	10.9	11.2	11.9
3. Manufacturing and crafts	21.6	26.3	29.4	30.8	33.7
4. Electricity and water supply	17.9	17.9	24.3	24.7	25.5
5. Building and construction	28.2	31.6	32.5	35.3	35.1
6. Distribution	16.6	18.0	20.5	22.2	23.0
7. Transport and Communication	19.2	22.9	25.7	29.6	31.4
8. General: Government	15.0	15.0	20.0	20.0	20.0
9. Education	19.0	21.0	22.0	23.0	24.0
10. Health	18.0	19.0	21.0	21.0	21.0
11. Other services	13.8	15.5	17.3	19.0	19.7
12. Aggregate annual growth rate	13.0	14.2	15.6	16.8	18.0
					15.5

Source: Third National Development Plan 1975-1980, vol. 1 (Lagos, Nigeria: Published by the Central Printing Office, Federal Ministry of Economic Development), p. 51.

his 1977-78 Budget Speech, the Nigerian Head of State, Lt. General Olusegun Obasanjo, proclaimed that:

Although much work still has to be done, I am pleased to report that developments in the economy 1976-1977 indicate that impressive progress was made in one National fight against the high rate of inflation which declined from 35 percent in 1975-76 to about 20 percent in 1976-77. An encouraging aspect of the prices development is that virtually all the major components of the consumer price index recorded slower rates of growth in the outgoing financial year.³⁶

Cultural Factors--Manufacturing

Traditionally, direct exports have necessitated little in the way of real involvement of the exporter with the importer. For a long-run profit motivated marketing enterprise, culture should be viewed as the totality of the environment to which it plans to operate and must, therefore, involve itself in it. If operations are to be successful, culture must be viewed as the "sum total of what human beings learn in common with other members of his group to which they belong."³⁷

The Nigerian environment is characterized by tribe, language, extended family relationships, formality, authority bestowed on the elders and work and material gain. Comparing these cultural attributes with those of the peoples of the United States with Western Europe, Japan and other countries with which Nigeria trades, many differences can be seen. It is the inherent cultural differences between countries

³⁶ Federal Nigeria 3 (No. 1; April-May-June 1977): 7.

³⁷ Conrad M. Areasburg and Arthur M. Niehoff, Introducing Social Change (Chicago: Aldine Publishing Company, 1964), p. 15.

and the marketing and manufacturing actions that are the focus of this section. The multinational has no choice but to acknowledge these basic cultural differences. Cultural differences, particularly in the people's assumptions and attitudes, personal beliefs and aspirations, interpersonal relationships and social structure affect the traditional manufacturing management practices of a multinational company.³⁸

Personal beliefs and aspirations. The beliefs of the people about right and wrong, their source of pride, their sources of fear and concern, the extent of their hopes and the relationship between the individual and the society must be strong environmental guidance to the multinational in the manufacturing sector. If a multinational is to be consistent with the environment in which pride is cherished, he must institute incentive programs, good wages, and would encourage group actions in the form of labor unions. The latter is particularly important because of the belief that the individual's needs must be, at certain times, subordinate to the whole group and because Nigerian society is group oriented.

Social structure. If a multinational is gearing its operations for long-run growth in the Nigerian environment, factors such as urban-village-farm origins, determinants of status and social classifications of the people must be used to determine management decisions. For example, the urban-village-farm origins ought to determine equipment selection because of background in upbringing and because of the necessity in understanding the use and purpose of equipments. The

³⁸ Phatak, p. 138.

selection of equipment is very crucial in Nigerian manufacturing. The selectors of equipment for Nigerian manufacturing must determine the proper mix between specialization and intensive labor. Many of the workers in Nigerian factories are of the rural-village background and needed constant and vigilant supervision. The multinational must decide whether to trade intensive labor for more efficiency. Because of the level of education and especially technical education of the factory workers, selected machines should be suited to that level. The machine should also be flexible enough to accommodate economies of scale requirements necessitated by economic growth.

One very important determinant in the developing countries is the large proportion of migration to the large cities that is taking place. In Nigeria, this large movement of the population has taken place in the last five years. The migration is from rural to the urban areas. Most of the rural people who migrate to the cities make up the manufacturing work force. These workers come to the cities with their attitudes and beliefs.

Because the factory worker is usually not the educated Nigerian, the multinational must design the machines to ensure minimum repairs and frequent and constant maintenance requirements. One other cultural factor that would have necessitated the management to institute labor intensive manufacturing factories would be in terms of the Nigerian's orientation to group-work environment rather than individual work environments. In the rural areas, reliance to extended family structure and high individual reliance on group structures necessitated labor-intensive manufacturing entities.

Assumptions and attitudes. The assumptions and attitudes of people constitute, to a large extent, their reason for being. It is in this area that the Nigerian environment and the multinational, as it relates to manufacturing can see great differences. The profit-motivated multinational must then balance their goals when they are in conflict with the people's assumptions and attitudes. For example, what considerations can the multinational make in the area of manufacturing because of the Nigerian's attitude towards time? Nigerian's attitude towards time is not characterized by the rigidity of adherence to exactness as found in the United States and Britain, or in the Western World. What changes are the multinationals making in the areas of production scheduling, materials management to accommodate this attitude dimension: The concept of time as viewed by the multinational is consistent with free-enterprise environment where the loss of time is viewed as an opportunity loss.

The work force of the manufacturing enterprises is made up of rural-farm migrant workers. To many of them, it may have been the first time that they have worked together with Nigerians of other ethnic affiliation and Nigerians who speak different languages. In addition, he now works with "sophisticated" instead of the relatively simple equipment he is used to. Would his attitude toward work be compromised by the type of machine that is used? For example, would he be a better worker if a less sophisticated machine was needed? Both the Nigerian and the multinationals have different basic beliefs and attitudes.

Cultural Factors--Marketing

The success of a manufacturing entity is affected by the perception of the product in the marketplace. The marketplace provides the firms with a guide for market action and the extent of marketing effort.

Nigerian languages and people. The great variety of cultures and of physical types produced by the intermingling of the Nigerian people over time has made it difficult to develop a scientific classificatory system for the peoples of Nigeria. For descriptive purposes, ethnic distinctions have been drawn on the basis of language, aided to some extent by evidence of similarity in custom or other criteria. Language is very misleading. For example, the majority of those listed as Fulani--the cattle ranching Nigerians speak Hausa. Therefore, sometimes it would be inaccurate to give ethnic attributes to linguistic categories.³⁹ However, linguistic categories will be used here for clear delineating differences.

Style of living can be said to match linguistic differences. The Northerner has had Arab world influences and the Southern Nigerians have basically not intermingled with other influences. His style of living and cultural values are somewhat different from those of the Northerner. In recent times, there has been movements of Northerners to the southern regions and vice-versa. Moreover, the government's determination of maintaining compulsory education will further help

³⁹James S. Coleman, Nigeria: Background to Nationalism (Berkeley: University of California Press,), pp. 13-16.

to diminish the differences that have accrued by virtue of language, style of living and ethnic differences.

Urban Nigeria. The relation of urbanization to economic development has always been an important topic in the literature on the problem of the developing world.⁴⁰ Early studies of African urbanization, in the 1950s were concerned with the effects of industrialization and urbanization on traditional tribal society and with the rural migrant's adaptation of modern life in the town.⁴¹ Because of the belief that there is a relationship between urbanization and economic development, the urban areas represented progress and forward looking, and the farm-village represented traditional values and backwardness.⁴² The colonial masters believed that urbanization was an important part of the process of industrialization and modernization, and therefore, thought it necessary and desirable.

Most Nigerians live in the village-farm environment. This urban phenomenon is especially predominant in the southwestern states. The nation's capital, Lagos, as well as the largest urban city in Black Africa, Ibadan,⁴³ is located in this state. The social structure prevalent in this environment is different from those found in the rural states. Also, the greatest intermingling between the different

⁴⁰ See UNESCO, Social Implications of Industrialization in Africa South of the Sahara, London, 1956.

⁴¹ Gavin Williams, ed., Nigeria, Economy and Society (London: Rex Collins, 1976), p. 55.

⁴² Ibid., p. 55.

⁴³ Walter Schwarz, Nigeria (New York: Praeger Publishers, 1969), p. 8.

peoples of Nigeria take place in the urban setting. The urban setting also is characterized by a high number of educated Nigerians. The urban setting does not actually portray the Nigerian tradition. The multinational information base about the environment will almost always be based on the observations of the urban setting rather than both the urban and the rural setting. The infrastructure for collecting market information in Nigeria has not quite evolved.

The Nigerian urban market can be a profitable market. The people in the urban setting in Nigeria are usually very willing to adapt to change. The urban individual was once a village farmer and had to adapt to the urban setting. For this reason, adapting to the multinational's products or services for his livelihood is a part of that adaptation. This fact alone is deceiving. The Nigerian consumer is, by nature, very conservative because of his rooted traditional beliefs and biases. Implementation of relevant marketing and manufacturing strategies will have the possibility of a long-run positive economic effect if this once village farmer's adaptation to the multinational's product and manufacturing is made without losing some of his rooted beliefs and biases.

Interpersonal relationships. The Nigerian environment is characterized by extended family relationships, authority to the elders, importance of family obligations, respect accrued from group perception, objects of loyalty, tolerance to personal and group differences. The Nigerian market is characterized also by protracted loyalty. Promotional adaptation is particularly suited in this type of environment.

Promotional differential can convey this consonancy of multinational product and services to the Nigerian environment as it pertains to interpersonal relationship of the Nigerian people.

Custom and tradition. In the marketplace, multinational should adopt a management system designed to monitor the customs and traditions of the people that it intends to serve. This is particularly important in crucial questions that pertain to product design. Product design is a key factor determining success in international marketing.⁴⁴

Attitudes towards bargaining. The Nigerian shoppers believe in bargaining for the "real" price in the marketplace. Most market transactions are consummated in this way. The multinational non-negotiable pricing structure has always remained the multinational's mode of operation. To adapt to this phenomenon, the multinational must design efficient and fair systems which will direct an economic flow of goods and services from producers to consumers and accomplish the objectives of the society.⁴⁵ To be effective, the multinational must perform those activities which direct the flow of goods and services from the producer to consumer or user to satisfy customers and accomplish the company's objectives. The non-negotiable pricing structure does not include the normal discounts allowed, if any. The multinational's attitude towards pricing is consistent with Western business habits.

⁴⁴Warren J. Keegan, Multinational Marketing Management (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1974), p. 223.

⁴⁵E. Jerome McCarthy, Basic Marketing, 5th ed. (Homewood, Ill.: Richard D. Irwin, Inc., 1975), p. 18.

One of the important reasons for non-negotiable pricing structure is that it affords the multinational with the minimum value base. Although non-negotiable pricing system is predominant at the manufacturer's level, the flexible price system is predominant in the retail and sometimes at the wholesale level. If the manufacturer wishes to maintain the non-negotiable pricing system, he must control the channel of distribution. For example, he can have a franchised system. However, bargaining is the practice in Nigeria and this practice replaces the non-negotiable pricing system as soon as the manufacturer sells his products to independent wholesalers and retailers.

Consumer shopping patterns. Nigerians usually purchase most of their products in a "market." A market is a place constructed in a section of the city where the seller and the buyer can consummate a transaction. Most of their purchases are made here, but many Nigerians buy from department stores, variety stores and even supermarkets. The multinational must evaluate its physical distribution based on this factor. Consumer shopping patterns and their buying habits should aid the multinational in designing their physical distribution policies. Such a policy will directly serve and meet the needs of the customer.

Political-Legal Strategy Formulation

Understanding the legal implications of operating a multinational organization is vital because of the restrictions and/or opportunities these laws will bear on the operation.

Nigerian political situation since independence has been characterized by civil war and military coups. The political process

of free election has been withheld by the military rulers since the end of the civil war in January 1970. Therefore, in this report, government will be used synonymously with politics.

Government

The Government of Nigeria has been actively involved in the business environment since its independence on October 1, 1960. The Nigerian economy is characterized as a mixed economy because the marketplace is characterized by free movement of goods, competition and free entry; however, the Government of Nigeria takes part in business enterprises and competes with other business firms. The Government's involvement is not deemed to be intervention because they are usually in the form of partnership with other firms. The reason why this arrangement has been necessary is because individual businesses in Nigeria cannot finance at this time these types of businesses because they require large investments.

