COURSE GUIDE

ENT 722

ENTREPRENEURIAL MARKETING

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COURSE GUIDE

INTRODUCTION

This course guide tells you the nature of the course materials you are going to use and how you are expected to use them for meaningful benefits. It is expected that at least two hours should be devoted to the study of every unit. For each course units, there are exercises. You are encouraged to do them. They serve as points of reflections, which are necessary for proper understanding of the facts.

At the end of each unit, there are tutor-marked assignments, which you are expected to answer. They serve as revision and continuous assessment. Tutorial lectures will be provided. This is the opportunity you have for a face-to-face contact with your facilitator. Any area you did not understand will be explained during the tutorial classes.

This book is written in the simplest format to enable students learn faster and efficiently. It is aimed exposing students to an out of the box way of running a business successfully. In the course of study, you will be required to create your own brand. We hope that by the end of this lesson, you would have gathered enough marketing knowledge to help you launch your brand. You can also refer to the references for further studies.

COURSE AIMS

The course aims at exposing you (students) to the necessary information that will add to the student’s knowledge on Entrepreneurial Marketing. The aim of the course shall be achieved by:

- Defining and explaining marketing in clear terms
- Examining the conceptual framework of marketing
- Discussing the various marketing concepts
- Defining and explaining the evolution and concept of entrepreneurial marketing
- Assessing the conditions for effective Entrepreneurial Marketing
- Explaining the concept of product and service
- Defining and explaining market strategy
- Itemizing the various types of markets
- Highlighting the core marketing functions
- Identifying and understanding the various forms of business
- Explaining the concept of marketing planning and segmentation

❖ Explaining the concept and importance of packaging and advertising in entrepreneurship

❖ Critically analyzing some entrepreneurial marketing case study

COURSE OBJECTIVES

Upon successful completion of this course, overall you should be able to / have:

- An in-depth knowledge of entrepreneurial marketing
- An in-depth knowledge of the various forms of business and markets.
- Explain and apply the concept of entrepreneurial marketing
- Deploy all knowledge about entrepreneurial marketing to ensure organization success.
- Practically deploy your knowledge of entrepreneurial marketing in solving real life business problems.

COURSE MATERIALS

1. Course Guide
2. Study Units
3. Textbooks
4. Assignment File
5. Tutorials

STUDY UNITS

There are 4 Modules and 15 study units as shown below:

MODULE 1

UNIT 1: THE CONCEPT OF MARKETING

- Define and explain marketing in clear terms
- Examine the conceptual framework of marketing
- Discuss the marketing concepts
- Distinguish between a product and service

UNIT 2: MARKET

- Define and explain market
- Analyze the various kinds of markets
- Marketing mix strategies deployed by these markets.

UNIT 3: THE CORE MARKETING FUNCTIONS

- Product Strategy
- Place or Distribution Strategy
- Pricing Policies and Strategy
- Promotion Strategy
- Discuss the new product development
- Identify and discuss the various stages of new product development
- Discuss sales force management skills, and;
- Some of the entities that are being marketed
- Discuss Ferber’s fundamental Customer Rights

MODULE 2

UNIT 4: ENTREPRENEURSHIP

- Defining and examining the concept of entrepreneurship
- Discussing the nature of entrepreneurship
- Analyzing forms of entrepreneurship and leadership
- Analyzing entrepreneurship as business activity
- Risk Bearing
- Evaluation of management decision making
- Highlighting strategic planning

UNIT 5: HISTORY OF ENTREPRENEURSHIP AND HOW ENTREPRENEURSHIP STARTED IN NIGERIA

- Explore the history of entrepreneurship and its birth in Nigeria.

UNIT 6: THE ENTREPRENEURSHIP DEVELOPMENT IN NIGERIA

- Identify the entrepreneurship development in Nigeria
- Discuss certain key concepts as they relate to entrepreneurship development and how entrepreneurship development contributes to the national economy, etc.
- Review of discussion on entrepreneurship

MODULE 3

UNIT 7: ENTREPRENEURIAL MARKETING

- Definition of entrepreneurial marketing
- Characteristics and dimensions of entrepreneurial marketing
- Difference between entrepreneurial and traditional marketing

UNIT 8: THE IMPORTANCE OF RELATIONSHIP MARKETING

- Define and explain the importance of relationship marketing
- Deduce some of the reasons for relationship marketing
- Enumerate the key methods employed in building relationship marketing
- Compare technical support and resource support as method of building relationship

UNIT 9: MARKET SEGMENTATION

- Identify and explain some of the market segmentation strategy adopted
- Examine product market/product differentiation marketing
- Discuss the various characteristics of effective market segmentation

UNIT 10: BASES FOR MARKET SEGMENTATION

- Elucidate the benefits of market segmentation
- Highlight the various steps in market segmentation
- Analyze the justification of market segmentation

MODULE 4

UNIT 11: MARKETING PLANNING

- Definition and Meaning of Marketing Planning
- The Need for Marketing Planning

UNIT 12: QUALITIES OF A GOOD MARKETING PLAN

- Constraints to Marketing Planning
- Marketing Plan Content

UNIT 13: FORMS OF BUSINESS OWNERSHIP

- Examining the features of sole proprietorships
- Discussing the sources of fund of sole business
- Identify the forms of business ownership
- Analyzing forms of Partnership
- Discuss the sources of funds of partnership

UNIT 14: PACKAGING AND ADVERTISING IN ENTREPRENEURSHIP

- Examining the function and strategies for packaging and advertising as promotional marketing elements in entrepreneurship.

UNIT 15: ENTREPRENEURIAL MARKETING CASE STUDY

- Analyzing different entrepreneurial marketing case studies to gain practical knowledge.

For each study unit, which you are expected to spend at least three hours, there are specific objectives. At the end of each unit, measure what you have learnt against the objectives. If there is any deviation go back to the contents of the unit. There are textbooks, which you may go for additional information.

The exercise in each unit has to be attempted to ensure that you are following the ideas being presented. In addition, there are tutor-marked assignments. You are entreated to attempt them, as some of them will form part of the continuous assessment.

ASSIGNMENT FILE

There will be fifteen (15) assignments, which will cover the following areas:
The conceptual framework of marketing, the concept of entrepreneurship and its history, the concept of entrepreneurial marketing, product marketing concept, selling marketing concept, the societal marketing concept, forms of business ownership, marketing planning, market segmentation and planning, packaging and advertising in entrepreneurial marketing, entrepreneurial marketing case studies.

PRESENTATION SCHEDULE

This concerns date for tutorials, submission of assignment to be sent to you in due course.

ASSESSMENT

This will be in two forms:

1. The continuous assessment which will be based on 30%.
2. The final semester examinations after you have completed the material 70%.

TUTOR-MARKED ASSIGNMENTS

There is TMA at the end of each unit and you are to submit the six. Each of them is 10%.
As soon as you complete your assignment, send it immediately to the tutor. The best three (3) will be selected for continuous assessment purpose.

FINAL EXAMINATION AND GRADING

The final examination of ENT 722 will be of two-hour duration and have a value of 70% of the total course grade. The examination will consist of questions which reflect the type of self-testing, practice exercises and tutor-marked problems you have come across. All areas of the course will be assessed.

You are advised to revise the entire course after studying the last unit before you sit for the examination. You will find it useful to review your tutor-marked assignments and the comments of your tutor on them before the final examination.

COURSE REVIEW

This table brings together the units, the number of weeks you should take to complete them, and the assignments that follow them.

UNIT	TITLE OF THE WORK	WEEKS ACTIVITY	ASSESSMENT
ONE	The concept of marketing	1	1st Assignment
TWO	Market	1	2nd Assignment
THREE	The core marketing functions	1	3rd Assignment
FOUR	Entrepreneurship	1	4th Assignment
FIVE	History of entrepreneurship and how it started in Nigeria	1	5th Assignment
SIX	The entrepreneurship development in Nigeria	1	6th Assignment
SEVEN	Entrepreneurial marketing	1	7th Assignment
EIGHT	The importance of relationship marketing	1	8th Assignment
NINE	Market segmentation	1	9th Assignment
TEN	Bases for market segmentation	1	10th Assignment
ELEVEN	Marketing Planning	1	11th Assignment
TWELVE	Qualities of a good marketing plan	1	12th Assignment
THIRTEEN	Forms of business ownership	1	13th Assignment
FOURTEEN	Packaging and advertising in entrepreneurship	1	14th Assignment
FIFTEEN	Entrepreneurial marketing case study	1	15th Assignment

HOW TO GET THE MOST FROM THIS COURSE?

In distance learning, the study units replace the university lecturer. This is one of the greatest advantages of distance learning; you can read and work through specially designed study materials at your pace, and at a time and place that suit you best. Think of it as reading the lecture instead of listening to a lecturer. In the same way that a lecturer might set you some reading to do, the study units tell you when to read your set books or other material.

Just as a lecturer might give you an in-class exercise, your study units provides exercises for you to do at appropriate points. Each of the study units follows a common format. The first item is an introduction to the subject matter of the unit and how a particular unit is integrated with the other units and the course as a whole. Next is a set of learning objectives. These objectives let you know what you should be able to do by the time you have completed the unit. You should use these objectives to guide your study. When you have finished the units you must go back and check whether you have achieved the objectives. These objectives let you know what you should be able to do by the time you have completed the unit. You should use these objectives to guide your study. When you have finished the units you must go back and check whether you have achieved the objectives. If you make a habit of doing this, you will insignificantly improve your chances of passing the course. The main body of the unit guides you through the required reading from other sources.

READING SECTION

Remember that your tutor's job is to help you. When you need help, don't hesitate to call and ask your tutor to provide it.

1. Read this course guide thoroughly.
2. Organize a study schedule. Refer to the "Course overview" for more details. Note the time you are expected to spend on each unit and how the assignments relate to the units. Whatever method you choose to use, you should decide on and write in your own dates for working on each unit.
3. Once you have created your own study schedule, do everything you can to stick to it. The major reason that students fail is that they get behind with their course work. If you get into difficulties with your schedule, please let your tutor know before it is too late for help.
4. Turn to unit 1 and read the introduction and the objectives for the unit.
5. Assemble the study materials. Information about what you need for a unit is given the "Overview" at the beginning of each unit. You will always need both the study unit you are working on and one of your set books on your desk at the same time.
6. Work through the unit. The content of the unit itself has been arranged to provide a sequence for you to follow. As you work through the unit you will be instructed to read sections from your set books or other articles. Use the unit to guide your reading.
7. Review the objectives for each study unit to confirm that you have achieved them. If you feel unsure about any of the objectives, review the study material or consult your tutor.
8. When you are confident that you have achieved a unit's objectives, you can start on the next unit. Proceed unit by unit through the course and try to space your study so that you keep yourself on schedule.
9. When you have submitted an assignment to your tutor for marking, do not wait for its return before starting on the next unit. Keep to your schedule. When the assignment is returned, pay particular attention to your tutor's comments. Consult your tutor as soon as possible if you have any questions or problems.
10. After completing the last unit, review the course and prepare yourself for the final examination. Check that you have achieved the unit objectives (listed at the beginning of each unit) and the course objective (listed in the course guide).

TUTOR AND TUTORIALS

There are 8 hours of tutorials provided in support of this course. You will be notified of the dates, times and location of these tutorials, together with the name and phone number of your tutor, as soon as you are allocated a tutorial group.

Your tutor will mark and comment on your assignment, keep a close on your progress and on any difficulties you might encounter and provide assistance to you during the course. You must mail your tutor- marked assignments to your tutor well before the due date (at least two working days are required). They will be marked by your tutor and returned to you as soon as possible. Do not hesitate to contact your tutor by telephone, e-mail, or discussion board if you need help. The following might be circumstances in which you would find help necessary.

Contact your tutor if:

1. You do not understand any part of the study units or the assigned readings.
2. You have difficulty with self-tests or exercises.
3. You have a question or problem with an assignment, with your tutor’s comments on an assignment or with the grading of an assignment.

You should try your best to attend the tutorials. This is the only chance to have face-to-face contact with your tutor and to ask questions which are answered instantly. You can raise any problem encountered in the course of your study. To gain the maximum benefit from course tutorials, prepare a question list before attending them. You will gain a lot from participating in discussion actively.

MAIN CONTENT

MODULE ONE

UNIT 1: THE CONCEPT OF MARKETING

CONTENT

1.0 INTRODUCTION

The objective of this unit is to introduce an array of definitions that forms the fundamental background of this life experience subject. This unit is designed to explore different scholastic interpretations dotting the marketing landscape about marketing, markets and new product development.

2.0 OBJECTIVES

It is therefore expected that at the end of this unit, you should be able to:

- Define and explain the concepts of market and marketing.
- Explain selling, product and societal marketing concept
- Distinguish between a product and service marketing
- Identify fundamental Customer Rights

3.0 MAIN CONTENT

3.1 DEFINITION AND MEANING OF MARKETING

Pride and Ferrell, (2015) sees marketing as the process of creating, distributing, promoting and pricing goods, services, and ideas to facilitate satisfying exchange relationships with customers and to develop and maintain favorable relationships with stakeholders in a dynamic environment. Marketing is also observed to be an activity because it is a process of engagement of marketing activities and strategies that result in making products available that will satisfy customers while making profits for the companies that offer those products. Marketing activities are numerous and varied because they basically include everything needed to get a product off the drawing board and into the hands of the customer. The board field of the marketing includes activities such as:

- Designing the product and services so it will be desirable to customer by using tools such as marketing research and pricing
- Promoting the product so people will know about it by using tools such as public relations advertising, and marketing communications
- Selling a price and letting potential customers know about your product or service and making it available to them.