Government as a Supplier of Collective Wants

A private enterprise economy is inconceivable without a public sector in which the state satisfies so-called collective wants which cannot be taken care of in the private sector of the economy because no price can be charged for services rendered. Since private enterprises cannot operate where prices cannot be charged or profit made, the government must step in, make the necessary arrangements, pay for them and distribute the costs among the citizens through taxation.

Often we take for granted the extent to which aids and spending programs influence market interaction between buyers and sellers. However, it is not difficult to recognize the many government activities that help customers in their buying and business firms in the performance of their marketing operations. For example, market interaction could not take place without the protection of private property by the courts and law enforcement. By providing transportation networks, in the form of highways, railroads, waterways, and airway development and regulation, the government of Nigeria makes possible the low-cost transportation of goods from point of production and trade to points of use and consumption. The Nigerian Government provides these services.

There are collective wants which could technically be satisfied in the private sector because a price can be charged. Nevertheless, the Nigerian Government is involved because the nature of production process favors Government ownership. This situation exists in the oil and oil-related industries, electricity, telephone, and telegraph.

Another reason for the collective satisfaction of wants, which could conceivably be taken care of in the private sector, can be found in the fact that private demand often tends to remain inadequate as long as it has to be satisfied at regular market prices. Outstanding is the case of education. The demand by the people of education may be far too low either because incomes are so limited that there is no room left for educational expenses in the individual's demand schedule or else the person requiring education has an erroneous conception or does not understand why having an education is necessary. The Nigerian

Figure 2. Federal Government Allocations for Services 1978-1979

Service	N
Agriculture	83,225,940
Livestock	29,400,000
Forestry	13,210,000
Fisheries	2,566,000
Mining and Quarrying	544,150,000
Manufacturing and Craft	490,863,000
Power	509,863,000
Commerce and Finance	13,880,000
Land Transport System	641,213,000
Water Transport System	240,314,000
Air Transport System	155,311,000
Post and Telegraph	294,260,000
Education	301,400,000
Health	49,573,000
Information	12,000,000
Labor	500,000
Social Development, Youth and Sports	5,051,000
Water Resources	245,785,000
Environment (estimate)	10
Housing	120,705,000
Town and Country Planning	132,851,000
Cooperatives and Supply	10,500,000
Prisons	11,148,000
Defense	708,512,000
General Administration	351,735,000
External Financial Obligations	203,948,000

Source: West Africa, No. 3129 (Buckinghamshire, England: West African Publishing Co., 27 June 1977).

Government, because it is highly interested in educating its people has been forced to take education, at least in part, out of the Nigerian's preference function and the private sector of the economy.

Government Taxation

Multinational companies are allowed higher depreciation allowance for their capital assets in the early years of operation under the "Companies Income Tax" of 1961.⁴⁶ The aim of this policy is to enable the companies to be able to amortize their capital assets during their beginning years so that they can build liquid assets early. The initial percentages for the depreciation allowance for capital assets in the case of machinery are now 20 percent. This is in addition to the annual depreciation allowance of 12.5 percent.⁴⁷

Profits and Dividends

Capital directly invested in Nigeria is granted approved status after careful assessment of its economic benefits to the country. Profits and dividends arising from an investment may be freely transferred to the country of origin in accordance with the exchange control regulations after payment of income tax.⁴⁸ In the 1978-79 Government directives, the rate of company tax was increased from 45 to 50 percent. The existing level of allowable dividend of 16.5 percent has been

⁴⁶ Nigerian-American Relations, Jarboe Printing Company, Inc., 1978, p. 78.

⁴⁷ Ibid.

⁴⁸ Ibid.

increased to 20 percent (i.e., 40 percent gross on tax rate of 50 percent).⁴⁹

Summary

A description of the Nigerian environment is essential in order to understand why executive actions are made. Marketing executive decisions are particularly dependent on the perception of the environment at the time the decision is made. These environmental factors also affect the firm's ability to make marketing decisions.

The economic environment is considered important because of relative potential considerations, long-run profit potential and the effects that economic conditions can have on developing marketing mix planning. Social factors relate to the cultural attitudes of society, level of education and technical skills and conditions of product use. Political factors relate to the laws that can affect marketing decisions. Although there are no anti-trust laws in Nigeria at the present time, there are restrictions about market entry and taxes. The external factors influence and affect marketing decisions. These decisions are made after considerations of the variables individually and in combination with one another. Marketing decisions which are aimed at optimizing the marketplace also must consider such parameters as the resources of the firm and the existing business conditions.

Although these external variables are beyond executive decision-maker control, they profoundly affect strategy planning. Some

⁴⁹ West Africa, No. 3129 (Buckinghamshire, England: West African Publishing Company, 27 June 1977), p. 10.

uncontrollable variables change faster than others. But all can change, requiring adjustments in plans.

Marketing mix considerations are also influenced by the extent or lack of resources possessed by the firm and by the objectives it has established for itself.

CHAPTER III

PRODUCT STRATEGY FORMULATION

Product Design Factors--Marketing

Companies that operate in one or more foreign markets must decide how much, if at all, to adapt their product and marketing mix to local conditions.¹ Product adaptation is defined as altering the product to meet local conditions or preferences. Product adaptation involves the creation of satisfaction because the product must meet real customer needs. Although product extension strategy has economic and management control advantages, the strategy does not necessarily produce products or services that are designed to meet fully the desires of the customers. Rather it assumes that the target consumers in the home country of the multinational and abroad have the same desire and the same environmental conditions or can be made to adjust to sub-optimal product offerings.²

Often in a foreign market product planning situation, multinational corporations are faced with problems pertaining to product design, quality or some other feature of marketing their product.

¹Philip Kotter, Marketing Management, Analysis, Planning and Control, 2nd ed. (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1972), p. 477.

²Warren Keegan, "Multinational Product Planning: Strategic Alternatives," Journal of Marketing, January 1969, pp. 58-62.

Management is always not sure whether the demand will offset the additional cost of designing, producing and marketing the modified product. It was discovered, for example, that in the Nigerian market in appraising the opportunity for product design, the manufacturer should pay special attention to the relative importance consumers attach to different product features. For example, the textile industry maintains a constant trial and error system for product design competitiveness. Because information gathering in the marketplace is very difficult, the textile industry relies on the system of trial and error. The most successful designs have become traditional Nigerian product designs. Another example is found in the style of the pharmaceutical marketing in Nigeria. Although the basic ethical pharmaceutical products remain the same, packages have been redesigned to meet the needs of the consumers in terms of inadequate storage facility or in terms of low level of education. Product features are the component elements of the package design--size, shape, materials, color, text, and brand mark. A design strategy requires analysis of product features. Business managers build into products features designed to influence customers. Taken together, these features constitute the product image.

Almost without exception, the product variety carried by the multinationals investigated was very narrow. In some of the companies, they carried only a few singular items. The multinational's reason for adopting this policy is that proliferation of product features is interrelated with the production and financial functions of a firm as

well as with other marketing activities. Production runs will be shorter and thus more costly if goods are manufactured in several varieties instead of one. Financial risks and inventory costs increase as the variety of sizes and colors increase.³ The investigation revealed also the perception of the multinational as it pertains to product features. The investigated multinationals believe that the Nigerian consumer is a conservative consumer.

Although generally an increase in variety will increase financial risks, so also may an increased marketing effort increase consumption in the marketplace given the existence of demand (present-potential and latent). Failure by the multinational to adapt to the different needs in a given product or product line can be partially accounted for by the newness of the Nigerian market and the political uncertainty since the end of the civil war. For example, proponents of few or singular variety argue that proliferation in the Nigerian marketplace will cause the demand for the present varieties to be diluted thus causing the economy greater harm.

However, Nigeria cannot be said to be a country of homogeneous preferences and wants. Preferences can be attributed to the background of the individual. The different ethnic groups and cultural backgrounds in Nigeria can be attested by the many different languages spoken.⁴

³William J. Stanton, Fundamentals of Marketing, 4th ed. (New York: McGraw-Hill Publishers, 1975), p. 213.

⁴Although Nigeria has three major spoken languages, there are over twelve other spoken languages in Nigeria.

Because of the varied backgrounds a Nigerian can possess, the argument for product satisfaction by offering preferred variety has some merit.

The multinationals investigated carried one or few varieties and do not offer other varieties whose demand are present in the marketplace but not serviced by the companies. For example, in the cosmetic and the tobacco industries interviewed, the varieties are limited. The cosmetic industry offers prestige varieties because it is thought that cosmetics are a luxury and the tobacco industry offers western style cigarettes ignoring the other product lines such as pipe tobacco, mouth tobacco, and the varieties inherent in the differences found in the Nigerian environment. The fact is that perfumes and cosmetic products are widely used by almost half of the Nigerian population who are Moslems and who traditionally use cosmetic items frequently. Also tobacco is widely used in all parts of the country in different forms, especially in the rural areas.

Market segmentation. The lack of depth of the multinational's product line can be said to be a strategy of market segmentation. Market segmentation is the categorical delineation of the marketplace in terms of specific needs for a particular product. Significant modifications are made in the product to meet the specific needs of one or more segments of the market. Market segmentation strategy assumes that markets are made up of buyers of various characteristics and that a single product will rarely meet the diverse needs of a total market. Therefore, the firm develops products and services with attributes preferred by a smaller part of the total market.

Segmentation in Nigeria is based on geographical location, social and cultural background. Also, in general, the different languages can also be used as basis for segmentation. For example, the textile industry adapts to broad regional product design differences in its marketing strategy. While the eastern and western states like bright but subdued colors, the northern states like white, bright yellow and dark colors. The texture of the material in both cases are different. While the multinational broadly segments the market, it rarely practices product differentiation.

The cosmetic industry segments its market on the basis of geography. The two markets aimed at are the affluent who generally live in the cities and the northern Nigerians who traditionally use cosmetic products. Again here segmentation is urban/rural.

In the enamelware industry, basic differences between the three major ethnic groups is highlighted. The inscriptions in the enamelware are basically in ethnic languages. Traditional symbols that are characteristic of enamelware inscriptions are tailored to particular ethnic groups and consequently a particular geographic area.

With many lines of tobacco products, segmentation by geography is very difficult. However, because of the preponderance of preferences which has manifested itself in the Nigerian marketplace, specific brands may receive more marketing effort in a particular market area. For example, although the high priced brands are sold everywhere, the lower priced brands receive aggressive push in the rural areas as opposed to the urban areas. It is felt that the closer the gap between price and

taste, the more the market niche is cultivated. Therefore, the tobacco industry has, to a degree, been successful in providing low cost tobacco products to the rural poor. In the tobacco industry in Nigeria, management actions are motivated by the consumers' environmental conditions.

Product differentiation. In the first place, a high degree of competition has not yet been manifested in the Nigerian environment. This is because of the few enterprises that are present in Nigeria. For example, American increased involvement in the Nigerian market only dates back to 1973. Therefore, instituting product differentiation in an economy of relative scarcity may be a questionable strategy.

Because the multinationals use segmentation based on geography and language, the differences that are implicit are often ignored and overlooked. For example, the textile industry has totally ignored the many differences within a particular region. Although the opportunities for expansion are present, economic feasibilities have necessitated delay. For example, the liquid diet industry found it nonfeasible to market yams in cereal form because the workers wasted the product during the manufacturing process.

Another problem uncovered during the process of this research pertains to available people--workers who can direct a successful differentiation strategy. It was said that differentiation may mean production change and therefore increased capital expense and more training.

At this time in Nigeria, product differentiation strategies are not practiced.

Packaging. A product is a collection of physical, service, and symbolic attributes which yield satisfaction, or benefits to a user or buyer.⁵ A product can also generally be defined as a physical entity--a bundle of potential services with many elements in addition to those inherent in the physical object and finally as the wants and needs the product satisfies. Packaging can be viewed as an inherent part of a product. A package has two functions: containment and promotion.⁶ Containment is essential to efficiency in physical distribution, while the promotional aspects of packaging operate to influence demand. Problems of containment generally tend to be technical and reasonably objective, such as requirements as to strength and size and resistance to moisture and other chemical elements, whichever is appropriate.

Containment function is a very important element in packaging in Nigeria. This is because handling and protection functions are paramount in the Nigerian environment. A package protects a product during transportation and inventory processing on the one hand, and satisfies the ultimate consumers end use needs on the other. Such protection yields obvious economic benefits to all parties by reducing damage in transit and diminishing perishability. This is particularly important since the Nigerian road system is still undergoing drastic changes from the colonial roads. Handling is very important in package

⁵Keegan, p. 215.

⁶Stewart H. Revoldt, James D. Scott and Martin R. Warsaw, Introduction to Marketing Management: Text and Cases, rev. ed. (New York: Richard D. Irwin, Inc., 1973), p. 267.

design considerations. It is not unusual for a package to be handled many times before it reaches the ultimate consumer. Even after it reaches the ultimate consumer, the package fulfills some functions. For example, nearly all the multinationals investigated view their packaging activity seriously. For example, in one of the selling brochures of one of the packaging companies responsible for furnishing packaging material for Nigerian industries, the following was stated: "At every stage of production, quality is fully controlled and maintained. Raw materials are constantly weighed and analyzed . . . colour printing register is checked . . . finished products are subjected to toughness tests."

Well designed packages protect the products they enclose. These packages provide protection in the warehouse of the producer, in transit, in the storage facilities of wholesalers, on retail shelves, and in the hands of consumers. One of the considerations of the package designer then is to insure that the package furnishes the ingredients with adequate protection. Investigation revealed a strong trend towards designing packaging that is compatible with the environment that the product is being used in.

However, when consumers select their product from the open market or from store shelves, packaging becomes an important promotional tool and sales are enhanced by packages that are visible, informative, emotionally appealing, and workable.⁷ Investigation revealed a strong

⁷Dick Warren Twedt, "How Much Value Can Be Added Through Packaging," Journal of Marketing 32 (January 1968): 58-61.

trend towards designing packaging that is compatible with the Nigerian environment.

Packaging and the consumer. Consumer considerations play an important role in developing a package design. In Nigeria, conditions of use and end use considerations are paramount. For example, the size of the pharmaceutical products have been decreased because it is thought that larger sizes will increase spoilage, especially if refrigeration is necessary for preservation. Also, in the tobacco industry, the size of the package of cigarettes has been reduced from twenty to five. In the cosmetic and detergent industries, the sizes of detergent have been downsized almost to the size of a "cup" of detergent. Also in the textile industry, the traditional eight yard cuts now are packaged at six yard cuts.

The unit price versus package considerations are paramount to the Nigerian market. It is assumed that price considerations are primary to Nigerians and mostly for rural Nigerians. It is also assumed that effective demand is present. It is also assumed that unit considerations are primary because of end-use considerations.

Size and package is very important to the Nigerian ultimate consumer. This is because he usually buys in small quantities. The Nigerian consumer buys in small quantities partly because of the absence of appropriate storage facility and partly because of price considerations. Most Nigerian consumers regard price as an important factor because of their low wages. He also buys in small quantities because he has learned to do so by watching the patterns of parents,

relatives, and friends in their purchasing behavior. This investigation revealed a strong and concerted trend towards designing, packaging that is compatible with the conditions of use and end use considerations as it pertains to the Nigerian consumers.

Brand names. The package, product and brand complement one another and each has an important impact on product image.⁸ The seller seeking to obtain the loyalty of existing customers or to gain new ones wants to distinguish his products from those of competitors. Since Nigeria is a young market and since competition is not very intense, branding is not used mainly as a competitive mix. Branding is used mainly for identification. This means that brand names are crucial for the attainment of this objective. When a seller chooses a brand name he is making an important one-time choice. Prices and advertising appeal may be changed but brand name is there for the product's life-time. The introduction of a brand name compatible with the environment can be regarded as the stimulus for a learning process and the easier the process, the more readily the name should be accepted. The identification objective is particularly important because of the level of education. Implicit in identification is the visual aspect of branding considering the low education environment. In Nigeria, where the English language is commonly spoken and officially accepted, research results indicate that the majority of the brands are English names and

⁸Glenn L. Narayane and Ron J. Markin, "Consumer Behavior and Product Performance: An Alternative Conceptualization," Journal of Marketing 39 (October 1975): 1-6.

words. For example, one of the pharmaceutical companies requires that whenever possible, the brand name in a local country be meaningful to the people of that country. The use of traditional Nigerian names is rare; however, some multinationals will use English words or names that have pronouncements characteristic of Nigerian sound (e.g., see Figure 3).

Product	Product Brandnames
Bournvita	Old brandnames (international brands)
Pronto	
Tomapep ^a	
Poundo-Yam ^b	
Goody-Goody ^a	Brandnames characteristic of Nigerian sound
Tom-Tom ^b	
Miki-Miki ^b	
Hip-Hip ^b	
Bazooka ^c	Brandname recently extended to Nigerian environment

^aTomapep and Goody-Goody were introduced in 1966.

^bTom-Tom, Miki-Miki, and Hip-Hip were introduced in the early 1970s followed by Poundo-Yam.

^cBazooka bubble gum is marketed as an international brand. It was introduced in the Nigerian market in 1974.

The tobacco industry has decentralized the function of branding, but import some of its worldwide brands. The enamelware industry in Nigeria, for example, does not use branding at all. They rely on generic names and volume types. Generally, the older brand names are still being widely recognized, but new products are being branded to reflect the Nigerian environment.

Symbolic nature of goods. It has been suggested by some that consumer goods are really social tools or symbols that serve as a means of communication between the individual and his significant references.⁹ Making purchase involves, at least implicitly, making assessment of this symbolism, of deciding whether or not a given product symbol is consistent with the customer's perceived sense of self or self-image.

The purchase and consumption of goods can be self-enhancing. While self enhancement results from a personal, internal intra-action process, the effect on the individual is ultimately dependent upon the product being a publicly recognized symbol. Because of their recognized meaning, public symbol elicit a reaction from the individual that supports his original self-feelings. Goods as symbols serve the individual, becoming means to cause desired reactions from other individuals.

⁹The concept of goods as symbols has been discussed in the literature. For example, see Sidney J. Levy, "Symbols by Which We Buy in Advancing Market Efficiency," in Marketing Proceedings, ed. Lynn H. Stockman (Chicago: American Market Association, 1959), pp. 409-416; and Montrose S. Sommers, "Product Perception and the Perception of Social Strata," in Towards Scientific Marketing, ed. Stephen A. Greyer (Chicago: American Marketing Association, 1969), pp. 266-279.

¹⁰John Douglas, George A. Field, and Lawrence X. Tarpay, Human Behavior in Marketing (Columbus, Ohio: Charles E. Merrill Books, Inc., 1967), pp. 47-64.

The old multinational symbols are widely used and new symbols of local stature are not widely used in the multinationals interviewed. It was almost a consensus that because of relative scarcity, use of local symbols may not yet be the concern of the consumers in Nigeria.

Customer service. Customer service may be defined as all offering of value to an organization's customers or clients beyond the generic physical business offering.¹¹ This definition can be particularized to the Nigerian context if customer service will specifically be concerned with terms of sale, that is, credit, delivery, discounts, and guarantees. In advanced economies, customer service is regarded as an integral part of the "total product." Level of customer service is regarded as an important differential advantage in the marketplace. However, in the less developed economies where relative scarcity is present, customer service is not considered a significant measure of marketing strategy. This finding is true as it pertains to the multinationals investigated.

Credit. The Nigerian culture demands a strong relationship between the borrower and lender. This type of transaction usually takes place in the spirit of friendship or in the case of a relation, in the spirit of family strength. These types of transactions are usually closed affairs. The average Nigerian is not familiar with the bank or credit transactions because basic Nigerian attitude towards credit is negative. Although this attitude is changing,

¹¹Alfred R. Owenfeldt, Executive Action in Marketing (Belmont, Calif.: Wadsworth Publishing Co., Inc., 1966), p. 599.

it is still not acceptable to engage in credit. The multinational also does not offer a different motive for their action.

Delivery. The Nigerian multinationals usually do not offer delivery service to its customers. The channel customers make their own transportation arrangements. The reasons for the multinationals' action are as follows:

1. They do not want to be responsible for damages and pilferage.
2. They do not want to be responsible for insuring the products in transit.
3. Divestment of total responsibility at the delivery point.

For example, the Enamelware industry in Nigeria is mainly located in Lagos, but its customers are equally located in all parts of Nigeria. It has a policy of no delivery and its point of delivery is in Lagos only. Under these conditions, although enormous advantages are present, the damage caused by handling is prohibitive. The common carriers are not regulated in Nigeria either by the Government or by themselves. Often damages cannot only be attributed to handling. The nature of the roads is another important factor and mode of transportation breakdowns is another. Order cycle and materials cycle considerations are not pertinent to the multinational since he sells F.O.B. plant.

The multinationals investigated have not adapted their delivery policies to the Nigerian environment. Control of finished products in transit by the multinationals will tremendously increase supply of needed items. Creating good warehouses in pertinent points will negate traveling long distances by the channel customers; this may reduce

damages and pilferages, thus increasing availability. However, this strategy may not be economically feasible in lieu of the price decree. The tobacco multinational has geared its marketing effort to reaching their customers wherever they may be. Trucks, vans, and even bicycles are used by delivery agents to reach the desired customer.

Discounts and allowances. Payments are encouraged on cash basis. Discount structure would have been appropriate because cash discounts are used to encourage prompt payment. However, Nigerian multinationals do not offer any type of discounts. Offering cash or quantity discounts during periods of little or no competition and relative scarcity is not good economic business in the short-run. However, discounts and allowances are means of reducing prices. Marketers grant discounts to consumers who are willing to accept a lesser bundle of satisfaction than are consumers who do not receive the discount.

Guarantees and warranties. Guarantees, express or implied, are promises made by a seller to buyers assuring them that they will receive certain services or satisfaction. Warranty offers the protection to the consumer against losses due to the purchase of a defective product. Because of the nature of the Nigerian market and because market information and interaction with customers are very hard to maintain on a constant basis, the multinationals investigated have adapted to this situation by instituting very stringent quality control measures. Most of the multinationals investigated maintain high priority for quality control. It is felt that a good

quality product will compensate for constant maintenance and repairs. Making a quality physical product is more important to Nigerians than making promises in the form of guarantees or assuring replacement of defective parts.

The Nigerian multinationals that were investigated were willing to accommodate these changes, that is, changes that pertain to size, package, design, color and sometimes brand name. These types of changes have been characterized as minor adaptation.¹² Although, not all the companies have made these changes, there was no opposition to product feature adaptation.

Product Design Factors--Production

Manufacturing a product in a foreign country requires that the product be examined critically, deliberately and systematically from the point of view of the environment--Nigeria. Figure 4 lists the major factors that need to be considered in relation to the design of a given product.

Level of technical skills. The Nigerian multinationals investigated placed emphasis on training Nigerian workers to be able to run the machines and are now beginning to train maintenance workers. Training of local employees including maintenance workers is particularly a difficult job for the multinational because of the level of

¹² Ralph Z. Sorenson, "An Analysis of Competition Among Local and International Firms in Two Central American Industries (Ph.D. dissertation, Graduate School of Business Administration, Harvard University,), p. 209.

Figure 4. Demographic, Market, Environmental--Product

Demographic, Market, Environmental	Product and Manufacturing
Level of technical skills	Product simplification
Level of literacy	Remaking and simplification
Attitude towards maintenance	Change in tolerance
Availability of materials	Change in product structure

Source: Adapted from: Richard D. Robinson, "The Challenge of the Underdeveloped National Market," Journal of Marketing, October 1961, p. 22.

general education and awareness and because culturally, Nigerians do not regard maintenance as a crucial factor in decision making. However, the Nigerian manufacturing worker must adapt to change in machinery when the need occurs. Most of the machinery used in Nigeria comes from the developed world and investigation revealed that the relationship between speed of line and rate of production is very much considered because of the problem of level of technical skills in Nigeria. For this reason, labor intensive machinery is used in Nigeria. In the Enamelware and the textile industries, the types of machines used required many workers.