This posits why American Marketing Association defines marketing as “the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.” This definition implies that as a process, it involves a series of actions or operations that are performed in order to achieve desired objectives.

Marketing should be an organization wide practice. This is why some marketing academics and practitioners believe that as a management process, it is an art and science of getting things done and with people. It must be focused on the customer, product and services and work with the segmentation of the markets in the most productive and cost- efficient manner to derive profitability. The fundamental marketing goal is to capture and retain customer's profitability. The fundamental marketing goal is to capture and retain customers profitably. This posits why Armstrong, Kotler, Trivets, Buchwitz and Gaudet (2015) sees marketing as managing profitable customer relationships.

Marketing has moved from customer acquisition (winning new customers); through customer retention (keeping existing customers for life); through customer selection (be selective in choosing customer-priority for the profitable ones). If customers are wrongly selected, they might end up as bargain hunters only who exploit sales promotion and move on and on. It is therefore advisable for marketers to keep loyal and profitable customers because lifetime customers have lifetime value for the organization.

Diverse authors have over the years come up with different definitions of the term marketing due to its nature as a multidiscipline profession with contributions from different bodies of knowledge. A critical observation of these definitions reflects the background of the author either through training, job experience, or both. This indicates why various definitions see marketing as a philosophy or orientation.

According to Oyedijo, Ogundele, Idris and Aliu (2010), marketing is posited as getting the right goods and services to the right people at the right place, at the right time, with the right communication and promotion. This definition suggests marketing as the creation, development and delivery of products and services that satisfy the needs and wants of the customer, at a profit.

Inference from this definition also suggests that customers are the focal point of every organization. They always have to identify with and define their products as what they do to satisfy customers but not as what organizations make or produce.

A market on the other hand has different meanings to different sets of people. It is described in terms of place, monetary value, location, and demand for a product or level of exchange or time. For example, a marketer defines a market as a set of actual and potential buyers of an offer; while an economist defines mainly on issues of conduct, performance or structure of the market. For a definition and clear meaning of market, let us examine the following terms:

- ❖ Market – the business of selling and buying commodities (products and services). It is not confined to space, locally and time.
- ❖ Internet - The internet enables market to be in cyber space, 24 hours a day (interactive

online marketing)

- ❖ Marketer – A person who promotes sales
- ❖ Market economy – this is where sales occur with less interventions from authorities
- ❖ Marketable – commodities fit to be offered for sale or services from the business of moving goods and services from the producer to the customer. It involves the act of promoting sales of commodities, including research, advertising and packaging.

FUNCTIONS OF MARKETING

The fundamental marketing goal is to capture and retain customers' profitability. Marketing has the following functions:

- Marketing research establishes the needs and wants and the target market
- Product development creates the specifications to satisfy the target market.
- Manufacturing makes the products in accordance with specifications
- Branding attaches an identity that differentiates the products from competitors
- Advertising communicates brand value and benefits
- Promotion stimulates consumer demand and repeatedly purchases
- Sales and distribution ensures products are mad available at retail outlets.
- Logistics delivers the products cost-efficiency on a timely basis
- Merchandising maintains products quality and freshness at the retail outlets
- Consumer service provides support for the products to reinforce customer value

3.2 ENTITIES THAT ARE GENERALLY MARKETED

- **Goods:** Any physical product.
- **Services:** All professional services provided by professionals or organizations.
- **Events:** Trade shows, contracts, sports, etc.
- **Organizations:** Corporate, Business Concerns, Universities, Museums, etc.
- **Places:** Countries, States, Cities etc.
- **Properties:** Real Estate, Stocks etc.
- **Persons:** Celebrity marketing.
- **Experiences:** Theme parks, theme hotels, amusement parks, water parks etc.
- **Information:** Information about every possible aspect.
- **Ideas:** Family planning, AIDS awareness, prevention of drugs, smoking and drinking, sex education, etc.

3.2.1 DISTINCTION BETWEEN PRODUCTS AND SERVICES

Product can be defined as anything that has the capacity to satisfy customer needs. According to Oyedijo, et al (2010), a marketer defines a product as anything that can be offered to a market for attention, acquisition, use or consumption to satisfy a human need or want. While tangible goods are the most visible amongst entire market offerings of organizations, market offerings consist of physical and non-physical objects which are called services. Product and services are parlance used interchangeably in banking, Accounting, Insurance, and other service oriented organizations. For example, financial service products come in form of deposit, borrowing, credit activities or services or foreign exchange transactions which are intangible, expressed and cannot be measured. Better service is more important than just a good product in the marketing of banking, insurance, accounting and financial market services, so the focus should be on the want and need of satisfying that product or service.

3.3 CONCEPTUAL FRAMEWORK OF MARKETING

A marketing framework is a visual representation or logical flow of your marketing plan. It contains several components that work together as a whole to bring your marketing vision to reality. By taking the time write a marketing framework, your options for marketing your business, products and services can become clearer and you can create an actionable plan for promoting your products or services. While the pragmatic marketing framework provides a standard language for your entire product/service team and a blue print of the key activities needed to bring profitable, problem-oriented products to market; the marketing exchange is the act of obtaining a desired object from someone by offering of value in return. Several marketing concepts with management orientations have been articulated by marketing experts under whom organizations can conduct their marketing activity. These include the production concept, the product concept, the selling concept and the marketing and societal marketing concept.

3.3.1 THE PRODUCTION CONCEPT

This is one of the oldest concepts guiding sellers. It is a management orientation that assumes that consumers will favor those productions which are available and affordable, and that the major task of management is the pursuance of improved production and distribution efficiency. The implicit presumptions of this concept to the organizations are:

❖ Consumers are primarily interested in product availability and low price.

❖ Consumers' all know the price of the competing brands, and the organization's task is to keep improving production and distribution efficiency and lowering costs as the key to attracting and holding customers. Organizations should therefore focus their main energy on achieving work efficiency without introduction of impersonality and consumer insensitivity.

3.3.2 THE PRODUCT CONCEPT

This concept assumes most customer will favor those products that offer the most quality for the price, and therefore the organization should focus its efforts on improving product/service quality. The concept indicates that consumers are primarily interested in product quality, and know the quality and feature differences amongst the competing products. Products are chosen on the basis of obtaining the most quality for their money. However, in reality, organizations are expected not to operate solely on a product concept because consumers do not automatically learn about new or improved products, believing that they are really superior or show a willingness to pay a higher price.

The organization with a better product will not progress unless it takes positive steps to design, package, and price the new product attractively, place it into convenient distribution channels, and bring it to the attraction of the customers concerned. Likewise, it is expected that the organization should have first determined whether the new product was needed to solve this problem effectively.

3.3.3 THE SELLING CONCEPT

This concept assumes that customers will either not buy or buy enough of the organizational products unless the organization makes substantial efforts to stimulate their interest in its products. The organization achieves this by:

a) Inducing consumers to buy more through various sales stimulating devices or;
b) Make consumers tend to resist buying most things that are not essential.

It is therefore Management's task to have a strong sale-oriented or focused department that makes it important to attracting and holding customers. Organizations practicing this concept often assume that their products are **"sold" not "bought".** This is because potential customers are sought for and while the benefits of the products aren't the main reason of selling. Unfortunately, great risks abound in practicing the selling concepts especially in its hard driving form, since customer's satisfaction is considered secondary to obtaining a sale. This eventuality spoils the market of the seller in the long run, because there is often no repeat purchase by the buyer. The buyer in this situation is either coerced or sweet talked into buying something which ordinarily is not needed. The item may eventually not be used and no repeat purchase is envisaged.

3.3.4 THE MARKETING CONCEPT

This is a business philosophy that challenges the above three business orientations. The central tenets were crystallized in the 1950s with the underlying objective that for an organization to be effective in sales, it must understand what the needs and wants of consumers are. In essence, organization understands her competitors and their strategies in such a way that it produces or creates goods needed by consumers, then delivers the product while communicating customer value to its selected target customers. The marketing concept rest on four pillars: target market, customer needs, integrated marketing and profitability.

Distinctions between the sales concept and the marketing concept:

- The sales concept focuses on the needs of the seller but the marketing concept focuses on the needs of the buyer.
- The sales concept is preoccupied with the seller's need to convert his/her product into cash.

The marketing concept is preoccupied with the idea of satisfying the needs of the customer by means of the product as a solution to the customer's problem (needs). The marketing concept represents the major change in today's company orientation that provides the foundation to achieve competitive advantage. This philosophy is the foundation of consultative selling. The marketing concept has evolved into a fifth and more refined company orientation. This concept is more theoretical and will undoubtedly influence future forms of marketing and selling approaches. It is an organizational wide commitment to reaching and responding to customer needs.

3.3.5 THE SOCIETAL MARKETING CONCEPT

While marketing concept lays emphasis on consumer satisfaction, this concept argues for an extension of the focus of marketing. Achieving the full profit potential of each customer relationship should be the fundamental goal of every marketing strategy. It calls on organizations to focus more on consumer well- being which his satisfaction may not accommodate. Organizations are encouraged by this concept to look beyond extant consumer satisfaction to his long-run well-being and the well- being of the larger society. Organizations should not strive to satisfy their objectives at the expense of the society. In furtherance of the aspiration, organizations are to reconcile consumer satisfaction and their own objective with social and environmental considerations.

3.10 FARBER'S CAMPAIGN CUSTOMER RIGHTS

Farber (2005 P.155) list down the following rights of customers:

a) The customer has the right to be told the truth
b) The customer has the right to expect the salesperson to have expert knowledge
c) The customer has the right to expect that all promises and commitments will be kept

d) The customer has the right to be treated with dignity and respect
e) The customer has the right to expect satisfaction from the product or service
f) The customer has the right to a breakdown of cost and fees
g) The customer has the right to service and support
h) The customer has the right have calls returned promptly even when he or she may be calling with a problem or to complain

STUDENT ASSESSMENT EXERCISE

- Itemize some of the marketing functions you know and give example how it is practiced in your environment
- What does marketing mean to you?

4.0 CONCLUSION

In this unit, you have gone through the overview of marketing in the light of its definition, conceptual framework, the production concept, societal marketing concept, sales concept, products concept. In this unit, you have also learnt about entities that are generally marketed, the basic marketing processes as well as Farber Customers Fundamental Rights. This unit gives an introduction into the world of marketing. Subsequent chapters will see you through the entrepreneurial world up on to the dynamic world of entrepreneurial marketing.

5.0 SUMMARY

Marketing refers to the social management processes by which products, or groups' needs and wants. These processes include, but are not limited to advertising, (promotion, distribution, and sales). Everyone markets something without even realizing it throughout his or her life. Marketing is not mere selling. But selling is at the heart of marketing. Like it or not, marketing has been, is and will certainly be part and parcel our life. If you are looking for a suitable job, you must know how to market yourself. If you want to win a competition, you must understand and practice the art of marketing, more soon the ability to communicate and influence your target audience efficiently and master the ways to develop a salable brand out of you or your products and services. Learning marketing formally from experts will definitely help you to understand and put to practice the proven ways of doing marketing.

6.0 TUTOR MARKED ASSIGNMENT (TMA)

- ❖ In your own understanding, explain the various marketing concepts
- ❖ The Farber customers' fundamental rights grant excessive power to consumers/ customers. Discuss.

7.0 REFERENCES AND FURTHER READING

Armstrong, G., Kotler, P, Trifts, V., Bachwitz, L.A. and Gaudet, D. (2015) *Marketing: an introduction* (6th Edition) Pearson Education Inc., Canada.

Oyedijo, A., Ogundele, O.J.K., Idris, A.A., and Aliu, A.A. (2010) *Strategic Marketing Management: Knowledge, Skills and Practice,* Molofin Nominees, Lagos, Nigeria.

Pride, W.M. and Farrell, O.C. (2015) *Foundations of marketing* (Sixth Edition) Cengage Learning, Stamford, USA.

ANSWERS TO STUDENT ASSESSMENT EXERCISE

1) Marketing has the following core functions:

- Marketing research establishes the needs and wants and the target market
- Product development creates the specifications to satisfy the target market.
- Manufacturing makes the products in accordance with specifications
- Branding attaches an identity that differentiates the products from competitors
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- Promotion stimulates consumer demand and repeatedly purchases
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- Logistics delivers the products cost-efficiency on a timely basis
- Merchandising maintains products quality and freshness at the retail outlets
- Consumer service provides support for the products to reinforce customer value

2) It is expected that the student will have diverse opinions and solidly back their opinion with good points.

UNIT 2: THE MARKET

CONTENT

1.0 INTRODUCTION

In the previous unit, you were introduced to the world of marketing, the different marketing concepts we have had and the Farber customers right. The objective of this unit is to introduce and distinguish the concept of market from marketing, the importance of markets and the roles played in sharpening marketing efforts.

2.0 OBJECTIVES

It is therefore expected that at the end of this unit, you should be able to:

- Define and explain the concepts of market and marketing.

It is most important that you understand and can differentiate between both constructs.