Use of labor intensive machinery is necessary because of the low level of technical skill available and also because culturally, Nigerians are oriented towards group work rather than the individual work environment. The multinationals investigated also indicated that

the level of technical skill determined production of some types of product line. For example, the pharmaceutical industry only produces certain brands and types in Nigeria because of the nonavailability of technical people to do the work that is necessary for the completion of the product. The textile industry only produces certain kinds and grades of products too. The liquid diet industry has abandoned many lucrative products because of lack of qualified technical people.

As much as the multinationals are using labor intensive machines and in most cases produce few items and varieties, the low level of technical skills has been a deterrent to multinationals willing to penetrate a market need. For example, one of the companies investigated could not profitably market a local staple because the machine workers were unable to operate the machine properly. In the process of manufacturing and packing this staple, a large proportion of the product was being wasted and therefore not economically feasible to be made. Because of the great amount of handling that takes place in a typical Nigerian industry, quality control is being instituted by some of the multinationals. Quality control is also necessary because of the traditional long channels. Long channel also necessitates many handling and quality controls at the originating point and is being practiced by the Nigerian multinationals.

Level of literacy. The machines that are used are as useful as they are understood to be. The workers employed in these industries are required to complete the grade school level for the assembly line jobs and their supervisors are usually higher in education and usually

given special training. The level of literacy is considered to play a part in determining how simple the manufacturing process should be. For example, the textile industry, which is usually low paying and attracts workers, recently migrating from the rural to the urban area, uses very simple machinery for the purpose of fulfilling their operation. The cosmetic industry also uses simple machinery and its workers are usually paid less and have less formal education.

Knowing the level of literacy is particularly important because of the diversity present in the Nigerian environment. The multinationals are adapting themselves to employing the available work force at the expense of speed and economies of scale.

Level of maintenance. The machinery used for Nigerian manufacturing has high maintenance rates. The situation in Nigeria requires that the multinationals introduce machinery which will have low maintenance rates and less incidence of repair. This is because of the low level of technical skills and education available. Another reason why low maintenance rate is necessary is because of the Nigerians' attitude towards maintenance. Maintenance of physical objects is not held as strictly as an American or as a German would. Maintenance is not as respected as and as important in itself as the physical object. Because of the Nigerian attitude towards maintenance, a low rate maintenance machinery would be best for the Nigerian environment. However, research reveals that the machines used in most of the cases had high maintenance rates. This type of strategy does not go well with the low level of education, technical skills, and the attitude of the Nigerians towards maintenance.

Availability of materials. The aspect of overall logistics concerned with the procurement of raw material, parts, and merchandise for resale is materials management. Materials management is essential to manufacturing because timely and economical delivery is necessary to maintain efficient and continuous production.¹³ Nigeria relies on the multinational's world resources for the supply continuity of the essential products, especially components, spare parts and capital equipments. Most of the items imported cannot be made in Nigeria. The items that are available in Nigeria, for example, cotton and cocoa, are used by the multinational in Nigeria. However, some products are imported, for example, spare parts.

Some of the multinationals engage in backward integration. It is felt that backward integration will help in assuring supply continuity. To avoid erratic availability, it is deemed necessary to establish and maintain a dependable source of supply. They also encourage private independent suppliers by providing necessary advice with regard to the said material. For example, this strategy is practiced in the cosmetic, textile and the tobacco industries by encouraging the maintenance of their respective high quality raw material.

However, the lack of availability of needed material is also a deterrent to adapting to the environment. Most of the multinationals investigated agreed that their product-mix would have had more depth

¹³ Donald F. Bowersox, Logistical Management, 2nd ed. (New York: Macmillan Publishing Co., Inc.,), p. 65.

and breadth if needed raw material and component parts were locally available.

Summary

The multinationals investigated exhibited interest in making their marketing operations compatible with the environment and are more apt to respond in matters relating to the color, taste, size/weight, guarantees, package, and sometimes brand name of a product in the Nigerian environment. In almost all the cases, warranties are virtually not given. However, most of the multinationals investigated have maintained unchanged, the trademark, quality, technical specifications, symbols, and sometimes brand names. It is believed that the changes made by the multinationals are changes made specifically for the Nigerian environment and which by themselves would not have any negative difference in the multinational's world operation. These types of changes have been characterized as "minor changes."¹⁴ However, the multinationals have not changed areas which they believe will affect or disrupt their world operation. These product features which have not been changed are deemed to be very important because they are standardized. That is, the same feature is used in more than one country. By not changing these features to meet the needs of a specific country, the multinational will enjoy the economies of scale, reduced cost and consistency all over its market.

¹⁴ Sorenson, p. 209.

In manufacturing, the multinationals recognizing the cultural bases that can be important in manufacturing, have adapted their management procedure to suit. However, the machinery for production is made in the developed world, and the maintenance of the machine is largely in the hands of non-Nigerians.

CHAPTER IV

DISTRIBUTION STRATEGY FORMULATION

Decision makers in every marketing channel establishment are continuously challenged by changing environmental conditions. This chapter will examine the impact of demographic social and economic changes and technological developments on the structure of the marketing channels in Nigeria. In addition, government intervention and regulations alter the flexibility of decision making in channel relationships. These changing external conditions require the development of managerial approaches for handling responses to environmental pressures as well as the recognition that the various demand and supply situations created by environmental changes lead to variations in the channel decision required. The environmental conditions in Nigeria are recognized by the multinationals as having great impact in the implementation of effective and efficient marketing channels. For example, the degree to which a firm can effectively focus its marketing efforts on chosen or prospective market segments in Nigeria is limited because of lack of components of the logistical system available in Nigeria. For example, it is the common practice for warehouses to be located in the cities. These warehouses serve diverse areas mainly through F.O.B. plant. The channel customer must perform the assorting process for the purpose of satisfying their ultimate consumers who buy in very small quantities.

Description of Channels Used

There are principally two types of channels used by the multinationals investigated in Nigeria. The major decision criteria in the design of the channel of distribution system for the multinationals investigated is the degree of directness to the customer intended by the multinational. The Nigerian multinationals structure the channel of distribution as intensive or integrated (vertical or horizontal). Intensive in the sense that the goods pass through many intermediaries and integrated in the sense that the manufacturer performs the middleman's functions. Therefore, the degree of directness is an important strategic consideration by the multinationals investigated.

Intensive Channel Considerations

In investigating why the multinationals use intensive channel systems, the following criteria were used to solicit response to the use of intensive channel systems:

1. Is financial consideration in the sense of the cost of distribution a strong determining factor in your choice of the channel?
2. Is the unit value of the product sold a strong influence on the length of channel?
3. Has the average order size any bearing on choice of channel and does continuous larger order size receive adequate service level?
4. Does the distance from the customer alter the basic service policy of the multinational?
5. Does geographical concentration of customers affect service level of the manufacturer to the customer?

Financial Considerations

The financial burden placed on the manufacturer tends to be greater when fewer middlemen are involved in the distribution of the products.¹ This is because the responsibility for the performance of necessary marketing functions and efforts fall heavily on the manufacturer's shoulders, thereby requiring a greater financial burden. Because of the buying behavior of Nigerians, most products are funneled through a host of intermediaries. This behavioral pattern necessitates some type of control by the manufacturer if he is interested in maintaining produce consistency and personality. Of the ten multinationals investigated, one exhibited and maintained a strong control of its channel of distribution by creating a countrywide dealership system. The advantage in creating a dealership system are numerous. Two of the reasons for this action are because of:

1. the low level of education by the dealers' chosen; and
2. the need by this multinational to maintain a high degree of standardization in the operation throughout the franchise system to help protect the manufacturer product brand name and to create uniform image through standardized merchandising system and a uniform image.

The need to have some type of control of the products up to the ultimate consumer is very important in the Nigerian environment. This is because of the lack of adequate wholesaling functions performed by the different middlemen that handle products as they go through the

¹J. Taylor Sims, J. Robert Foster, and Arch G. Woodside, Marketing Channels, Systems and Strategies (New York: Harper and Row Publishers, 1977), p. 135.

channel of distribution. The manufacturer will have to rely on middlemen who in many instances do not understand the functions that need to be performed.

At the present time, product availability in the rural and even in the cities is critical. Sometimes this nonavailability is attributed to bad inventory management and sometimes to sheer lack of coordination and lack of understanding as to the cost of non-availability. The dealership system for this multinational is very successful. As a matter of fact, this multinational at the local level uses not only trucks for distribution to the many dealers, the dealers themselves utilize bicycles to distribute their product to the many retailers scattered in the marketing area. This multinational, by exerting some type of control, also controls the type of reseller support he receives from the intermediaries.

Another multinational uses manufacturer distributorship system. In other words, the wholesaling organization is owned by the multinational but operated as a full-fledged company of its own. There are two forms of functional delineation found in this respect, Figures 5 and 6. Vertical and horizontal integration are not prohibited by any of the existing laws in Nigeria. At the present time, there are no anti-trust laws in Nigeria. There are many reasons why this type of integration may be necessary:

1. It helps to effectively, through the multinational, exert a strong leadership and thereby exercise control and reach the performance objective set for itself.
2. It helps to smooth out conflicts that are inevitable in any social environment.

Figure 5. Typical Intensive Marketing Channel

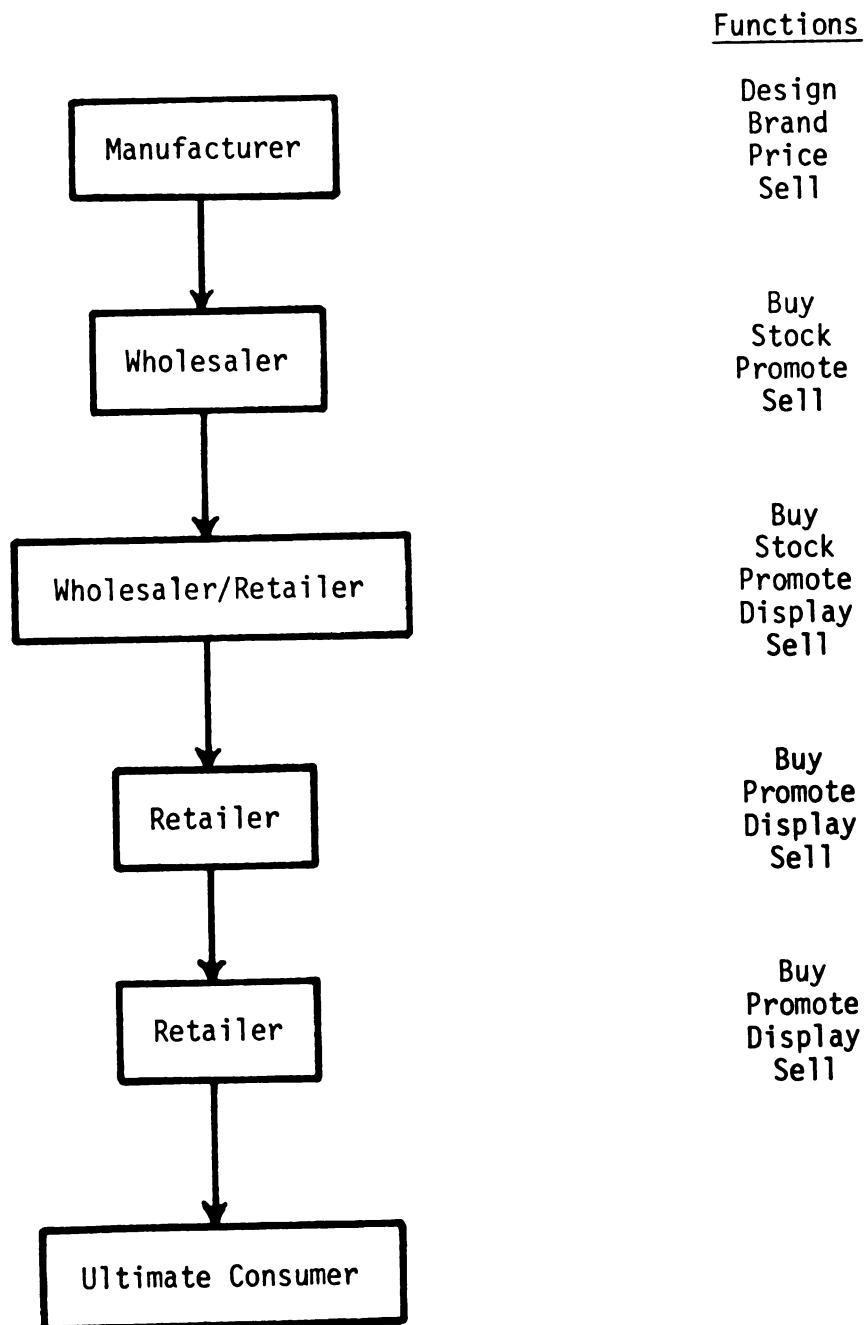
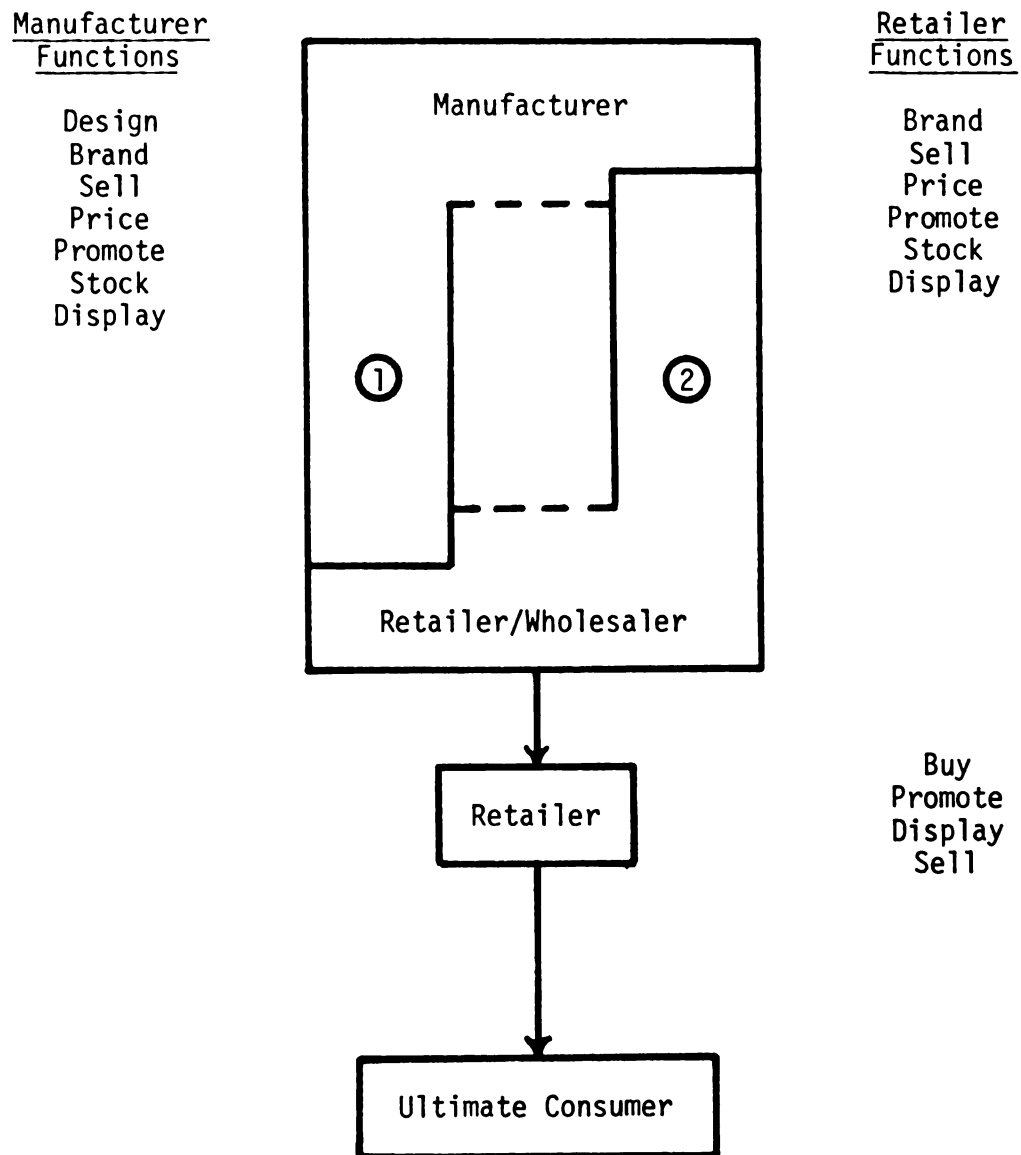


Figure 6. Typical Vertical Marketing Channel



3. Vertically integrating either through the manufacturer or through the wholesaler helps the product services to be consistent with the manufacturer's stated objectives.

These two types of systems are practiced, but the majority of the multinationals used only one step in the channel of distribution. The majority of the multinationals investigated sold only to the wholesaler, frequently on F.O.B. plant and then hoped that the wholesaler would actively sell their product down the line in the channel of distribution. It was found that financial consideration does not play the decisive role in the decision to use a long channel or to integrate functions. The primary reason for the multinationals' action is the need to adapt to the reality of the Nigerian situation. First, the level of education is low. Time and urgency are not properly understood, the relatively bad road system and the still undeveloped warehouse system are reality in the country. The need for a greater control of the flow of the goods, the need to minimize conflict as the goods go through the many middlemen, and also the need to maintain consistency of service are the main factors for choosing this strategy.

Unit Value of Product

Products with a high unit value are more likely to be sold directly than inexpensively priced items.² All of the multinationals investigated manufactured products with relatively low unit value. However, because the product goes through many intermediaries before it reaches the ultimate consumer, and low understanding of channels

²Ibid., p. 135.

of distribution, the manufacturers in Nigeria assume greater share of functional responsibility. These functions include the accumulation process, the allocation process, and the wholesalers are usually responsible for the assorting process. Therefore, in Nigeria, the unit value of a product does not really categorize functional delineations of the middlemen. Rather, the environmental factors determine the functions that are performed by the manufacturer and the middlemen.

Average Order Size

Ordinarily, selling direct becomes much more feasible when the retailer is able to order large quantities at a single time. In the Western world where large retailers exist, their sales volume justifies buying large quantities in a single order. However, in Nigeria, the retailers are, in most cases, small except where there is some type of vertical integration or where there is an unusually large dealer. Because the Nigerian retailer is small and because of limited financial resources, he is not willing to make a full commitment of his limited resources in buying at one time what he believes will sell. The multinationals, for this reason, adopt policies and assume functional responsibilities for accumulation and allocation and even assorting the products for the retailer to meet their particular needs. One of the ways that the multinational achieves his allocation and assorting simultaneously is by knowing and understanding the buyer's size considerations and the condition of use. In Nigeria, small sizes are usually amenable to customer conditions of use and what he pays for it at the time of purchase.

Because the average order size is small and because the retail market is characterized by many individual business men, in different parts of the country, the multinational does not offer transportation as one of its functional responsibilities. Transportation becomes the responsibility of the buyer and risks are shifted to the buyer at the plant site of sale.

Distance From the Market

If the distance separating the manufacturer and the consumer is large, the greater is the need for an intermediary middleman in the channel of distribution to provide services that are best given with market contacts. In Nigeria, most of the industries are located in the urban areas especially in the fringes of the capital city--Lagos.³ Although a great percentage of the multinationals' market is in the urban areas, potential and growing markets are in the rural areas. From proper locational standpoint, the multinational is rational in its choice of the urban area because the services needed to run a manufacturing concern is not present in the rural areas. The personnel needed for the day-to-day functioning of a manufacturing concern have migrated to the urban areas where the promise of greater life is envisaged. However, the multinational cannot effectively serve the rural areas located in different geographic areas of the physical distribution cost is high and if most factories are located mostly in one city. The need for locational diversification is urgent.

³Manufacturing is crowded in Lagos and its fringes, especially Ikeja.

The multinationals interviewed viewed the problem of the distance from the market as detrimental for future growth. Four of the multinationals investigated have other manufacturing facilities other than those located in Lagos. The locational diversification of the manufacturing concern, does not basically change the distribution policies of the multinationals. The same policies that pertain to transportation, for example, persist. The multinationals that have diversified locationally include industries in the cosmetic, tobacco, pharmaceutical, and the textile industries. The locational diversification is especially beneficial to both the manufacturer and the customer. To the multinational, because he has closer contact with the customer and therefore understands some of his sensitivities; to the customer because his transportation expense including time is reduced. Locational diversification especially adapts to the Nigerian road and transportation system. By locating close to the market, the extra "noise" created by transportation is eliminated. The Nigerian roads are so dangerous that recently the Nigerian Federal Government decided to curtail night travels by the trucks because of the increasing number of accidents and the alarming fatality caused by these accidents. Distance from the market in itself does not cause the multinationals to use intensive channels; the Nigerian buying habit, for example, buying in small quantities and in small sizes is a big determinant in the multinational's going through an intensive channel.

Geographical Concentration of Customers

The opportunity for a multinational in Nigeria to sell direct to the customer is not dependent on the geographical concentration of the customer. Customer is used synonymously as ultimate consumer. Because of the Nigerian buying habit, product use habits, many retailers and wholesalers are necessary for the performance of the accumulation, allocating, and the assorting functions which are vitally necessary in the Nigerian environment. If a multinational opts to go directly to the customer and therefore decides to perform the functions implicit in its decision, then the multinational must own the middlemen or must exercise greater control of the middlemen (see Figure 6).

The cosmetic and textile industries in Nigeria are noted for opting for this alternative. These vertically integrated enterprises⁴ dominate the entire channel. There are two types of vertical integration that are practiced:

1. Manufacturer responsible for most of the functions performed in the channel of distribution; and
2. The retailer responsible for most of the functions performed in the channel of distribution.

Manufacturer Responsible for Most of the Functions

In some of the multinationals investigated, especially in the pharmaceutical, cosmetic, and tobacco industries, the manufacturer is

⁴Manufacturing, Wholesaling, and Retailing Organizations operated by a Central Organization with its headquarters in England. These groups of companies are diversified such that direct control of its products are accounted for by any one of the enterprises in the group concern.

deliberately engaged in the performance of the functions of the middleman through a direct ownership of the middleman or through a strong centrally organized dealership system. Direct ownership and control of the channel of distribution necessitates the performance of the following functions--design, branding, selling, pricing, promoting, stocking, and displaying. There are many reasons why assuming responsibility of the functions of the middlemen in Nigeria may be the right thing to do. First, for efficiency reasons, strong direct control is essential; second, the necessary knowledge for the performance of the functions is not yet abundantly present. This system is typical of the European multinationals.

Retailer Responsible for Most of the Functions

In some situations, the retailer assumes most of the functions necessary for product availability. This type of arrangement also places most of its attention on the market. This type of arrangement usually emphasizes retail and merchandising techniques compatible with the market. For example, these multinationals, in promoting their product, would be market-oriented.

The functional responsibility in this type of channel arrangement is performed by the retailer. He performs the following functions: buy, promote, display, and sell.

Environmental Factors Affecting Channel Design

Demographic factors. With the population of close to 70 million, only about one-sixth of Nigerians live in the urban centers of over 20,000 people.⁵ The rest of the Nigerians live in small and rural centers.

Geographical distribution of population. The Nigerians living in the urban areas are mostly engaged in businesses other than farming. In other words, the geographical distribution of population can be further delineated or segmented to factors like education, technical knowledge, market concentration and concentrated spending patterns. The channel designs in Nigeria are strongly influenced by urbanism. The channel members and all its functionaries are located in the urban area because the colonial governments were located in the urban areas which were also the commercial centers. For this reason, most of the people living in the urban areas are usually more educated and more aware of benefits accruing the use of products manufactured by the multinational. All of the multinationals interviewed are relying heavily on the urban concept in designing and developing their channel designs. For example, almost without exception, most of the wholesalers responsible for the transfer of the products at the first step of the channel system are located in Lagos. That is to say that any other interested buyer must buy direct from the manufacturer. This will mean that the other wholesalers who may be interested in the

⁵Stern and El-Ausary, p. 538.

product will have to travel to the city in order to be able to sell the product. The multinationals that were investigated almost without exception maintained the policy of production positioned warehouses. Production positioned warehouses are located such that it can act as a collection point because of the discrepancy of quantity problems and which serve in the case of Nigeria as the point from which the orders are filled. The production positioned warehouses in Nigeria will be most suitable if the following services are included as is intended by the use of production positioned warehouse:

1. Shipped to the customer in the mixture necessary to satisfy customer requirements.
2. Used to mix carloads to move to customer locations at consolidated transport rates.
3. To furnish superior service for the total product assortment.