3.0 MAIN CONTENT

Armstrong, et al (2015) defined market as the set of all actual and potential buyers of a product or service. Older research studies defined a market as consisting of people with purchasing power who are willing to spend money on their needs and wants. Certainly, there must be a group of people with buying power and who have needs and wants to be satisfying for a market to exist. It is the business of selling and buying commodities (products and services). It is not confined to space, locality and time. In recent time, organizations have been able to use the internet to enhance business interactivity 24 hours a day (interactively online marketing). The term *market* means different things to different people. There are different kinds of market including the supermarket, stock market, labour market, and fish market. All these types of markets share several characteristics. First, they are composed of people (consumer markets) or organizations (business markets). Second, these people or organizations have wants and needs that can be satisfied by particular product categories. Third, they have the ability to buy the products they seek. Fourth, they are willing to exchange their resources, usually money or credit, for desired products.

Therefore, a market is defined as people or organizations with needs or wants and with the ability and the willingness to buy. A group of people or an organization that lacks any one of these characteristics is not a market (Lamb et al, 2018).

It is within a market that a market segment is drawn. A market segment is a subgroup of people or organizations sharing one or more characteristics that cause them to have similar product needs.

The NETMBA Knowledge Centre categorizes markets into 6 parts:

1. Total population
2. Potential market: Those who have interest in acquiring the product of a brand.
3. Available market: Those who have the purchasing power to buy a product.
4. Qualified available market: Those in the market who are legally allowed to acquire the product.
5. Target market: The segment of the qualified market that a brand chooses to serve.
6. Penetrated market: Those who have purchased the products.

3.1 VARIOUS TYPES OF MARKET

1. **Non-profit Government Markets**: Marketing of goods and services to nonprofit organizations and governments with carefully decided lower prices.
2. **Consumer Markets**: Marketing goods and Services of mass conception.
3. **Business Markets:** Marketing goods and services which are used by the business to make other products and services in turn to market them.
4. **Global markets:** Marketing of goods and services in global market place.

3.2 MARKET VS MARKETING

In the previous chapter, the concept of marketing has been defined by the American Marketing Association as “the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.” This definition implies that marketing provides value to a population consisting of clients, customers/ consumers, etc. It is this population that is known as the market. Therefore, it can be said that the market is a part of marketing. It is a crucial part of marketing because every marketing activity / decision revolves around the market. It was stated in the previous chapter that “Marketing is also observed to be an activity because it is a process of engagement of marketing activities and strategies that result in making products available that will satisfy customers (all stakeholders which is the market) while making profits for the companies that offer those products". Marketing activities are numerous and varied because they basically include everything needed to get a product off the drawing board and into the hands of the customer (the market).

Criteria for Successful Segmentation of a Market

Segmentation is done for three important reasons. First, segmentation enables marketers to identify groups of customers with similar needs and to analyse the characteristics and buying behaviour of these groups. Second, segmentation provides marketers with information to help them design marketing mixes specifically matched with the characteristics and desires of one or more segments Lamb et al (2018). Third, segmentation is consistent with the marketing concept of satisfying customer wants and needs while meeting the organization's objectives.

According to the work of Lamb et al (2018), to be useful, a segmentation scheme must produce segments that meet four basic criteria:

1. Substantiality: A segment must be large enough to warrant developing and maintaining a special marketing mix.
2. Identifiability and measurability: Segments must be identifiable and their size measurable. Data about the population within geographic boundaries, the number of people in various age categories, and other social and demographic characteristics are often easy to get, and they provide fairly concrete measures of segment size (Lamb et al, 2018).
3. Accessibility: The firm must be able to reach members of targeted segments with customized marketing mixes.
4. Responsiveness: Markets can be segmented using any criteria that seem logical. Markets can be segmented based on how parts of it responds to different marketing activities. The concept of segmentation will be further discussed in the subsequent chapters.

STUDENT ASSESSMENT EXERCISE

1. Compare and contrast the concept of market and marketing.
2. According to NETMBA, list the 6 parts of a market.

4.0 CONCLUSION

In the marketing context, a market refers to the group of consumers or organizations that are willing and able to purchase the product/services of the brand. While marketing as a broader concept includes all activities related to identifying and satisfying the identified market with a product.

5.0 SUMMARY

This unit though a short one gives insight into the concept of marketing as used in the context of marketing. You learn in this chapter the various parts of markets available which can aid targeting and positioning greatly if used practically. Marketing is a broader concept than a market. However, it is important to know that all marketing decisions are made and centered around the market. In the next chapter, we will be looking into the core marketing functions i.e. what marketing really does.

6.0 TUTOR MARKED ASSIGNMENT (TMA)

❖ Design a product of your choice. Do a breakdown of the entire population available for your product into the 6 parts of a market as identified by NETMBA. State the group that would be your target market.

7.0 REFERENCES AND FURTHER READING

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ANSWERS TO STUDENT ASSESSMENT EXERCISE

1. Student answer should be in line with Market vs. Marketing (3.2)
2. The 6 parts of a market:

❖ Total population
❖ Potential market
❖ Available market
❖ Qualified available market
❖ Target market
❖ Penetrated market

UNIT 3: CORE FUNCTIONS OF MARKETING

CONTENT

1.0 INTRODUCTION

The objective of this unit is to introduce the marketing landscape, the basic marketing functions and new product development.

2.0 OBJECTIVES

It is therefore expected that at the end of this unit, you should be able to:

- Understand the basic marketing functions
- Learn the 5p's of marketing
- Analyze and understand the new product development process.
- Ascertain the reason for product failure

3.0 MAIN CONTENT

The main objective of market segmentation which will be discussed later in this book, is to enable a financial marketer develops appropriate marketing mix that will be able to satisfy the need of target market more than competitors. The success or failure of products depends on the way a number of marketing elements or variables called the marketing mix are blended to serve different market targets. The elements of the marketing mix are the 5Ps (product, price, place, promotion and person). Application of marketing strategy involves manipulating the marketing mix namely the product (or service) the price, the promotion and the place (or distribution). If the mix is right, people will decide to buy and there is no need for further persuasion.

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3.1 The Traditional 5ps of Marketing Mix

3.1.1 PRODUCT: In the modern world, the consumer-oriented manufacturer starts by ascertaining what consumers want (as opposed to what he chooses to produce) and what they are prepared to pay for. He would then arrange to produce a range of products to meet those specifications. This means it is the consumer who nowadays decides what the manufacturer has to produce and (decides) whether the organization will flourish or collapse through non-patronage of its products/service. Products must be constantly modified in the light of changing consumer needs and environmental development. These features and benefits determine price, promotion and distribution strategies.

3.1.2 PRICE: The amount of money a customer pays in exchange for a product is known as the price. It is a key element of the marketing mix as it produces revenue to the firm. Pricing will always remain the art of marketing. The pricing of a service should be realistic - not too high and not too low below the mean otherwise the producer will respectively either price overboard or bankruptcy occasioned by low profit. The determinants of price are many but two are of the utmost important, namely (a) products are determined with the following in mind.

1. Survival of the firm
2. Return on investment (ROI)
3. Market share
4. Product quality

PRICING POLICIES

Pricing policies are the philosophies on which sellers or providers of financial services base their prices. In the goods market, there appear to be the following main pricing policies.

1. **Skimming Pricing Policy**: This type of policy is used when a new product is -introduced into a market in which there are no competitors. Skimming policy means that the price is set high relative to the cost of the product, this result in a high gross profit. As competitors enter the market, the firm is forced to reduce its price.
2. **Penetration Pricing Policy:** A firm that uses penetration policy sets a price only slightly

higher than the cost of the product. It is a price below prices of other competing brands in the market. It is usually used if the market is regarded as a price sensitive market. It is used to gain a large share of the market.

3. **Stable Pricing Policy:** This exists where prices, once established tent to remain constant for long periods of time, irrespective of the fluctuations in the cost of making and procuring the goods. This pricing policy is followed in many services institutions where prices are mostly regulated.
4. **Going Rate of Market Price:** This involves fixing prices which match others in the market place. It is a defensive measure to protect existing business.
5. **Competitive Pricing Policy:** An arbitrary price is set to match competitive pressure, but this price should be at a level which will cover cost and allow a margin of profit.

3.1.3 PROMOTION:

Promotion encompasses all communication efforts aimed at generating sales or building a favorable attitude to a company's product. This would include adverting, sales promotion, public relations, publicity, personal selling, direct marketing, packaging and labelling amongst others.

1. **Advertising:** It is a non-personal presentation of goods, services or ideas that is paid for by an identified sponsor. It is any paid form of non-personal communication of ideas in the prime media i.e. television, the press, posters radio, cinema.
2. **Personal Selling:** Oral communication with prospective purchasers with the intention of making a sale.
3. **Sales Promotion:** Incentives or fit schemes to consumers that are designed to stimulate purchases.
4. **Publicity and public relations:** It is a free space in the press which is achieved by packaging the message in a way that is newsworthy so that the media will pick it up.

Advertising is the most widely used form of promotion in the marketing of services. One reason for this is that when a new service is being introduced, there is the need for advancement to introduce it to the general public. Secondly, advertising helps to acquaint the consumer with the value or benefits of a service and this can help widen the market for that particular service.

Service firms like the banks also try to participate actively in community affairs as a means of getting their names across to the public. United Bank for Africa's involvement in Women's Forum and the provision of easy credit facilities for peasant fanners under its Joint Liability Credit Scheme are good examples of community participation.

Finally, advertising helps to emphasize the courteous, friendly and efficient service rendered by a firm. Other forms of promotional strategy include personal selling, publicity, and sales promotion.

Personal selling becomes very important when trying to develop a close relationship between the buyer and the seller. Free publicity of television progran1ffies by some banks also helps in service promotion.

The following are classified as promotional tools:

- Selling and Sales management.
- Advertising
- Sales promotion
- Publicity and Public relations
- Exhibitions and other event management
- Packaging and branding
- Sponsorships
- Word of mouth

3.1.4 PLACE (DISTRIBUTION):

Production is not said to be complete until goods get to the final consumers. Products/services need to be available in adequate quantities, in convenient locations and at times when customers want to buy them. Place as a marketing mix tool refers to the activities an organization undertakes to ensure that its products/services are easily accessible to its target customers.

3.1.5 PEOPLE

This element of the marketing mix refers to the staff, salespersons and those who work for and with the business and /or brand. Decisions made under this element usually revolve around customer service and customer relationship management.

3.2 BASIC MARKETING PROCESS

Under the marketing concept, the firm must find a way to discover unfulfilled customer needs and bring to market products that satisfy those needs. The process of doing so can be modeled in a sequence of steps the situation is analyzed to identify opportunities, the strategy is formulated for a value proposition, tactical decisions are made, the plan is implemented and the results are monitored.

The Marketing Process

⬇

Situation Analysis Marketing

⬇

Strategy Marketing Mix

⬇

Decision Implementation and

⬇

Control

There are several frameworks that can be used to add structure to the situation analysis:

- ❖ 5C Analysis – Company, customers, competitors, collaborations, climate. The (organization) company represents the internal situation; the other four cover aspects of the eternal situation.
- ❖ PEST Analysis – Macro-environmental, political, economic, social, and technological factors and SWOT analysis strengthen weaknesses, opportunities, and threats.

  The marketing strategy involves, segmentation, target market selection, product positing within the target market and value proposition to the target market. Also, Marketing Mix Decisions informs detailed tactical decisions that are made for the controllable parameters of the marketing mix.

The action items include:

- ❖ Product development – specifying designing, and producing the first units of the product.
- ❖ Pricing decisions
- ❖ Distribution contracts
- ❖ Promotional campaign development
- ❖ Person decisions

3.3 NEW PRODUCT DEVELOPMENT AS A CORE MARKETING FUNCTION

New products are launched with the aims of attracting customers in a market and moreover to increase the level of sales in a market. A new product strategy is developed when launching a new product. It links the new-product development process with the objectives of the marketing department, the business unit, and the corporation. According to (Lamb, et al., 2018), a new-product strategy must be compatible with these objectives, and in turn, all three of the objectives must be consistent with one another. A new-product strategy is part of the organization's overall marketing strategy. It sharpens the focus and provides general guidelines for generating, screening, and evaluating new-product ideas (Lamb, et al. 2018).

3.4 STAGES OF NEW PRODUCTS DEVELOPMENT

The stages of new product development are:

1. **Idea Generation:** New product development process starts with the search for ideas. New

product development ideas can come from interacting with various groups and from using creativity generating techniques. The sources of new product ideas can be internal to the company e.g. scientists, engineer, marketers, salespeople and designers or external e.g. competitors, distributors or customers. It is good to keep in constant touch with customers who are innovators and market leaders.

2. **Idea Screening:** Ideas have to be screened to evaluate their commercial worth. Ideas should be written down and reviewed each week by an idea committee. Selection should be made of the most attractive ones. Selection criteria see that the generated ideas are consistent and are within the philosophy and image of the organization/fit i.e. between the product and company objectives and the capability of the company.

3. **Concept Testing**: If accepted as worthy for further investigation, it can be formed into a specific concept for testing with potential customers. Group discussion can also be used to develop and test product concepts. Group discussion can lead to product refinement. The concept may be described verbally or pictorially so that the major features are understood. Potential customers can then state whether they perceive any benefits accruing from the features. Concept testing allows a relatively inexpensive judgment to be made by customers before embarking on a costly product development program.

4. **Business Analysis:** An evaluation is made of the product idea at this stage. Management reviews the future sales, costs and profit estimates to determine whether they satisfy the company's objectives. If they do, the product concept can be moved to the products development stage.

5. **Product Development:** Product ideas that survive the screening and idea evaluating steps must now be analyzed further. Usually, this involves some research and development (R&D) and engineering to design and develop the physical part of the product.