In Nigeria, the production positioned warehouse, although advantageous to the manufacturer, poses many problems to the buyer because of the many environmental factors imposed like the bad roads and loss of sales that occurs due to delays. The production positioned warehouses are beneficial to the customers in the immediate vicinity and to the manufacturers because they can best control the financial considerations from their own end. This policy does not reflect the importance of the potential market and the long-run implications. The multinationals cultivate the urban market. The primary target market, by design, place less emphasis on the secondary, tertiary and the miscellaneous target markets.

Economic factors. Because Nigerians live in the rural areas, it is often thought that they do not possess purchasing power. This is not always so because of the extended family relationships which necessitated the sharing of income with the immediate and extended members. However, the warehouses and the attendant services are located in the urban areas. Therefore, locational considerations of the warehouses as viewed by the multinational, are almost restricted to the convenience of servicing a limited market. The design of the channel of distribution if viewed from the economic strength of buyers, should include the intermediately-positioned distribution warehouse and the market-positioned distribution warehouse. Economic factors are also crucial to the manufacturers in the sense of the risk factors present in the Nigerian environment. For example, production-positioned warehouses, like the ones in Nigeria where services are almost non-existent, are justifiable from the multinational's point of view because its use eliminates some economic risks and uncertainties implicit in the Nigerian environment.

Customer Mobility

Nigerians do not move many times as do the Americans. Americans are noted for their high mobility rate. In fact, approximately 20 per-cent of Americans move each year.⁶ Many Nigerians have not even left their birthplaces for an appreciable length of time, if at all. It

⁶E. Jerome McCarthy, Basic Marketing, A Managerial Approach (Homewood, Ill.: Richard D. Irwin, Inc., 1975), p. 135.

can be said that the present urban-rural delineation will remain for some time to come. Channel design by the multinational must put this factor into consideration. Almost without exception, the multinationals investigated do not put this variable into consideration. Their production-positioned warehouses are predicated on the buyer assuming the risk at the production site.

African urban growth results more from migration than from natural increases among the townspeople, and the main cities are growing much faster than the population as a whole.⁷ Some reasons why urban areas are growing are:

1. The better entertainment and facilities available in the towns.
2. The effect of education in making high school leavers dissatisfied with a farmer's life.
3. The better job prospects and income levels (usually apparent rather than real) in the town.
4. Natural increases of population which can no longer be absorbed on the land.

Because of these increases in population, the existing services are crowded. Locating strategic manufacturing entities in urban areas only with their high power consumption and requirements and consistent need for electric power and all attendant services necessary for operation may be called to question. In Nigeria, it is not unusual for the manufacturing concern to lose many hours daily because of what is commonly referred to as "power failure." Adapting warehousing and

⁷Garvin Williams and Rex Collings, eds., Nigeria: Economy and Society, London, 1976, p. 57.

manufacturing concerns to Nigeria's real situation will necessitate locational diversification. Of the multinationals investigated, only two were located in regions other than the Lagos area.

Summary

The Nigerian subsidiaries of the multinational corporation will select intensive channel systems because this method allows for intensive assortment. This is possible because of the need dimensions among the channel customers and the ultimate consumers. The middlemen are actually small businessmen who buy and sell in degrees of quantities. It is not unusual for middlemen to buy in very small quantities at a time. This is partly due to lack of adequate storage spaces. Therefore, the amount or quantity purchased does not differentiate a channel customer from the other.

There are many large middlemen, however. The middlemen representing the British multinational interests are generally large and cannot be described as small or without adequate space. However, they do fulfill the function of quantity discrepancies and allocation problems.

Geographical concentration in the urban area is considered very important in channel selection. It is thought that urbanization means progress and that business centers are the hubs of business transactions. However, this concept has led to strategies formulated with the urban concept in mind. Urban Nigeria is a reality and many million Nigerians live and work in the urban areas. They represent a large percentage of the market. The rural Nigeria is not yet considered important.

The rural Nigeria is seen by the multinationals as not having met the criteria for separate market cultivation.⁸

1. Measurability: The degree to which information exists or is obtainable on the particular buyer characteristic.
2. Accessibility: The degree to which the firm can effectively focus its marketing effort on a chosen segment.
3. Substantiability: The degree to which the segments are profitable enough to be worth considering for separate marketing cultivation.

However, the existing channels serve the main, large numbers of middlemen who travel back and forth to the large cities filling the orders meant to satisfy his ultimate consumers in the rural areas.

⁸Ibid.

CHAPTER V

PROMOTIONAL STRATEGY FORMULATION

Promotion is a communicative activity whose purpose is to move forward a product, service, or idea in a channel of distribution. It is an effort by a seller to persuade buyers to accept, resell, recommend, or use the product, service or idea being promoted. This is the reason why promotional activity must tailor itself to the environment in order to be effective with the promotional message.

The promotional mix is desired to inform, persuade and remind customers and potential customers of a company's product or service. The extent of success of the promotional effort can, in part, be attributed to the physical product. The promotional strategy of a physical product can be enhanced by invoking product attributes and values which are compatible with the people and their environment.

The characteristics of each market in terms of (a) environmental forces; (b) life-styles of the target market; and (c) legal and ethical factors, the degree of success of a firm's promotional effort is to a considerable extent dependent upon the extent to which these characteristics are manifested in the decision-making considerations. Also the degree of success of a firm's promotional effort is to a considerable extent, dependent upon the type of competitive conditions prevailing in the industry in which the firm is operating.

Market Information

The collection, communication, and interpretation of market information is vital to the marketing process. Marketing information involves the gathering and interpretation of data relating to product availability, marketing plans of sellers, purchasing plans of buyers, the quantities available, the prices that sellers and buyers are willing to receive or pay. It may also include the number of consumers, their locations, their purchasing power, and their motivations. Market information is virtually nonexistent in Nigeria at the present time. For example, not one of the companies investigated had actual specific demographic data about their ultimate consumers. The multinationals that were investigated, in the majority of the cases, limit their involvement in the marketplace at the middleman level. Therefore, this chapter will be interested mostly in the relationship between the multinational and the wholesaler. Another important reason for limiting discussion at the wholesaler level is because of foreign entry restrictions at the middleman level.

Legal Restrictions

The indigenisation decree restricted foreign entry in the broker, wholesaler, retailer, and wholesaling, and retailing functions in Nigeria.¹ It did not restrict any form of reseller support and therefore, some type of control if the manufacturer desires. The

¹Non-Nigerian enterprises are not permitted to engage in wholesaling activities unless their gross sales/year are greater than N2,000,000.

choice of type of channel to be used by the multinational is not in any way restricted. Therefore, the middlemen function is mostly reserved for Nigerian enterprises except for those multinational corporations who had large wholesale enterprises before the decree. Two of the multinationals interviewed were vertically integrated from manufacturing to retailing--the tobacco and the cosmetic multinationals.

Vertical/Horizontal Integration/
Independent Middlemen

The early multinationals that established in Nigeria--especially those established by the British, were vertically integrated. During the colonial era, the British firms established warehouse and retail facilities in Nigeria. After Nigeria attained her independence in 1960, these multinationals established manufacturing plants. One of the multinationals has embarked on a strong materials management department responsible for buying the necessary raw material, but at the same time, rendering advice, counsel and providing needed expertise to their suppliers.

The tobacco industry utilizes the franchise method. Franchising is a continuing relationship, in which one party, the franchiser, provides another, the franchisee, a licensed privilege to distribute his products and services in return for a royalty or other considerations from the franchisee. Typically, the franchiser achieves the maximum degree of control over the franchisee, short of outright ownership by imposing a standardized pattern of operation on the franchisee.²

²Sims, Foster, and Woodside, p. 30.

The vertically integrated channels of the multinationals mentioned earlier are not closed to other manufacturers. For example, most of the textile industries in Nigeria use the wholesale and retail institutions already vertically integrated to another multinational (see Figure 7).

The Channel of Distribution--Promotion

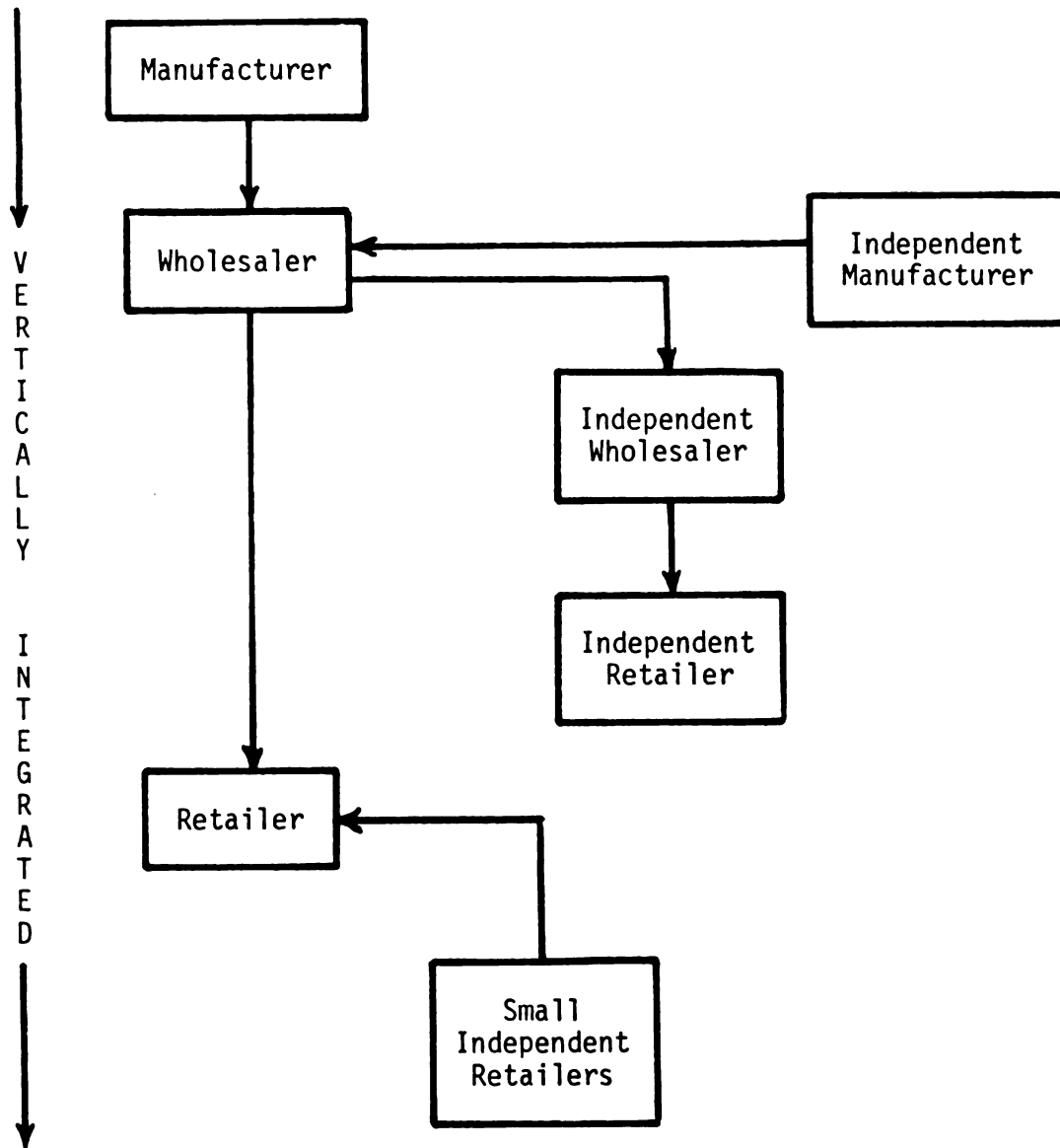
Channels of distribution may be viewed in many ways which are especially important when considering the development and implementation of a promotional strategy. These are: (1) environmental factors, and (2) lifestyle of the target market.

Environmental Factors

Adapting to environmental forces is important. For example, changing marketing messages such as changing brand names, can be very important. The investigation of the multinational revealed that the following factors are important in the environmental delineation of promotion: (1) language; (2) cultural beliefs and aspirations; (3) social structure, age--tradition; and (4) urban-rural.