6. **Test Marketing:** The product is introduced in selected bank branches by distributing the brochures to potential users of the financial product so as to evaluate customer complaints and reactions. In other words, the new product is introduced into an authentic setting to learn how large the market is and how consumers and dealers react to handling, using and repurchasing the product (Kotler 2004).

THE MERITS OF TEST MARKETING

The merits of market testing include:

a. To assess the product performance under practical market conditions

b. To assess the compatibility of the product with the other elements of the marketing mix

c. To reduce the risk of product failure in national or international market

d. To provide the marketer with additional market information.

ALTERNATIVES TO TEST MARKETING

According to Lamb et al (2018), many firms are looking for cheaper, faster, safer alternatives to traditional test marketing. Another alternative to traditional test marketing is simulated (laboratory) market testing. In the conduct of this test, advertising and other promotional materials for several products, including the test product, are shown to members of the product's target market. These people are then taken to shop at a mock or real store, where their purchases are recorded. Shopper behaviour, including repeat purchasing, is monitored to assess the product's likely performance under true market conditions. The Internet also offers a fast, cost-effective way to conduct test marketing.

Despite these alternatives, most firms still consider test marketing essential for most new products. The high price of failure simply prohibits the widespread introduction of most new products without testing (Lamb, Hair Jr, & McDaniel, 2018).

7. **THE CONCEPT OF COMMERCIALIZATION**

A product Idea that survives this far can finally be placed on the market. If the test-marketing results show positive sings, then the product will finally be introduced to the market with a view to commercializing it. Appropriate strategy that provides a differential advantage is put in. The new product now starts its life cycle at the introduction stage. It is only when all signals show reasonably good potentials does it normally makes sense to launch the product fully. The potentials must be clearly indicated since mistakes made during this stage are frequently fatal and costly to rectify. Problems of poor timing, insufficient marketing efforts and initial product failings were major contributors to most of product failures and withdrawal after launch. The failure rate of new product, even those for whom a rigorous development process has been conducted is sufficiently high to demonstrate the fallacy of this point of view. The introduction state of a new product is critical to the route of success or failure. It provides real indication of:

a) The development of the brand in the market;

b) The effect of marketing mix decision made;

c) A scope for using market information to forecast the sales performance of the product and whether it will be a success.

3.5 DECISION AREA IN LAUNCHING A NEW PRODUCT / SERVICE

According to Kotler, in launching a new product, the company must take four decisions:

- Timing: The first decision is the right time to launch the new product, e.g. if the demand of the product is highly seasonal, the new product should not be introduced until the right season arrives.
- Geographical strategy: The Company must decide whether to launch the new product in a single locality, region, several regions, national market or international market.
- Target Market Prospects**:** The Company must target its distribution and promotion to the prime prospects who are more often than not, the Early Adopters, heavy users, opinion leaders, etc.
- Introductory Market Strategy: The Company must develop an action plan for introducing the new product into the market and decide on the marketing budget and its allocation among the marketing mix elements.

3.5.1 CRITERIA FOR ENHANCING NEW PRODUCT DEVELOPMENT

However, there are some criteria which carefully observed, increase chances of successful new product development and launching. They include the following:

a) There must be an adequate demand.
b) The product must be compatible with the company's marketing experience and resources.
c) The product should fit fairly, if not completely, into the company's present production pattern.
d) The financial implications of launching the new product must be carefully thought through and appropriate arrangements made.
e) Adequate management time must be devoted to new products.
f) There must be coherent policy for new product development and management; and
g) Suitable organization for developing and handling new products.

Other research studies have asserted that new product development should be done with expertise as this is important to the success of a new product. It is therefore evident that management attitudes, amongst others, prevailing within the organization are of great importance to new product development.

3.5.2 FAILURE OF NEW PRODUCTS

Having gone through some of the major requirements a new product must meet before success can be assured, one will be puzzled to discover that in all works of life, high failure rates are still recorded for various ranges of new products. A huge number of product ideas must be screened to find one good idea.

This high incidence of product failure had plagued many firms. While many have dared prescribing techniques aimed at remedying the problems, only very few have delved into the real analysis of the reasons for product failure. Several reasons have been highlighted for product failures, this includes: unrealistic target setting, lack of objectivity, poor planning, wrong timing, amongst others.

Other studies have also indicated: inadequate market size, distribution problems, internal conflicts, impatience and resistance, and bad marketing research as reasons for product failure.

3.5.3 FINANCIAL EVALUATION OF NEW PRODUCT POTENTIAL

The measure of any business venture is its contribution financially to entire profitability of the firm. This section works at the profit yield of the proposed new product in advance. The general approach to financial analysis is to compare alternative new product projects either with each other or with some company oriented standards. As a result of the dynamic nature of the assumption made in forecasting, older research suggests that there is a real need to employ techniques which are quick to use, easy to understand and apply. Information required for capital investment appraisal include, volume sales with respect to time, investment required; cost of manufacturing and marketing and selling price. However, the reliability of these data is always a big problem since management must rely on forecasts result from Product Testing or Market Testing.

The under-listed methods of capital investment appraisal can suitably be applied to new product development.

a) Pay-back period - time required repaying the initial investment costs.

b) Return on capital - Percentage annual net profit to the net assets employed in the product.

c) Discounted cash flow - This technique takes into account time value of money and weighs die value of cash flows by an amount which depends upon when they occur in relation to the initial investment.

STUDENT ASSESSMENT EXERCISE

- List the 5p's of marketing
- List out the new product development stages.

4.0 CONCLUSION

In this unit, you have gone through the general over view of the core functions of marketing in the light of the traditional 5Ps marketing mix strategies and the stages of new product development. You have also studied the basic process of marketing.

5.0 SUMMARY

The 5p's are the pillars of marketing. They serve as a means through which the selected target market is served in a profitable way and business objectives are achieved. The world records a huge number of business and product failures yearly, most startup businesses. Understanding the new product development process will help you reduce / avoid business losses and give you a better standing towards success.

6.0 TUTOR MARKED ASSIGNMENT (TMA)

- Critically examine the basic marketing process.
- Using the product, you designed in the previous unit, create applicable marketing strategies which you think can make the brand more successful at serving its target market, using the 5p's as a guide.
- Discuss the stages in product development process.
- Differentiate between skimming pricing policy and penetration pricing policy

ANSWERS TO STUDENT ASSESSMENT EXERCISE

1. Answer should tally with 3.1
2. Answers should tally with 3.4

REFERENCES AND FURTHER READING

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MODULE TWO

UNIT 4: ENTREPRENEURSHIP

CONTENT

1.0 INTRODUCTION

In this unit, we shall define the terms 'entrepreneurship, development and entrepreneurship development, discuss entrepreneurship as a business activity, describe an entrepreneur as an investor, and explain certain key concepts as they relate to entrepreneurship development and how entrepreneurship contributes to GDP and GNP.

2.0 OBJECTIVES

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

- Define the terms: entrepreneur, entrepreneurship, development and entrepreneurship development;
- Describe entrepreneurship as a business activity;
- Discuss entrepreneur as an investor;
- Discuss certain key concepts as they relate to entrepreneurship development and how entrepreneurship development contributes to the national economy.

3.0 MAIN CONTENT

You would have learned in principles of economics, that there are four factors of production, namely: land, labor, capital and entrepreneur. For ease of reference, we would define land as the surface of earth that is not sea and all natural resources or endowments, labor as the human beings (skilled and unskilled) workforce that would help work on the machines, equipment, etc. to transform the raw materials into finished products for consumption by the consumer. The entrepreneur is fourth and the most important of all the factors. This is because the entrepreneur harnesses all the human and material resources, provides the finance required, takes risk, initiate the ideas to transform into consumable product.

3.1 Definition of Terms

We shall define the terms 'entrepreneurship', 'entrepreneur', 'development', and 'entrepreneurship development' under separate sub-heads below.

3.1.1 Definition of Entrepreneur

The word entrepreneur originated from the French word, "entreprende" which means "to undertake" (Akanni, 2010). In business context, it means to start a business, identify a business opportunity, organize resources, manage and assume the risk of a business or an enterprise. It is also used to describe those who (took charge) lead a project, which would deliver valuable benefits and bring it to completion. In other words, those who can manage uncertainty and bring success in the face of daunting challenges that would destroy a less well-managed venture.

Hornby (2006) defined an entrepreneur as a person who makes money by starting or running businesses, especially when this involves taking financial risks. An entrepreneur is someone who shifts economic resources out of an area of lower and into an area of higher productivity and greater yield. This definition has two aspects that deserve to be underlined. First, there are resources that undergo manipulation; second, the activity seeks to attain "higher productivity" and "greater yield". In the science of economics, we learn how to optimize the factors of production and at the same time seek to attain equilibrium in the distribution of wealth. In other words, we strive to get the most out of the existing resources and to establish equilibrium. The entrepreneur is someone who sees change as normal and healthy. Usually, the entrepreneur does not bring about change. Rather, he "searches for change, responds to it, and exploits it as an opportunity. Entrepreneurs are characterized by the need to be independent, to create value, to contribute to family and society, to become rich or, quite often, not to be unemployed. Potential entrepreneurs display initiative and ambition, have business sense and foresight, and are decisive. They are agents of change who accelerate the generation, application and spread of innovative ideas (UNDP, 2010).

UNIDO (1999) defined entrepreneurship as the process of using initiative to transform business concept to new venture, diversify existing venture or enterprise to high growing venture potentials. The entrepreneur acts in a different way. The entrepreneur brings to light a differentiator, something unique, which represents ***value*** in the eyes of the buyer or consumer. The idea is that the person at the helm should consider the organization as operating under a process designed to provide "value" to the consumer. When all aspects of the business are geared towards achieving this goal – that is, value to the customer or a perception of it – then, such an organization is entrepreneurial or represents entrepreneurship.

The American human psychologist, Abraham Maslow, sees the entrepreneur as someone who can "discern change, enjoy it and improvise without being forewarned". According to him, the entrepreneur is a "here-now" creator, an improviser, who is not afraid of being viewed as operating in dissonance with general practice and belief. To say it in another way, the entrepreneur is someone who perceives or senses opportunity where others fear rejection; he will not talk of obstacles but challenges. His mindset is tuned to success, and failure though he is aware of the possibility, does not preoccupy him.

3.1.2 Definition of Entrepreneurship

Entrepreneurship is the dynamic process of creating incremental wealth and stimulating the surrounding environment.

UNDP (2010) defined entrepreneurship as the process of using private initiative to transform a business concept into a new venture or to grow and diversify an existing venture or enterprise with high growth potential. Entrepreneurs identify an innovation to seize an opportunity, mobilize money and management skills, and take calculated risks to open markets for new products, processes and services. You will observe that entrepreneurship is a derivative word from entrepreneur. To Shane (2010), entrepreneurship is the act of being an entrepreneur, which can be defined as "one who undertakes innovations, finances and displays business acumen in an effort to transform innovations into economic goods". This may result in new organizations or may be part of revitalizing mature organizations in response to a perceived opportunity.

The most obvious form of entrepreneurship is that of starting new businesses (referred to as Startup Company); however, in recent years, the term has been extended to include social and political forms of entrepreneurial activity. When entrepreneurship is describing activities within a firm or large organization, it is referred to as intra-preneurship and may include corporate venturing, when large entities spin-off organizations. Garba (2010) asserted that the term entrepreneurship means different things to different people and with varying conceptual perspectives. He stated that in spite of these differences, there are some common aspects such as risk taking, creativity, independence and rewards.

The concept of entrepreneurship has a wide range of meanings. It was first used in the early 18th century by an Irish man by name Richard Cantillon who was then living in France. On the extreme, it is a term used broadly in connection within the innovation of modern industrial business leader, which describe an originator of a profitable business idea (Akanni, 2010). According to Joseph Schumpeter, an Australian economist, the single function which constitute entrepreneurship concept is innovation, such as: new products, new production method, new market and new forms of organization. Wealth is created when such innovation results in new demand. Entrepreneurship is therefore a process which involves the creation of an innovative economic organization for the purpose of gain or growth under condition of risk and uncertainty (Akanni, 2010).

Akanni, (2010), after reviewing twenty-five definitions, concluded that entrepreneurship is a business activity consisting of some intersections of the following behaviours: creativity, innovation, general management, risk bearing and intention to realize high levels of growth. Entrepreneurship is a continuous process of creating something different that has value to the users.

3.1.3 Definition of Development

Abianga (2010) defined development as the act or process of growth, progress and improvement within a physical setting. Hornby (2006) similarly defined development as the gradual growth of something so that it becomes more advanced and stronger.

3.1.4 Definition of Entrepreneurship Development (ED)

A worldwide consensus on the critical role of competitive markets and entrepreneurs in economic development has emerged in the last decade. In developing countries, the primary barrier to economic growth is often not so much with a scarcity of capital, labor or land, but it is the scarcity of both the dynamic entrepreneurs that can bring these together and the markets and mechanisms that can facilitate them in this task.

Relating all the earlier three definitions of an entrepreneur, entrepreneurship and development, UNDP (2010) then defined entrepreneurship development as referring to the process of enhancing entrepreneurial skills and knowledge through structured training and institution-building programs. According to UNDP, ED aims to enlarge the base of entrepreneurs in order to hasten the pace at which new ventures are created. This accelerates employment generation and economic development. Entrepreneurship development focuses on the individual who wishes to start or expand a business. Furthermore, entrepreneurship development concentrates more on growth potential and innovation.

The Federal Government of Nigeria recognized the role entrepreneurship could play in jumpstarting the growth and development of the economy decided on two things in 2009, one, that entrepreneurship education should be made a general studies course for all undergraduates of the tertiary institutions. The second was that a center for entrepreneurial development be established in each of the tertiary institutions where different skills would be taught. At the end of their program of study, graduates of the tertiary institutions would be able to set up their own businesses with a view to contributing to the economy.

3.1.5 CHARACTERISTICS OF AN ENTREPRENEUR

An entrepreneur as a person who recognizes a business opportunity and who organizes, manages, and assumes the risk of a business enterprise focusing on that business opportunity.

According to the authors, an entrepreneur has the following characteristics:

1. Desire for independence;
2. Self-confidence;
3. Willingness to take risk;
4. Ability to recognize opportunity.

- **Desire for Independence –** One of the consistent characteristics of an entrepreneur is his desire for independence. What it means is that an entrepreneur would want to work for himself/herself rather than work for others. They want to take decisions on their own. There is that believe that when you are fired from your former organization, you are likely to become a better entrepreneur. Because of this, you are in a better position to take decision. A lot of people have resigned their position in organizations, to set up their own business. What they mostly tell you is that 'I can wake at any time to go to work'. It means that it is independence they require.

- **Self Confidence –** There are two characteristic of an entrepreneur that leads him into having self-confidence:

a. **Self- Motivation –** Entrepreneurs set their own goals rather than having them set by their bosses. Since these goals are set by entrepreneurs, it means that they will be motivated to achieve those goals.

b. **Self-Discipline –** Every entrepreneur has self- discipline, if not, the business will fail. "They correct errors and improve on their own performance without any prompting from someone else. These are confident people who believe in what they are doing and believe that the job is worth doing.

- **Willingness to Take Risk –** Any entrepreneur is a risk taker; they take calculated risks whether formally or informally. Mostly they take risk informally because they make calculation within their brain on what to buy, keep and sell latter. They equally try to figure out the probability of success of their business once they are convinced that it is high, they will go into such business, which means they take risk. Marketing research is undertaken by entrepreneur consciously and unconsciously. If this research is carried out, they venture into such businesses. Entrepreneurs are not tired of trying. If they invest in a business and they fail, they still try another business so that they can succeed. Brown 1997 say: an entrepreneur has what he calls calculating risks.

- Is the goal worth the risk?
- How can I maximize the risk?
- What information do I need before I take the risk?
- Why is this risk important?
- Am I willing to try my best to achieve the goal?
- What preparation do I need to make before I take the risk?
- What are the biggest obstacles to achieving my goal?

Ability to Recognize Opportunity – Brown (1997) says entrepreneurs try their hand on opportunities that are by-pass by others; these opportunities may include:

a. Meeting the demand that is not currently met.

b. Pushing up a product that is much better than what is currently in the market. Solving a problem or annoyance that consumers have.

Entrepreneurs recognize opportunities where they are and they utilize them by producing product or services that will fill the vacuum identified.

3.2 Key Concepts in Entrepreneurship

We shall briefly discuss the following key concepts as they relate to entrepreneurship.

- Goods and Services
- Money Income and Real Income Gross Domestic Product (GDP) Gross National Product (GNP)
- How Entrepreneurship Contributes to GDP and GNP

3.2.1 Goods and Services

We had earlier referred to goods and services as consumable items by the prospective or potential buyers or consumers. Examples of goods are: handset, cloth, computer, radio, house etc. The examples of services include education, offering consultancy in a clinic or hospital, serving as travel agency, or providing accommodation and a hotel or guest house, and by so doing, creating wealth, generating employment opportunity, etc.

3.2.2 Money Income and Real Income

Money income is the sum total of income earned from the banking system e.g. the Central Bank of Nigeria, Commercial Banks, Merchant Banks, Development Banks, Microfinance Banks, etc. However, real income is income earned from the agricultural sector, mortgage banks, manufacturing, technical and technology, entrepreneurship within a given period usually year.

3.2.3 Gross Domestic Product (GDP)

This is defined as the market value of all goods and services produced in an economy within a given period usually one year plus income earned locally.

3.2.4 Gross National Product (GNP)

This is defined as the value of all final goods and services produced in specific period within a year, including incomes earned from abroad.

3.2.5 How Entrepreneurship Contributes to GDP and GNP

The entrepreneurship contributes to the economy through the goods or services produced for which they are paid for by consumers, through generation of economic activities such as buying, selling, marketing, payment of taxes to the government, undertaking corporate social responsibility to the various stakeholders within the community in which the enterprise is operated.

3.3 Psychological prerequisites of an Entrepreneur

Jim gang (2004) describes the entrepreneur as one who can move an idea into a viable and profitable commercial deal – new product, new market, or new industry. In order to achieve this, he needs the right frame of mind and the ensuing success starts building up from this mindset. He states further that, for an entrepreneur, getting to the state of mental preparedness requires the following psychological traits:

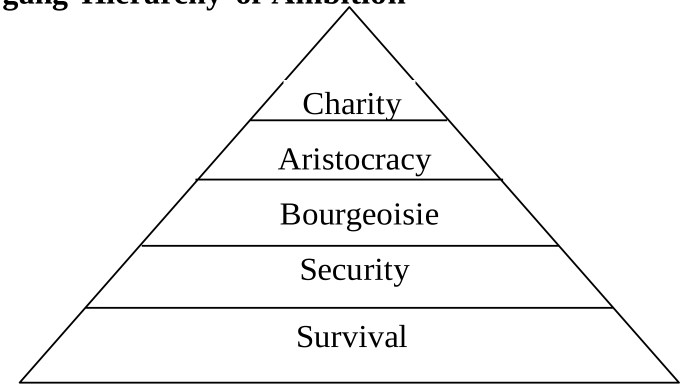
3.3.1 Think Positively

There is uncertainty at the core of all human activities; nevertheless, we should not be discouraged. To be successful as an entrepreneur, we need to think success. Success starts forming long before it is achieved. As humans, we need to wear the conviction that we are capable of getting to heights and places. The first step to success lies in conceiving it deep within self by inwardly envisioning self, dreaming it. We should not be afraid or negatively affected when our close friends and relatives call us dreamers because we have an "unattainable" plan. It should be noted that great spirits have always encountered violent opposition from mediocre minds, hence, the need to have belief and while in action; the mind, the brain, and the surrounding circumstances interact in ways and means that usually and surprisingly convert dreams to realities. We should therefore think positively, have self-confidence and be ready not to relent any effort required before attaining our goal.

3.3.2 Be Ambitious

By ambition, we refer to a long-term plan. It is stratified, thus stretching through midway between ambitions or objectives. These midway objectives are like a stairway up to the top floor of a tall building ever stated. To that extent, for a deed or achievement to be worthwhile or significant, it must not necessarily be grand in volume or colossal in amount. It may even be intangible, but still very valuable. Below is a hierarchy of ambitions as postulated by Jim gang (2004) from which you discover that ambitions could obey the following classification: *survival*, security, bourgeoisie, *aristocracy*, and *charity*.

Figure: Jim gang Hierarchy of Ambition



Source: Jim gang, G.Y. (2004). The Culture of Entrepreneurship. Douala: Treasure Books Company Limited, Cameroon, pg. 38.

❖ **"Survival" Ambition –** This level of ambition is basic. The things, acts and income that result can barely afford the basics to spare one's life and the lives of those under one's care and charge. Ambition is, here, limited to a battle to exist as a creature or an animal. Food, water, shelter, clothing, and a few other things necessary for living constitute the ultimate acquisitions of this level of ambition. This level corresponds to the "gatherer/hunter/fighter" age in history. Another example of this ambition was that of a woman who ran a home-based restaurant selling a local, but coveted meal – "kamala". She prepared it so well that there were jams at her home during lunchtime. Regularly customers would stand and wait outside her home for seats to be liberated in her sitting room that had a very small capacity. When customers counseled her to expand the business, she retorted that she would abandon the trade the moment she got a husband. She was clearly unenthusiastic and did the selling just to have enough to make ends meet. The truth was that it was not a trade for her but a pastime and not even a favorite one.

Around the same period, she trained another lady, who later set up shop in another area of the town. This second lady modernized the whole cooking and selling process – she represented entrepreneurship. It did not take long for her to be a household name in town. Even though the second lady was more expensive than the first, the second lady's business witnessed growth in staff, logistics, income and profits. In short, she converted a local staple meal into a sought-after delicacy. Within a short period, her restaurant became an outing and a tourist attraction.

From the story of the two women just narrated, there are many remarks that can be drawn. These remarks relate to the credentials of the entrepreneur and the situation where there is competition.

❖ "Security" Ambition

This level of ambition is, of course, higher than survival in that the elements are more, in quality and quantity. Life seems brighter and more hopeful. The great majority of workers in both the public and private sectors fall within this category. The items mentioned above at the level of "survival" ambition are affordable, and even in decent quality. However, the income earned at this level leaves the earner with nothing or very little as savings; such savings ought to serve to upset the heavy bills of old age. Upon retirement, the income at the disposal of the then worker, even if insurance and mutual fund benefits were to be added, does not permit the worker to settle, conveniently, the increasing flow of bills. Inflation alone that has built up within the years eats up a good portion of the book value of any benefits or savings. Worse off, institutions such as banks and insurance firms, where the hard-earned deposits and premiums were kept, could have the awkward predicament of going into liquidation before the beneficiaries mature to claim or receive the sweat of their labor.

The recommendation here, is to strive to attain an even higher level of ambition.

❖ "Bourgeoisie" Ambition

This level of ambition consolidates the elements of the level of "security" ambition, which already incorporates those of the "survival" ambition. Furthermore, there are extra aspects and acquisitions that permit the individual to lead an enjoyable lifestyle. These aspects and acquisitions include the ownership of a good home, a car, and other amenities. Some other pleasures that could be afforded are holiday abroad, weekend picnics, cell phones, parties, outdoor dining, and others. Actually, there is comfort, both psychological and material, in and around such individuals. Some of the items at this level, however, may be acquired through a mortgage or higher purchase or some other form of credit facility. In some cases, there could be some savings and insurance policies to cater for some contingencies. Nonetheless, there is a big limitation with regard to ownership and pleasures. The fine valuables of life are not affordable. Many things can exemplify this limitation: a good house located outside the prime residential haven of town; a car with just the regular features; flying economy class; acts of generosity and charity are in bits and pieces.

❖ **"Aristocracy" Ambition**

It is a level with wealth in abundance. Acquisitions pile up, immensely. The money that was initially sought after has grown and is now working for the master. Real estates, securities (shares, stocks and bonds) and other acquisitions such as banks and insurance companies constitute some of the items aboard the bandwagon of portfolios. Spending, do not be shocked, often poses a problem. Acquisition of items of lifestyle tends towards products of the high top- end of the market, which symbolizes "arrival" and distinction. The car is not anything with a motor, but a mark with a prestigious name; the home is not just a house, but a castle singularly perched; the clothes are unique, hand-made or custom-made by famous designers. These items are generally intended to convey a myth in the eyes of the public or on-lookers. Just add that parties, travels, concerts, positions, during social gathers and titles are part of the paraphernalia for the spicing of the intended image.

❖ **"Charity" Ambition**

This is the peak of the hierarchy. At this level, there is no doubt that the wealth is vast, with the addition or alternative of being fulfilling. This awareness urges the owner to take pity on the less endowed in the society. In the process, he wants to leave a mark as a real generous person. Many motives lie behind such acts of generosity. Nonetheless, the undertakings of generosity evoked here are not intended to yield any monetary or material rewards to the donor. Rather the donor wants, primarily, to be recognized, even stand out, and to be remembered as a charitable or philanthropic personality. Such acts of donation may fall in one or more of the following areas: education, health, famine, poverty alleviation, peace brokerage, or other acts in line with the promotion of human dignity. Leading figures in this example are, George Soros (a Hungarian-born American), Henry Ford, John Rockefeller, computer whiz, Bill Gates etc. Back home in Nigeria, we can mention the likes of Aliko Dangote, Mike Adenuga, Mobolaji Bank- Anthony (of blessed memory), etc.

In conclusion, to get to the top of the ambition so designed, we need unshakable attachment to our ambition as well as boldness to master fear.

3.3.3 Be of Strong Consistency

In every aspect of life, be it sports, politics, or research as in business, we need to show full determination. There is need to resolve not to relent until the point of victory, this being the ultimate objective. This desire to forge ahead must be strong, recurrent, resolute, ardent and unbending. It must also be long lasting, that is staying power, because the road is generally long, narrow and dreary; yet at the end of it all lie happiness, joy, fame, self-satisfaction, glory and honor, and even the possibility to be charitable to society.

It is noteworthy that there are trials and temptations along the way. Some situations are difficult and complex that we are or may be tempted to give up. Oftentimes, there will be a way out provided we are patient and perseverant. We need effort to progress and usually the effort required is highly demanding and strenuous. We need to think, to work hard, to go out, and to meet people, to be ready to face humiliation, and somehow, like a miracle, find a solution. Time can itself be the solution, so waiting should be considered. One could learn from the popular Chinese saying that: “Lack of patience can disrupt even the best plan”. The highly admired wartime British Prime Minister, Winston Churchill, had this to say about success: “Success is the ability to go from one failure to another with no loss of enthusiasm”. It will interest you to note that life is like a wave moment of ups and downs. Sometimes, it is very jerky, sometimes it is very calm. Therefore, keep on fighting and struggling. Expect in all circumstances to have troubles and disturbances of all sorts resulting from emotional feelings and physical pains incurred through the various efforts to break through.