Language. The use of Nigerian language in the multinational promotion will be considered as adapting to the people. At the same time, the use of a specific Nigerian language may be detrimental to long-run growth because of the persistent ethnic differences. Most of the multinationals questioned have the opinion that because of the ethnic differences and because of the many different languages spoken, a neutral brand naming procedure is in order. For example, Cadbury, a

Figure 7. Typical Vertical Marketing Channel and Types of Customers



producer of liquid diets, uses sounds that are acceptable to most Nigerians. For example, see Figure 8. Nigerians are fond of two vowel words and the multinationals interviewed have started changing their brands. It is noted in Figure 8 that most of the changes in names are just recent. The pharmaceutical industries that were interviewed have two different views on this topic. The American multinational view is that health products' names and brands should be standardized so as to assure worldwide credibility and image. The American multinational ruled out the geographic branding strategy except where such is beneficial to the corporation worldwide. The Swiss pharmaceutical multinational view the sale of/and use of health products in terms of the customers' everyday environment (see Figures 8 and 9).

Sometimes branding may not be specifically important in the Nigerian market. For example, in the textile and the enamelware industries, the physical appearances of these products make up for the local language branding. These products are amenable to implicit promotion because local languages or images or proverbs are imprinted or engrained in the products. For example, the enamelwares used in Nigeria have decorations and written words in local languages. It is not uncommon to find popular words or pictures or rules to be engraved or imprinted into these products. The products themselves are amenable to use in continuous promotion especially since Nigerians generally like bright colors. The products generally sell themselves.

The cosmetic industry, one of the vertically integrated multinationals, use both local and standardized branding. For example,

Figure 8. Nigerian Product Brand Names

Product Name
Bournvita ^d
Pronto
Tomapep (R) and (G) ^a
Poundo Yam ^b
Goody-Goody ^a
Tom-Tom ^b
Miki-Miki ^b
Hip-Hip
Buttermint ^c
Bazooka ^b

^aTomapep and Goody-Goody were introduced in 1966.

^bTom-Tom, Miki-Miki and Hip-Hip were introduced in the early 1970s followed in 1974 by Poundo-Yam and Bazooka. Bazooka is marketed as an international brand.

^cButtermint, the company's newest product, was introduced in 1976.

^dBournvita is an international brand.

Figure 9. Ciba Pharmaceutical--Brand Names

Variant	Standard Trade Mark
Antasten	Antistine
Cibalen	Cibalgin
Cibalena	Cibalgin
Desverin	Desferal
Elfanex	Adelphane-Esidrex-K
Eplusim	Spasmo-Cibalgin compositum
Ermonil	Yermonil
Esidrix	Esidrex
Espasmo-Cibalena	Spasmo-Ciblagin
Espasmoplus	Spasmo-Ciblagin compositum
Follicyclin	Ovocyclin
Gammacorten	Millicorten
Laxaform	Peristaltin
Locorten	Locacorten
Losalen	Locasalen
Mertandren	Perandren
Mexaferment	Mexase
Microcyclin	Anacyclin 101
Neo-Bradoral	Bradoral
Nuvacthen	Synacthen
Orisulf	Orisul
Otriven	Otrivin
Perandrone	Perandren
Pericianal	Nupercainal
Psocortene	Locacorten Tar
Regitol	Spasmo-Cibalgin compositum
Rilatin	Ritalin
Rogitine	Regitine
Salena	Locasalen
Serpasol	Serpasil
Spasmoplus	Spasmo-Cibalgin compositum
Tacital	Tacitin

because its target market is made up of the urban dwellers of the western part of Nigeria and the Nigerians of the northern part of Nigeria, this multinational uses local northern or Hausa names for some products and the standardized name for the urban market.

The decision of the language to be used for a product with markets in the urban and rural areas must include the consideration about acceptable languages in specific areas. For example, English is the predominant language used in business transactions and adapting to this environmental factor will be acceptable in the urban areas whereas it may not in the rural areas because of their level of education and their strong entrenchment in their traditional norms and traditions.

Cultural beliefs and aspirations. The best type of promotion to the rural Nigeria is through their trial and then acceptance of the product. It is very difficult to convince rural people through the use of media. First, they do not own televisions, only very few own radios. They rarely read the newspaper; the few that do, do so because of the news value, not the promotion that may be contained in the paper. Magazines in most parts are only sold in the cities. So in order to convince the rural villagers about a product, the product must satisfy a specific end use. For example, the tobacco in Nigeria is passed out to visitors in one's home and it is used as part of socializing. The end use is twofold. First, it satisfies the entertainment beliefs of the people; second, the type of tobacco used completes positively the socializing function. This is why the tobacco industry

does have a good future because cigarettes are not only for smoking; they satisfy other functions too. Another example can be found in the cosmetic industry. Cosmetics among the Moslems of Northern Nigeria are not viewed only from its aesthetic functions alone. The use of cosmetics is implicit in the traditional belief. This is why the cosmetic industry gives special attention to the Moslem market and tries to differentiate by color, smell, and package.

Social structure. In Nigeria, social structure is based on age-tradition, money, income and education. The multinationals that were interviewed were questioned in regard to their selection of middlemen and the extent of reseller support anticipated. Although level of education and general understanding of business and the money income were generally important in the multinational's choice of middlemen, age and cultural standing in the community was the most important criteria. Selection of middlemen is based heavily on age plus factors like education and money wealth. Also this goes for the old wholesalers. Those wholesalers are automatically targeted as a channel mostly based on their long standing in their communities. For example, in the franchise system used by the tobacco industry, most of their dealers' mean ages were above forty-five.³ In addition, especially in the northern part of Nigeria, these dealers are devout Moslems and are entrenched in the traditions of their environment and their community. Also, in the liquid diet industry, most of the customers have good standing traditionally with their communities. In the textile industry,

³Information received from an official of the tobacco industry in Lagos, Nigeria.

the traditional vertically integrated channels are used because of their long establishment in the Nigerian community. These wholesalers have been in Nigeria for at least fifty years and have established long standing ties with the people. This means that the selection of the resellers or the wholesalers is crucial in the Nigerian context. The mere selection of the reseller following the Nigerian culture of age and long standing automatically assures promotion of the product. These wholesalers or resellers are drawing grounds for other wholesalers and retailers that product lines carried by these wholesalers virtually sell themselves.

In the pharmaceutical industry, the same strategy is used. In interviewing two pharmaceutical multinationals, it was disclosed that the credibility that Nigerians give to age plays a big factor in their sales strategy. For example, the salesmen are told to use soft sell because hard selling to older doctors and pharmacists may produce adverse effect to the selling objective. It is also thought that the older doctors serve as references to the younger ones and that any adverse statement about a company by him may be literally taken for its face value by the younger ones. The selection of resellers and the approach is crucial in the Nigerian environment.

Urban/rural. The urban/rural delineation can be very important promotional strategies. Although there is limited use of advertising media like television, newspaper, magazines, and mail, their use is usually limited to a large extent to the urban areas. The cosmetic, textile, and tobacco industries make very limited use of these media

in the urban areas. The outdoor advertising is predominant in the tobacco industry in the urban areas. Bright colors will help expose product especially in the retail "open markets."

Most of the older Nigerians live in the rural areas. The demography of the urban areas is characterized by young and more educated Nigerians. In terms of personal selling, the same consideration given with respect to social structure is given here; however, the approach to personal selling in the urban areas is different from the approach used in the rural areas. For example, the approach strategy in the urban area is that of convincing while in the rural area, awareness and use direction are emphasized. For example, the textile multinationals use the same wholesalers. Therefore, one of the textile industries competes on the basis of selling designs to the wholesalers before it makes it, in which case almost everything they make is sold. The textile industry is forced to be conscious of the choice the people will like.

Lifestyles of the Target Customers

The Nigerian consumer usually buys in small quantities. This is partly because of the absence of adequate and proper storage space. This is also partly due to low disposable income,⁴ especially as it pertains to wealth distribution due to extended family considerations. Therefore, size considerations in the Nigerian environment are strategic. Large sizes of products would have the effect of discouraging

⁴Figures on disposable income of Nigerians are not available.

purchase first because of lack of space and second because of the high unit price. Consumption habits are also very important in delineating what sizes should be produced. The multinationals interviewed were particularly sensitive to this topic. The pharmaceutical industry promoted dosage sizes to the doctors because they felt that the level of education is low and that use directions may not be followed properly by the consumers of ethical drugs. The American multinational interviewed used this strategy in its personal selling effort. The tobacco industry is promoting the ten package and the five package cigarettes. This package consideration is especially important in the rural areas where cigarette smokers purchase one cigarette at a time from street hawkers whose average margin on a twenty package is about five cents.

In the enamelware industry, lifestyle considerations in promotion are very necessary. Sizes of the enamelware are a strategic decision. Unlike the tobacco and the pharmaceutical industries, large sizes of enamelware are conducive to the Nigerian's lifestyle. First of all, Nigerians have large families. Second, polygamy is widely practiced both in the urban and the rural areas. In the northern part of the country, the Moslem law permits more than two wives. Therefore, small sizes of enamelware will not satisfy the need of a large and polygamous family. Moreover, Nigerian families will generally eat out of one large dish.⁵ The type of enamelware is also an important

⁵This practice is prevalent in the Ibo and the Hausa culture.

consideration for promotional purposes. For example, durability is considered important because of the Nigerian use conditions such as cement floors and shelfless kitchens, and lack of adequate storage facilities. Catering to these factors in themselves, provides enamelware multinationals with built-in promotion since media promotion may not have a positive effect because of the buyer's level of education, especially in the rural areas.

Summary

The Nigerian subsidiaries of the multinational corporation regard language as being important to the Nigerian market although care is taken not to alienate the ethnic groups by the use of a sectional language for branding and/or promotion. For this reason, some multinationals have used sounds characteristic of the Nigerian.

Because of the uniqueness of the Nigerian culture compared to the Western culture, and because of the general low level of education, the multinationals have, to some extent, adapted their resources and effort to the Nigerian situation. Respect for age is generally respected and promotional activities are to some extent geared to highlight respect for old age.

The urban/rural delineation has special significant problems for the multinational. Promotion in the urban areas is, to some extent, geared towards the young. This is because most of the retired and older people usually move back to their respective villages. Also, in the urban areas, the level of education is higher than in the rural

areas. For this reason, the multinationals use radio, television, and newspapers in promotion. However, in the rural areas, where about 80 percent of the Nigerians live and where the level of education is generally lower, personal selling is usually highlighted. Usually the selection of the company sales representative or the franchised dealer is a respected, usually older citizen of the given area. The selection of this individual is of vital importance because initial product acceptance chiefly depends on the credibility of the franchise dealer or the manufacturer's representative.

Promotion in the Nigerian context must weigh heavily on the urban/rural delineations.

CHAPTER VI

CONCLUSION

As outlined in Chapter I, the points of issue in this study are:

1. To what extent are the manufacturing multinationals operating in Nigeria adapting their manufacturing and marketing activities to reflect the Nigerian environment? In other words, what are the multinationals doing in their marketing decisions and how does it reflect the environment in which it is operating? For example, what type of distribution channel is most feasible in Nigeria given the prevailing circumstances, or what type of promotional mix or price and price ranges are used in lieu of the level of income, socio-cultural dimensions, or what type of machinery can best suit the Nigerian environment in lieu of the level of education of the people? The question that would be addressed is that which would concern what is being done by the multinationals and whether these actions are compatible with the environment in the areas of manufacturing, product, place, and promotion. Price will not be considered because of price control instituted by the Government.

2. To what extent are the manufacturing multinationals operating in Nigeria adapting their manufacturing and marketing activities to reflect the Nigerian environment and to what extent can these

changes be said to be fostering a non-dependence relationship? The extent to which it fosters a non-dependence relationship begins with changes adopted for reasons of environmental conditions. In other words, are the changes made for the reasons of environmental conditions? For example, if a multinational builds market-positioned warehouses, could it be because the road or the transportation infrastructure is poor? Changes in market operation which are made so as to assure availability in spite of the poor infrastructure is said to foster non-dependence.

3. Is the multinational's ability to adapt to the Nigerian environment affecting the structure of the decision-making system? In other words, how does the structure of the multinationals affect their adaptation policy in Nigeria?