3.3.4 Fear

Courage is not about doing something without fear, but about taking any strength you have – even if it is just a grain of courage – and channeling to strike out … when you know what you’re doing is morally and ethically right”.

Fear is horrific and, if allowed, can act like a cankerworm that gnaws at the fruits of human plan and endeavor. It is that anxious feeling that manifests in us because of our awareness of the risk of failure of an operation. This sign is normal and an indication that our mental faculty is functionally normally. As a human being, it is natural to have the sense of fear. This sense has to be understood, domesticated, controlled, and well channeled. Fear should not be so strong as to overcome our other senses. It should not be exaggerated to the point of making us cancel a well-planned project or cherished ambition.

Such a reaction to fear would be unfortunate weakness. Learn to dominate fear. Everybody fears. Jimngang, 2004 says: "The bravest, strongest are also the greatest cowards. The winner takes courage to dominate fear and gets victory over the opponent psychologically first, and then physically".

Fear is not intended to be bad or destructive. It arouses the emotions that help guide the ambitious. In this way, it helps guide the ambitious in shaping and reshaping, molding and re- molding the ways and means of getting through to success. In reality, one cannot be afraid nor have fear until one knows the danger or the imminence of danger. Even though the consequences of failure could be catastrophic or disastrous, one should still show courage and be spurred more by the potential gains and benefits of success.

The recommendation is that one should practice to balance, one the one hand, the wisdom of Chu Chin-Ning that "an ignored guest often departs unannounced", and, on the other hand, the realism by Mark Twain that courage is "resistance to fear, mastery of fear – not absence of fear".

STUDENT ASSESSMENT EXERCISE:

1. Define entrepreneurship
2. What are the characteristics of an entrepreneur?

4.0 CONCLUSION

In this unit, you have gone through the overview of entrepreneurship, entrepreneurial development, characteristics of an entrepreneur and the psychological prerequisites of an entrepreneur. The next unit will give a good overview of the history of entrepreneurship and its development in Nigeria.

5.0 SUMMARY

The concept of entrepreneurship has a wide range of meanings. As earlier stated in this unit, was first used in the early 18th century by an Irish man by name Richard Cantillon who was then living in France. On the extreme, it is a term used broadly in connection within the innovation of modern industrial business leader, which describe an originator of a profitable business idea (Akanni, 2010). Entrepreneurship has helped to reduce the rate of unemployment across the globe. Daily countless business continues to spring up, should you want to start your own business in the nearest future, this chapter and the next two are for you.

6.0 TUTOR MARKED ASSIGNMENT (TMA)

1. Briefly define the terms 'entrepreneur', 'entrepreneurship' and 'entrepreneurship development'.
2. If you are to be an entrepreneur, state about five reasons that will engineer you into it.
3. Enumerate the psychological prerequisites of an entrepreneur.

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ANSWERS TO STUDENT ASSESSMENT EXERCISE

1. Answers should be in line with 3.1.2
2. Answers should be in line with 3.1.5

UNIT 5: HISTORY OF ENTREPRENEURSHIP AND HOW IT STARTED IN NIGERIA

CONTENT

1.0 INTRODUCTION

The objective of this unit is to introduce you to the history of entrepreneurship in Nigeria. In the last unit we discussed entrepreneurship as a concept and the characteristics of entrepreneurs. Entrepreneurship has become a desirable route to many in our country. This is partly owing to the rate of unemployment in the nation. Let's learn how it all began.

2.0 OBJECTIVES

It is therefore expected that at the end of this unit, you should have:

- Understood the history of entrepreneurship in Nigeria.
- learnt about the authors and practitioners in entrepreneurship.

3.0 MAIN CONTENT

Entrepreneurial activities are substantially different depending on the type of organization and creativity involved. Entrepreneurship ranges in scale from solo projects (even involving the entrepreneur only part-time) to major undertakings creating many job opportunities. Many "high value" entrepreneurial ventures seek venture capital or angel funding (seed money) in order to raise capital to build the business. Many kinds of organizations now exist to support would-be entrepreneurs including specialized government agencies, business incubators, science parks, and some NGOs. In more recent times, the term entrepreneurship has been extended to include elements not related necessarily to business formation activity such as conceptualizations of entrepreneurship as a specific mindset (see also entrepreneurial mindset) resulting in entrepreneurial initiatives e.g. in the form of social

entrepreneurship, political entrepreneurship, or knowledge entrepreneurship have emerged.
The entrepreneur is a factor in microeconomics, and the study of entrepreneurship dates back to the work of Richard Canutillo and Adam Smith in the late 17th and early 18th centuries, but was largely ignored theoretically until the late 19th and early 20th centuries and empirically until a profound resurgence in business and economics in the last 40 years.
In the 20th century, the understanding of entrepreneurship owes much to the work of economist Joseph Schumpeter in the 1930s and other Austrian economists such as Carl Manger, Ludwig von Mises and Friedrich von Hayek. In Schumpeter, an entrepreneur is a person who is willing and able to convert a new idea or invention into a successful innovation. Entrepreneurship employs what Schumpeter called "the gale of creative destruction" to replace in whole or in part inferior innovations across markets and industries, simultaneously creating new products including new business models. In this way, creative destruction is largely responsible for the dynamism of industries and long-run economic growth. The supposition that entrepreneurship leads to economic growth is an interpretation of the residual in endogenous growth theory and as such is hotly debated in academic economics. An alternate description posited by Israel Kirzner suggests that the majority of innovations may be much more incremental improvements such as the replacement of paper with plastic in the construction of a drinking straw.

For Schumpeter, despite Schumpeter's early 20th-century contributions, traditional microeconomic theory did not formally consider the entrepreneur in its theoretical frameworks (instead assuming that resources would find each other through a price system). In this treatment the entrepreneur was an implied but unspecified actor, but it is consistent with the concept of the entrepreneur being the agent of x-efficiency.

Different scholars have described entrepreneurs as, among other things, bearing risk. For Schumpeter, the entrepreneur did not bear risk: the capitalist did.

3.1 AUTHORS AND PRACTITIONERS IN ENTREPRENEURSHIP

Listed below are some notable persons and their works in entrepreneurship history:
For Frank H. Knight (1921) and Peter Drucker (1970) entrepreneurship is about taking risk. The behavior of the entrepreneur reflects a kind of person willing to put his or her career and financial security on the line and take risks in the name of an idea, spending much time as well as capital on an uncertain venture. Knight classified three types of uncertainty.

1. Risk, which is measurable statistically (such as the probability of drawing a red color ball from a jar containing 5 red balls and 5 white balls).
2. Ambiguity, which is hard to measure statistically (such as the probability of drawing a red ball from a jar containing 5 red balls but with an unknown number of white balls).
3. True Uncertainty or Knightian Uncertainty, which is impossible to estimate or predict statistically (such as the probability of drawing a red ball from a jar whose number of red balls is unknown as well as the number of other colored balls).

The acts of entrepreneurship are often associated with true uncertainty, particularly when it involves bringing something really novel to the world, whose market never exists. However, even if a market already exists, there is no guarantee that a market exists for a particular new player in the cola category.

The place of the disharmony-creating and idiosyncratic entrepreneur in traditional economic theory (which describes many efficiency-based ratios assuming uniform outputs) presents theoretic quandaries. William Baumol has added greatly to this area of economic theory and was recently honored for it at the 2006 annual meeting of the American Economic Association. The entrepreneur is widely regarded as an integral player in the business culture of American life, and particularly as an engine for job creation and economic growth. Robert Sobel published ***The Entrepreneurs: Explorations Within the American Business Tradition*** in 1974. Zoltan Acs and David Audretsch have produced an edited volume surveying Entrepreneurship as an academic field of research, and more than a hundred scholars around the world track entrepreneurial activity, policy and social influences as part of the Global Entrepreneurship Monitor (GEM) and its associated reports.

Concept

It has assumed super importance for accelerating economic growth both in developed and developing countries. It promotes capital formation and creates wealth in country. It is hope and dreams of millions of individuals around the world. It reduces unemployment and poverty and it is a pathway to prosper. Entrepreneurship is the process of exploring the opportunities in the market place and arranging resources required to exploit these opportunities for long term gain. It is the process of planning, organizing, opportunities and assuming. Thus it is a risk of business enterprise. It may be distinguished as an ability to take risk independently to make utmost earnings in the market. It is a creative and innovative skill and adapting response to environment.

3.2 HOW ENTREPRENEURSHIP STARTED IN NIGERIA.

The history of entrepreneurship in Nigeria can be classified under the following stages:

(1) Early stage; and

(2) Modern stage.

The Early Stage

Entrepreneurship started when people produced more products than they needed, as such, they had to exchange these surpluses. For instance, if a blacksmith produced more hoes than he needed, he exchanges the surplus he had with what he had not but needed; maybe he needed some yams or goat etc., he would look for someone who needed his products to exchange with. By this way, producers came to realize that they can concentrate in their areas of production to produce more and then exchange with what they needed.

So through this exchange of products, entrepreneurship started. A typical Nigerian entrepreneur is a self- made man who might be said to have strong will to succeed, he might engage the services of others like; friends, mates, in-laws etc. to help him in his work or production. Through this way, Nigerians in the olden days were engaged in entrepreneurship. Early entrepreneurship is characterized with production or manufacturing in which case the producer most often started with a small capital, most of it from his own savings. Early entrepreneurship started with trade by barter even before the advent of any form of money.

The Modern Stage

Modern entrepreneurship in Nigeria started with the coming of the colonial masters, who brought in their wears and made Nigerians their middle men. In this way, modern entrepreneurship was conceived. Most of the modern entrepreneurs were engaged in retail trade or sole proprietorship. One of the major factors that have in many ways discouraged this flow of entrepreneurship development in Nigeria is the value system brought about by formal education. For many decades, formal education has been the preserve of the privilege. With formal education people had the opportunity of being employed in the civil service, because in those days the economy was large enough to absorb into the prestigious occupation all Nigerians their goods. As such, the system made Nigerians to be dependent on the colonial masters.

Again the contrast between Nigerian and foreign entrepreneurs during the colonial era was very detrimental and the competitive business strategy of the foreign entrepreneurs was ruinous and against moral standards established by society. They did not adhere to the theory of "live and let's live". For instance, the United African Company (UAC) that was responsible for a substantial percentage of the import and export trade of Nigeria, had the policy of dealing directly with producers and refused to make use of the services of Nigerian entrepreneurs. The refusal of the expatriates to utilize the services of local businessmen inhibited their expansion and acquisition of necessary skills and attitude. Because of this, many eventually folded up. Those that folded up built up resentment against business which became very demoralizing to other prospective entrepreneurs. As a result, the flow of entrepreneurship in the country was slowed down. But, with more people being educated and the fact that government could no longer employ most school leavers, economic programs to encourage individuals to go into private business and be self-reliant were initiated. Such economic policy programs that are geared towards self -reliance for individuals are programs as Open Apprenticeship Scheme, Graduate Employment Programs etc. and other policies that encourage or make it easy for entrepreneurs to acquire the needed funds e.g.; Peoples Bank of Nigeria, Funds for Small-Scale Industries (FUSSI), co-operative societies etc. were established to assist entrepreneurs in Nigeria.

STUDENT ASSESSMENT EXERCISE:

1. List the authors and practitioners in entrepreneurship.
2. List and explain briefly the stags of entrepreneurship

4.0 CONCLUSION

In this unit, you have gone through the general overview of entrepreneurship, entrepreneurial development and history in Nigeria. The next unit will give a good overview of its development in Nigeria.

5.0 SUMMARY

Entrepreneurship has led to the creation of not only new industries but also in new methods and effectively making use of existing resources. It has evolved over the years and today solves the unemployment issues in our country. The next unit gives an overview of the development of entrepreneurship in Nigeria.

6.0 TUTOR MARKED ASSIGNMENT (TMA)

1. Briefly explain the history of entrepreneurship.

7.0 REFERENCES AND FURTHER READINGS

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ANSWERS TO STUDENT ASSESSMENT EXERCISE

1. Answers should be in line with 3.1
2. Answers should be in line with 3.2

UNIT 6: ENTREPRENEURIAL DEVELOPMENT IN NIGERIA

CONTENT

1.0 INTRODUCTION

In the last unit, we went through the general overview of entrepreneurship, entrepreneurial development and history in Nigeria. In this unit, we delve into the development of entrepreneurship in Nigeria, the obstacles to entrepreneurship, its relationship with leadership and the future of entrepreneurship, entrepreneurship as a business activity, resources used by the business, entrepreneur as an investor, owned capital and concepts of innovation and entrepreneurship process.

2.0 OBJECTIVES

It is therefore expected that at the end of this unit, you should have / be able to:

- Understood the how entrepreneurship developed in the past.
- Discuss the future of entrepreneurship.
- Identify and understand the obstacles to entrepreneurship in Nigeria.
- The roles of entrepreneurship and leadership.
- The roles of an entrepreneur as an investor.
- The concepts of innovation and the entrepreneurship process.

3.0 MAIN CONTENT

Entrepreneurial activities are substantially different depending on the type of organization and While these statistics bide well for the country's economic prospects, they also serve to reaffirm the vital importance of entrepreneurial development in achieving that potential.

3.1 Past Entrepreneurship Developments

People of the Ibo community in Nigeria are considered one of the oldest entrepreneurs in history, their expertise stretching back to times before modern currency and trade models had developed elsewhere on the planet. In the more recent past, Nigerians adapted their natural talents to evolve traditional businesses and crafts that have sustained most of the country's rural and urban poor for the better part of the last half century. While the oil boom of the '70s brought in billions of petrodollars, most of the country's population remained untouched by the new-found prosperity, thanks to widespread political corruption and catastrophic economic mismanagement. Because of these and other factors, the World Bank estimates that 80% of oil revenues benefited just 1% of the population.

Most of Nigeria's current woes trace back to a historic overdependence on oil to the negligence of all other sectors, including customary trades and agriculture. Decades of non-inclusive policies alienated the vast majority of Nigerians, plunging the country into a miasma of extreme poverty and ravaging civil and political strife. The climate of economic stagnation spawned a mammoth informal economy that continues to sustain the bulk of Nigeria's 148 million people. It is a measure of Nigeria's inherent entrepreneurial capacity that this informal, unorganized sector presently accounts for 65% of Gross National Product and accounts for 90% of all new job. All these factors have tremendous relevance for Nigeria’s future prospects, even more so considering the extent of official neglect and lack of assistance and infrastructure that the country's indigenous entrepreneurs have had to overcome. Harnessing the informal economy and leveraging its full potential is a prerequisite for Nigeria to emerge from the shackles of its Third World legacy.

3.2 The Future of Entrepreneurial Development in Nigeria

It is not as if Nigeria's hopes of economic superiority rest on individual optimism and enterprise alone. Right after the reinstatement of democracy in 1999, the government of former president Olusegun Obasanjo unveiled ambitious plans to take the sub-Saharan nation to the top 20 world economies by 2020. Abuja is also a signatory to the UN Millennial Declaration of 2000 for the achievement of universal basic human rights - relating to health, education, shelter and security - in a time bound manner by 2015. Both objectives present mammoth challenges for Nigeria in terms of reversing past trends and evolving innovative strategy for sustainable and inclusive growth. The primary focus of Obasanjo’s policies centered on accelerated development through entrepreneurial education (which he made mandatory for college students of all disciplines) and the creation of conditions favorable to a new business regime built on innovation and adaptability. The federal government has since initiated successive programmes aimed at promoting enterprises through widespread use of technology and socially relevant business models. The extent of success of these and other measures, however, is still a matter of debate.

According to the 2007 Gallup poll, 69% of respondents planning new businesses had no intention of registering their operations, indicating they would still prefer to be part of the informal economy. In light of Nigeria's long-term goals, this is certainly bad news.

3.3 OBSTACLES TO ENTERPRISE DEVELOPMENT

Disinterest in the formal economy reflects the status of Nigeria's policies and tax regime, which have long been deemed detrimental to the growth of viable enterprises. Even more disturbing is the fact that this continues to be the case despite the energetic reforms process initiated after the return of democracy. It is more than evident that piecemeal measures are unequal to meeting the challenges that Nigeria has set itself up to.

The following are the most important obstacles facing rapid entrepreneurial development:

1. Absence of a pro-active regulatory environment that encourages innovative enterprise development at the grassroots level.
2. Significant infrastructural deficits (especially with regards to roads and electricity) and systemic irregularities inimical to small businesses.
3. The presence of administrative and trade barriers that curtail capacity building and inhibit access to technical support.
4. Absence of regulatory mechanisms for effective oversight of enterprise development initiatives, especially those in the MSME space.
5. Poor access to vocational and skills-development training for rural and urban youths involved in the informal economy.
6. Rampant political and bureaucratic corruption, together with the absence of social consensus on important macro-economic policy issues.

More than 73% of Nigerians featuring in the Gallup survey conceded access to finance was the single-most important hurdle in the way to setting up successful enterprises. More telling is the fact that about 60% of respondents claimed that current policies, despite the government's focus on enterprise development, do not make it easy to start a business in Nigeria.

3.4 SOME ADDITIONAL FACTORS TO CONSIDER

Forbes Magazine recently sat down with Lagos Business School's Peter Bankole to discuss the current obstacles facing aspiring Nigerian entrepreneurs. The interview outlines three major problems:

1. Constrained access to local and international markets that stunt entrepreneurial expansion and proliferation.
2. Severe infrastructure deficits (mainly of power and electricity) that hamstring both new and existing businesses.
3. Inadequate access to finance and the absence of a credit policy that addresses the specific needs of enterprises.

The road to Nigeria's emergence as an economic superpower is muddy and treacherous. More than just optimism, it calls for clever economic maneuvering that will help turn the country's fortunes around for good.

3.5 ENTREPRENEURSHIP AND LEADERSHIP

Onwubiko (2011) states that Nigeria is a country with numerous business and investment potentials due to the abundant, vibrant and dynamic human and natural resources it possesses. According to her, tapping these abundant and valuable resources require the ability to identify potentially useful and economically viable fields of endeavors. Nigerians are an enterprising people and citizens have made their mark in diverse fields such as science, technology, academics, business and entertainment.

Following a series of policy initiatives in the financial sectors of the economy Nigerians believe that the future indeed looks bright. As good as the foregoing sounds, Nigeria continues to experience its share of social, economic and political upheavals which have often stunted its growth and development into the regional economic power that it strives to attain. Nigeria has a relative high rate of violent crimes. The Niger Delta which produces over ninety per cent of the nation's oil has become a nightmare in the last one year due to incessant kidnappings by militants demanding for a fairer share of the resources derived from oil exploitation. Armed robbery is on the increase due to unavailability of jobs. Power supply is almost non-existent thereby putting a sizeable number of enterprises out of business. The political landscape is often volatile. A general election held in the month of April, 2011 is still causing apprehension due to the massive irregularities attested to by both local and foreign observers. Above all, there is a high incident of corruption in government which has affected the level of development of the country. But the story is not all bad as the country enjoys a level of respect for human rights and a virile judiciary which has always stood up in upholding the rule of law and defending democracy which was won after a long period of military dictatorship spanning over three decades. Although Nigeria is endowed with human and natural resources, it is still one of the poorest countries in the world primarily due to corruption in government. Today, the education sector is in shambles, with the government doing little to address the problems of decaying facilities, student cultism and teachers' strikes. The health sector has faced its greatest challenge in the last few years with unchecked flight of personnel due to inadequate working environment and incentives as well as deteriorating infrastructures. In spite of this sad and deplorable situation, the government has done little to reduce the misery and frustrations of the citizenry as shown in the just concluded elections where the results did not portray the desires of the people. This has foisted a state of hopelessness on majority of young people who have resorted to any means including vice to succeed in life. For instance, youth in the Niger Delta have resorted to kidnapping of foreigners who have to pay heavy ransom to affect their release. This has worsened the security situation in the very volatile Niger Delta as illegal arms are amassed by these militants in their fight for justice. The downside of their activities is that the Nigerian economy suffers the more as oil output is disrupted by blown installations while scarce resources is deployed for security operations in the area.

3.6 ENTREPRENEURSHIP AS A BUSINESS ACTIVITY

We had earlier on described entrepreneurship as the activities of the entrepreneur geared towards identifying an innovative idea, to seize an opportunity, mobilize money and management skills, and take calculated risks to open markets for new products, processes and services. Brown et al (1997, quoted in Koce, 2009) state that business is all of the activities of an individual or group of individuals in producing and distributing goods and services to customers. According to them, an entrepreneur or a business wants to identify the needs, wants, goals, values etc. of the potential and prospective buyer or consumer with a view to developing a product or service that would be tailored to satisfying these needs, wants, goals, values etc. The business of an entrepreneur therefore involves the following activities.

3.6.1 Producing Goods and Services

Business provides goods and services to you. In today's business goods and services are many. Examples of goods are: handset, cloth, computer, radio, house etc. The examples of services include education, offering consultancy in a clinic or hospital, serving as travel agency, or providing accommodation and a hotel or guest house.

3.6.2 Activities that Add Value to the Goods and Services

A lot of activities happen before goods and services get to your door step. A product is not just made in a day and finds its way to the store. These are some of the activities that are performed by business. They include organizing, managing, producing and marketing.

- **Organizing:** Within a company, someone should be in charge of organizing human and material resources to provide products.
- **Manage** – If there is no one to manage finance, human resources and production, the company can't go on smoothly.
- **Production –** It is the responsibility of a business to produce those physical item you are using i.e. radio; wrist watches etc. in order to achieve the business goals.

- **Marketing –** Business is involved in advertising, distributing and selling those products produced.

3.6.3 RESOURCES USED BY THE BUSINESS

Companies use resources to be able to perform those functions listed above. These resources that business will use include:

1. **Human Resources –** includes all persons working with the business e.g. salesmen, accountants, manager.
2. **Materials–** building offices, stores, raw materials for production. Business decides on choices of how to combine their resources and many more every day at what cost to achieve their aim.

3.7 ENTREPRENEUR AS AN INVESTOR

Hornby (2006) defines an investor as someone who spends his energy, time, efforts, financial resources, etc. on something he considers to be good or useful in anticipation that it will yield benefits.

Finance is a fundamental issue in the development of an entrepreneurship. An entrepreneur relies heavily personal savings, contributions from friends, relations and business partners as well as loan from the banks. Businesses derive their finances from two sources which include owned capital and loan capital.

3.7.1 Owned Capital

The owned capital available to an entrepreneur is made up of the personal savings, contributions from family, friends and relations. It also includes support from business partners.

(i) **Personal Savings –** Many individuals during their working life he decided to save and that is the money he used in setting up his business. We have a lot of sole traders who got money from this method to setup their business.

(ii) **Borrowing particularly from Friends and Relatives –** It is common, among the Igbo business traders that once their brothers are willing to do business, they give him a helping hand by borrowing him some amount of money to start his business, when he and relatives equally help out in this situation for people to start up a one-man business.

(iii) **Credit Purchase from Manufactures or Wholesalers –** Sole traders get financed through credit buying from the manufactures or a wholesaler by selling goods to sole traders at credit the wholesalers are financing a sole trader.

(iv) **Donations from Friends and Relatives –** Friends and relatives can give you money purposely to help you continue with your business.

3.8 Concepts of Innovation and Entrepreneurship Process

Fundamentally, innovation has to do with changes leading to improvement in the quality and quantity of products as well as techniques of doing things. Innovation is dynamic and creates new things out of existing ones. Through innovation, the entrepreneur introduces new production techniques, new commodities, improve on existing ones, open up new markets, explore new source of raw materials and design new techniques of management. Research and Development Programs are formal avenues of introducing or inculcating innovative skills in the entrepreneur. These skills are what the entrepreneur translates into business establishment and development.

The process of entrepreneurship starts from the generation of business idea, through implementation to the realization of output and profit.

(a) Business ideas

Business ideas and opportunities come from a variety of ways according to Hirsch and Peters (1992). These include:

i. **Consumers:** Opinions, information and complaints of consumers can be useful source of information as to what the consumer wants. The entrepreneur can obtain this from market survey of preferences, discussion, age, socio-cultural background, biological and wealth status of the consumers etc. The entrepreneur can map out critical areas of consumer's need, deficiency and inefficiency and exploit it.

ii. **Existing business:** Entrepreneurs and intrapreneurs can get business clues by constantly monitoring and evaluating market performance of products and services of existing businesses.

iii. **Research and development:** The entrepreneur as an agent of change, should constantly explores and gets involved in research to develop new products, improving on existing ones or establish new ways of production.

iv. **Distributive channels:** Distributive trade both at local and international levels provide opportunities for ancillary industries to spring up.

v. **Governmental activities:** Governmental activities such as registration of business, patent right and government agencies provide opportunity for business. Also government programmes of economic, social and community development provides opportunities for business/entrepreneur.

vi. **Adverts:** Advertisement in news print and radios/TV, bill boards are a source of new line of business to the entrepreneur.

vii. **Sundry activities:** The entrepreneur can learn about things needed by the consumers but which are not supplied from activities such as marketing, seminars/symposia, marriages, burial ceremonies, picnic centers, traveling, sporting activities, catalogues etc.

Figure 1: ***Flow of business Process***

Think Business Ideas

↓

Record Business Idea

↓

Assess Feasibility

↓

Study Business Plan

↓

Implement Ideas by starting the venture

↓

Output of goods/services

↓

Sales and revenue maximization

↓

Planning and expansion

Source: Eshiobo, S.S. (2010). Entrepreneurship in Innovation, Phenomena Growth of Enterprises and Industrial Organizations in Nigeria.

(b) Developing a Business Idea

The translation of business idea into a business venture takes the following process. When a business idea struck an entrepreneur, the first thing is to write it down to avoid forgetting. The various ideas that have been so recorded are then screened and the feasible or plausible and more profit-oriented ones selected for implementation. A good feasibility or business plan must be systematic and integrates market, finance, production and human resources.

It should have (Eshiobo, 2010):

1. A clear mission statement of the business line to be involved.
2. A design of production, process, detail logistic and operational activity plan of a complete business circle.

3. A detail marketing and sales plan. Forecasting sales and identifying Consumers problems with existing products.
4. An organizational plan of administrative relations, legal relations, duty schedule, customer service etc.
5. A detail financial record plan projected for a 3-year period, explaining income, expenses, and profit.
6. Evaluation of business operations and objectives.
7. Provision for minimizing risk and uncertainty e.g. starting a business that the entrepreneur is familiar with or that has been tested in that environment of operation.