4. Is there any relationship between the length of existence of the subsidiary and its adaptation policies? The issue here is that which pertains to the cultural aspects of adaptation. Have the "old" subsidiaries subscribed to adapting to the environment in which they have invested a long time period?

Before we can determine whether any of these questions have been answered, a review will be made of the major findings presented in Chapters II, III, IV, and V, and attempt to conclude why a particular marketing mix is used or not used.

As summarized in Figure 10, one can see the first two points of issue are delineated. Many questions have been answered. These are the questions that pertain to changes which have been characterized

Figure 10. Market Mix/Manufacturing Analysis

Decision Areas	Target Market	Product	Distribution	Promotion
Market strategy	Segmented market/region, language. Product differentiation is rarely used.	Imitation of products produced elsewhere in the world.	Intensive distribution is consonant with the environment because of the peoples' buying habits.	Push strategies is most suitable because promotional media for "pull" is not developed.
Market emphasis	Market is viewed as distinct within the Nigerian environment. Demographic dimension is used to delineate separate markets. Cultural dimensions are implicit and are considered given. However, target markets are usually defined from the demographic standpoint.	Product/market placement is preferred. Selling product characteristics are not emphasized.	Selling requirements, for example, package size, is emphasized. Market requirements are not regularly considered.	Market characteristics and product attribute promotion are not of priority concern to the multinationals. Personal selling and selection of franchise dealers are of prime concern to the subsidiaries. Training of sales force is necessary because of the level of the workforce.
Control of effort	No market measured. Market information and communication is not yet developed.	Product/market information is not solicited because of lack of proper communications network in Nigeria. Also because of apparent scarcity, there is no incentive on the part of the multinational to seek it.	Proper evolution is not taking place because of apparent lack of the right information on which to plan.	The results of advertisement are very difficult to measure because the level of the understanding in the language in which it is written and because of relative scarcity of these goods. The emphasis on using elderly distributors give rise to some market consolidation and concerted marketing effort as a result.
Product design	Because of relative scarcity in the Nigerian market, the consumer is not yet interested in physical product changes reflecting his environment. The changes made are irrespective of the physical product. For example, brand, selling techniques.	Design changes in the areas of: 1. Packaging 2. Labeling 3. Branding 4. Unit size 5. Package size are commonly seen. In many cases, the physical product is <u>not</u> changed.	Nigeria's infrastructure is in its infancy. However, since most sales are FOB Plant, product design should consider quality as implicit because of the bad road system and the amount of product handling in an intensive channel.	Since most Nigerians live in the rural areas, word of mouth is best suited to the situation, especially with low level of education. The product design is very important selling point but rarely are they evoked. Subsidiaries do not see any incentive in using advertising since relative scarcity of their product exists in the marketplace.
Channel considerations	Although the market in the rural areas may be responsive to certain products, decisions about the channel are made: 1. On the basis of urban location and where it can be controlled. 2. Location-preferably the urban area because it is thought that there is a captive market there.	Changes in packaging are made based on channel considerations. Long channel is dominant in Nigeria. High damage results as a result of accidents and packing methods.	Manufacturer's warehouses serve as distribution points. Other subsequent transfers are made in small quantities by channel customers because Nigerians buy in small quantities.	Using the channel members as a promotional source is achieved because alternative choices are scarce. Product receives unsolicited word of mouth advertising at the retail level. Design considerations also count on the private dealers and the manufacturer's representatives to represent certain pride and cultural role there by assuring market acceptance of the product based on that.
Market information and promotional design	Knowledge about profile of target market is not available. Information about market is difficult to get especially when the multinationals are located in urban area only. Market closeness is not practiced. Urban markets are regarded as target markets most of the time.	Use considerations are difficult to communicate because of level of education of user. Maintenance policy is difficult to communicate because of Nigeria's attitude towards maintenance. Quality monitoring difficult to implement.	Manufacturer has no control over product and promotion of product once the goods are sold. Manufacturer cannot protect product image or design promotional messages consonant to this desired image. Sometimes manufacturers are unaware of where and by whom the products are used. Adequate channel customer information profile is not kept	Product package at the consumer level serves as promotional device. Word of mouth is very important because of lack of available media and because of difficulties in communicating to the target consumers.

Figure 10--Continued

Decision Areas	Target Market	Product	Distribution	Promotion	Manufacturing
Market information and promotional design	Knowledge about profile of target market is not available. Information about market is difficult to get especially when the multi-nationals are located in urban areas only. Market closeness is not practiced. Urban markets are regarded as target markets most of the time.	Use considerations are difficult to communicate because of level of education of user. Maintenance policy is difficult to communicate because of Nigeria's attitude towards maintenance. Quality monitoring difficult to implement.	Manufacturer has no control over product and promotion of product once the goods are sold. Manufacturer cannot protect product image or design promotional messages consonant to this desired image. Sometimes manufacturers are unaware of where and by whom the products are used. Adequate channel customer information profile is not kept.	Product package at the consumer level serves as promotional device. Word of mouth is very important because of lack of available media and because of difficulties in communicating to the target consumers.	
Social class and culture	Can be based on urban concept: 1. Wealth 2. Education. Can be based on geography: 1. Region 2. Language. Can be based on culture: 1. Age 2. Tradition.	Consideration of product attributes is crucial here. Use of local symbols is paramount. Use of local brand-name is proper here. Taste, color, packaging are important considerations.	Vertical integration helps in placing product at proper selling point. Usually the elderly will purchase in familiar grounds, preferably in the "market." The wealthy may purchase in the department stores, variety stores, etc.	Has high possibility of use in the future. Presently not so important. Symbols, language, local brands, other pertinent product design will help to create mass market when relative scarcity begins to disappear.	Respect for age in job assignment and training. Manufacturing plant not so sophisticated. Workers not used to complicated machinery. Group work is essential because of: extended family relationships and Nigerians' desire to be subordinated to group norms. Labor union representation may be palatable to Nigerian workers.
Urban/rural	About 80 percent of Nigerians live in the rural area. This market is not yet developed. Urban targets are easier to reach. Urban market behavior more understood. Rural market largely represents potential market.	Product consideration is most important because of the level of education. Use of local symbols is important for the rural market. Use conditions must be simple and understood. Use of local branding will help in the urban area. Use will increase product awareness.	Rural market is not concentrated. Served by small retailers who sell in small quantities. Urban market more concentrated and distribution more coordinated. Distribution infrastructure located in the urban areas. For example, warehouse, transportation facilities.	Urban promotion is characterized by media advertisement. Promotional innovation is tolerated in the urban areas. The rural areas are characterized by symbols, word of mouth and brand promotion. Personal selling may be important in the rural areas.	More educated migrate to the urban areas. More amenable to technology. The urban worker is more tolerant and adaptable. Most manufacturing located in the urban city centers. For example, Lagos.
Economic	Rural customers are farmers. Income not high. Rural dwellers receive money from relatives in the city. Generally characterized by poverty. Can only afford to buy in small quantities. Urban dwellers generally more affluent. The wealthy elite live in the urban areas.	Product size considerations are important because of relative low level of income. Package considerations are important for the same reasons. Demand for product is more concentrated in urban areas.	Some wholesaler's and most retailers sell in small quantities FOB plant. Transport to rural areas important in determining list price. Scale transportation necessary for rural penetration.	Most media reach only very few customers. Rural customers are susceptible to brand insistence and brand loyalty.	Lack of necessary material may cause delays. Frequent power failure constitutes loss of production and income. Frequent maintenance necessary because of use conditions. Low technology production facility adequate. Low maintenance machines necessary because of the conditions of use.

as "minor" changes. For example, changes in brandname, symbols, etc. have been partially made. Most of the changes have been made to enhance the marketing technique of the multinational. For example, a product with a Nigerian language name or a familiar Nigerian sound is more apt to be accepted by the Nigerians. It seemed as if these changes are made because they are necessary for the creation of a Nigerian marketing atmosphere and image. However, these changes are not being promoted and used as demand creation strategy because of all the limiting environmental factors as delineated in Figure 9.

The multinational sometimes is blamed for not instituting changes. However, conditions in the environment must be agreeable for any change to be instituted. For example, almost all the multinationals investigated decried the lack of market information, but added that there is nothing they can do about it because of the limiting environmental factors. Another example can be seen in the need for more diversified warehouse systems. Most of the multinationals decried the high incidence of damages on the Nigerian highway but indicated that not enough manpower to run their warehouses can be generated to run and maintain warehouses in the rural areas. Moreover, the necessary infrastructure to maintain a warehouse may not even be available in the rural areas.

The multinational has not made many changes in the physical products themselves. The products are usually imitations of a product which may yet still be produced in the Western world or production shifted to other countries including Nigeria. The physical product remained the same in almost all the cases investigated.

Although the physical product remained the same, the necessary marketing ingredients, for example, color, and brand are being changed gradually. Therefore, it can be said that the changes that have been made by the multinational corporations in product planning, place of sale considerations, promotion, and manufacturing are made in order to reflect its activities to the Nigerian environment. The degree of change may be called to question, but the changes made reflect the environment.

Reflection of the Nigerian environment by marketing mix changes create Nigerian nationals to manage and foster these changes. Future changes now have a base relevant to Nigerian experience and thus fostering a degree of nondependence relationship.

However, Figure 10 does not show the relationship between the length of time a multinational has engaged in Nigeria and its adaptation policies. The extent of adaptation policy inclination was not apparent from the investigation. The policy as stated by all of the multinationals investigated centered around a strong willingness to make sure that the subsidiary is successful and be profitable in the long-run. However, the "old" colonial business houses have been in Nigeria the longest and have to a certain extent created a "niche." The extent to which these "old" colonial businesses succeed may not be dependent on their ability to adapt to change but on their loyal conservative wealthy class customers.

Because the "old" companies have been in Nigeria for over half a century does not mean that they have adapted to business conditions

in Nigeria. Their market niche was created long ago when awareness about multinational adaptation was not relevant to the Nigerian customers' buying decisions. The length of time a multinational engages in business in Nigeria does not seem to have any relevance to their degree of adaptation.

Except for two companies interviewed, the other companies have been in existence only since Nigeria's independence in 1960. There was no difference in the attitude towards adaptation on the part of the multinationals and there was no evidence in the Nigerian marketplace that the older multinationals are responding more to environmental adaptation than the others.

Decision making in the Nigerian multinational from the companies investigated was found to be of two types as it relates to marketing. Decisions about brand name, color, etc., have been decentralized to the subsidiary level. These decisions are usually made by the company officials at the subsidiary level. These type of decision decentralization facilitates implementation of marketing changes that must be made in order that certain marketing tactics can be used. For example, the decision to use a certain brand name may be made at the subsidiary level in order that the probability of choosing the right brand name or the success of initial brand awareness among the people is enhanced.

The other type of marketing decisions are those that pertain to the types of products, depth and width of products, and the control factors necessary for evaluation of performance. These kinds of decisions are partly centralized and are made in the multinationals

regional or headquarter office with inputs from the decision makers in the subsidiary. For example, decisions about product line extension was found to be made in the regional or headquarters of the multinationals in the majority of the multinationals investigated.

Other types of decisions made are those that pertain to manufacturing considerations. Investigation revealed that there are two types of decisions that are made in manufacturing. The first type is concerned with type of machinery and all the attending advantages and disadvantages as it pertains to the Nigerian environment. Investigation revealed that such decisions have not been decentralized. The type of machinery used is tied to financial considerations. Financial decisions usually are centralized.

The other type of manufacturing decisions that are made are those that pertain to the work environment and how the workers adapt to the technological environment. For example, decisions about workload, group versus individual work assignments are decentralized and the decisions are made at the subsidiary level. Structure of the multinationals, that is the type and form of the organization does not seem to impact one way or the other in terms of what the multinationals do in the marketplace. For example, most of the multinationals interviewed believe that decisions regarding specific tactics have been decentralized but decisions regarding strategies are either shared with the subsidiary or totally centralized.

Areas of Further Research

Since information about marketing executive decisions in Nigeria is not available, this research fulfills, in general, the general tendencies of decision making criteria as they pertain to Nigeria. However, further investigation is needed in the area of Nigerian rural markets and its long-run potential. Although the urban market provides relatively adequate market at the present, future growth of the multinationals within Nigeria may hinge on rural market cultivation.

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