(c) Converting Business Dream to Reality

Just as it could be difficult choosing the best business to pursue, so also is the difficulty to get it started! It may take many years to get off the ground a business plan. The entrepreneur needs to struggle to obtain the basic and necessary facilities to get the new business off the ground. He should not spend the whole time planning but review his initial plan, jump in and get started. He should stop talking about the business instead of starting it up because action speaks louder than voice.

Execute your business with excellence focusing on customers' needs/satisfaction. Try to avoid mistakes and when you make one quickly correct it. Do not jump into cutthroat competition especially with older successful entrepreneurs or businesspersons but instead involve in a life time friendship and a possible franchise.

Explore and access government's policies and infrastructural supports that will help you translate your innovative dreams into reality so as not to remain a mere dreamer. Constantly search for new, competitive, and innovative ideas to remain relevant in your business and do not go into huge debt to start a business.

STUDENT ASSESSMENT EXERCISE

1. In your words, explain the flow of business process.

4.0 CONCLUSION

This chapter has shed light into the development of entrepreneurship in Nigeria, the obstacles to entrepreneurship, its relationship with leadership and the future of entrepreneurship, entrepreneurship as a business activity, resources used by the business, entrepreneur as an investor, owned capital and concepts of innovation and entrepreneurship process.

5.0 SUMMARY

We have discussed the development of entrepreneurship in Nigeria, the obstacles to entrepreneurship, and its relationship with leadership and the future of entrepreneurship. The next unit introduces us to the world of entrepreneurial marketing which has seen many dynamic companies to success.

6.0 TUTOR MARKED ASSIGNMENT

1. Briefly explain the development of entrepreneurship in Nigeria.
2. Discuss briefly the concept of innovation and entrepreneurial process. What are the flows of business process? With the aid of a diagram, list and explain them.

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ANSWERS TO STUDENT ASSESSMENT EXERCISE

Flow of business process:

1. Think Business Ideas
2. Record Business Idea
3. Assess Feasibility
4. Study Business Plan
5. Implement Ideas by starting the venture
6. Output of goods/services
7. Sales and revenue maximization
8. Planning and expansion

MODULE THREE

UNIT 7: WHAT IS ENTREPRENEURIAL MARKETING?

CONTENT

1.0 INTRODUCTION

In this unit, we shall define the terms 'entrepreneurial marketing, discuss the development of entrepreneurial marketing as a theory, discuss the characteristics/dimensions as well as the component of entrepreneurial marketing. This unit also discusses the difference between traditional and entrepreneurial marketing as well as digital and relationship marketing.

2.0 OBJECTIVES

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

- Define the terms: entrepreneurial marketing, relationship marketing, viral marketing, guerilla marketing and digital marketing.
- Describe entrepreneurship as a modern business strategy.

3.0 MAIN CONTENT

The start-up phase of a business is the first few years of operations. Marketing has been identified as a major element is very crucial and research has shown that many businesses shut down during which could determine the success or failure such businesses. Every entrepreneur is faced with the challenge of surviving the intense business world. The last decades have witnessed the start and success of small companies that grew into the big present day companies. This includes and is not limited to Microsoft Inc., Mail chimp, Shopify, Grammar, and GoFundMe. Entrepreneurial marketing over the last few decades has gained the attention of both entrepreneurs and academicians.

3.1 ENTREPRENEURIAL MARKETING DEFINED

"Entrepreneurial marketing entails the proactive identification and exploitation of opportunities for acquiring and retaining profitable customers through innovative approaches to risk management, resource leveraging and value creation" (Cacciolotti & Lee, 2016). They also referred to entrepreneurial marketing as an alternative marketing management approach which enables to improve the SMEs marketing activities.

(Ionita, 2012) summarized EM as a set of processes of creating, communicating and delivering value, guided by effectual logic and used in highly uncertain business environments. Further, EM was remarked as an approach to overcome obstacles, and respond to challenges.

(Becherer, et al., 2012) emphasized entrepreneurial marketing as an adaptation theory to fulfil the distinctive needs, and many issues of opportunity, innovation, risk and resource constraints in SMEs. Marketing as a business strategy, poses as the only aspect of management that allows a business express and position itself the way it wants to be seen/perceived by consumers. It sits at the crux of entrepreneurship.

A simple definition of EM given by Kraus et al. (2010); Entrepreneurial marketing is "the marketing activities with the entrepreneurial mindset".

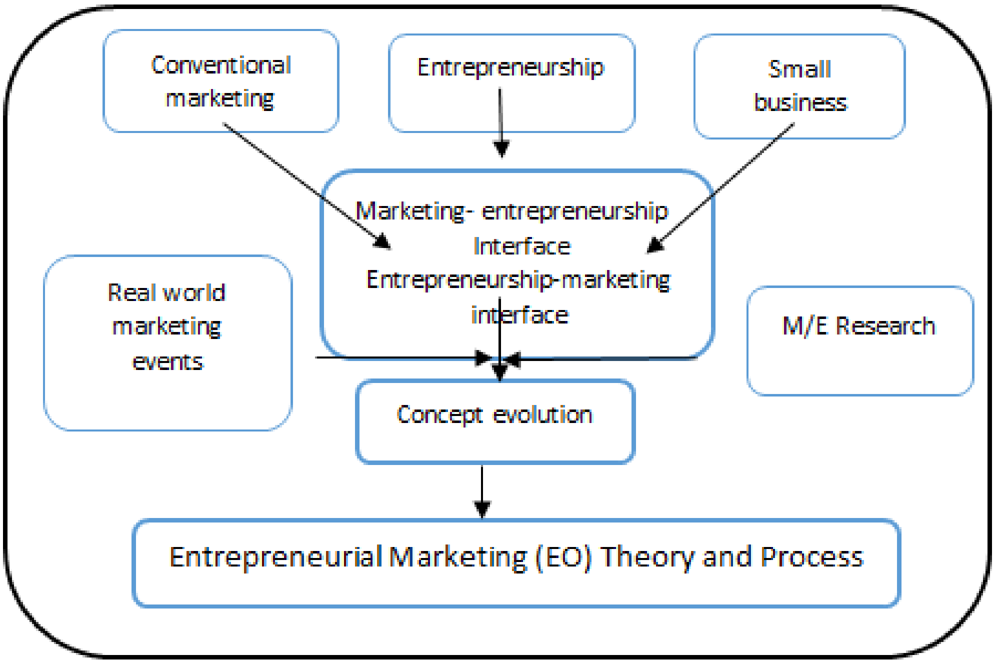
New businesses work with different constraints and which is why entrepreneurial marketing strategies are born out of necessity. This type of marketing is characterized by innovation, risk taking and proactivity, with its marketing campaigns emphasizing on the strengths and values of the business. Most successful businesses which started small have succeeded by converting their weaknesses into strengths.

Entrepreneurial marketing entails the combination of different marketing strategies in the attainment of organization goals and objectives. These strategies adopted and integrated, allows the company render personalized services to their target market and to have a one-on-one interaction with them and also sustain their competitive advantages.

Entrepreneurial Marketing is an innovative, opportunity seeking approach adopted by entrepreneurs and small businesses in marketing their businesses. It is characterized by innovative value creation, and external focus and a willingness to take risks. Entrepreneurial marketing (EM) relies strongly on network, hence the emphasis on personal interaction.

3.2 DEVELOPMENT OF THE ENTREPRENEURIAL MARKETING THEORY

Previous research studies posit that EM was developed as a most suitable marketing concept to apply for SMEs and new ventures. In parity with this idea they suggest that the features of SME marketing are entirely different from other scales of businesses. Existing literature notes that traditional marketing had always worked to satisfy customer needs by producing marketing offers, and it does not seek owner manager's behavioral characteristics. Entrepreneurial marketing in contrast, is defined as a particular type of marketing that is based on the behavioural characteristics of innovativeness, risk-taking, and proactiveness of entrepreneur as well as organizational resources and market opportunities. (Amjad et al, 2020). According to the work of (Ionita, 2012), the EM theory was developed as an interface between the two major disciplines of marketing and entrepreneurship. The theory of entrepreneurial marketing (EM) was progressively developed by researchers and scholars between the two major disciplines of marketing and entrepreneurship within the past three decades. Some researchers state that it was at the largest conference held at university of Illinois, Chicago in 1982 that the concept of entrepreneurial marketing was born, and the conference was sponsored by two of the largest professional and academic bodies, International Council for Small Business and American Marketing Association (Ionita, 2012). Until 2010, marketing was being dominated by the interface between marketing and entrepreneurship and in 2010 at the 'Charleston Summit' the second discipline of entrepreneurship was dominated by the interface and thereafter this new paradigm has been evolved as entrepreneurial marketing or entrepreneurial marketing orientation until today (Ionita, 2012).



Development of the Construct of Entrepreneurial Marketing

(Source: Chaston, I: Entrepreneurial Marketing-sustaining growth in all organizations, 2016)

EM is widely used in small and medium sized enterprises (SMEs), particularly during the start-up and early growth phase. A growing number of studies suggest that more successful SMEs over time are those that engage in higher levels of EM activities (Morris et al., 2002). Many entrepreneurs and small business owners rely on word of mouth and networking (interactive marketing) to grow their businesses. This leads to higher levels of customer loyalty and satisfaction.

3.3 CHARACTERISTICS / DIMENSIONS OF ENTREPRENEURIAL MARKETING

According to a research work conducted by Morris et al. in the year 2002, entrepreneurial marketing consists of seven (7) dimensions excluding willingness to change, which was introduced in the research conducted by Chaston in 2016. These characteristics are:

(1) The opportunity-driven dimension:

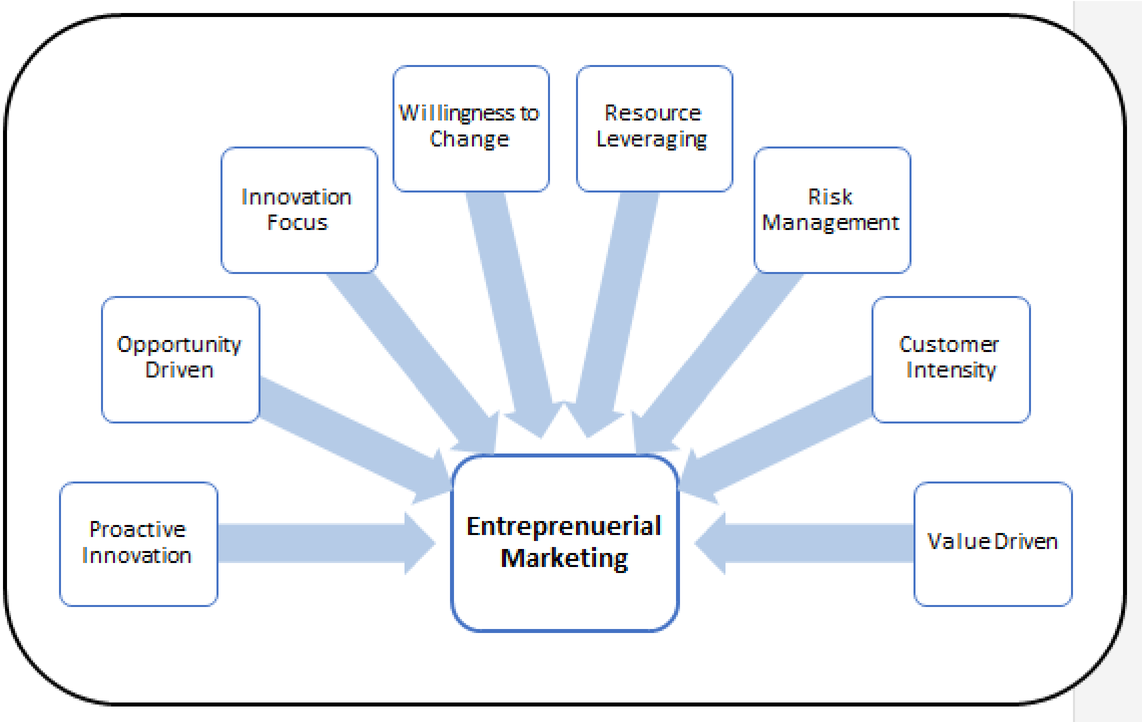
This refers to the recognition and pursuit of opportunities. A company adopting the entrepreneurial marketing strategy makes effort to establish new market positions rather than to engage in direct competition with other firms.

(2) Pro-activeness:

Creation of new opportunities and markets is regarded as the basic characteristic that sets entrepreneurial firms apart from other firms. EM firms are constantly in search of opportunities to exploit. Predicting the future is difficult as consumer preferences and industry trends constantly evolves over time. Entrepreneurial marketing firms therefore engage in creating the future as well as opportunities for themselves. The entrepreneurial marketing strategy entails addressing the future needs of customers and introducing changes to influence the marketplace. This sets the entrepreneur as a trailblazer in the market place/industry.

(3) The customer intensity dimension:

The entrepreneurial marketing strategy relies profoundly on having one on one interactions with customers and clients. it involves focusing strongly on customers and interacting with individual customers to establish profitable customer relationships.



(Source: Chaston, I: Entrepreneurial Marketing-sustaining growth in all organizations, 2016)

(4) Innovativeness (opportunity creation):

This entails seeking innovative approaches to marketing. The entrepreneurial marketing strategy seeks new ways to doing things and does not conform to the conventional marketing principles. Entrepreneurial marketing creates opportunities for both small businesses and other industry players.

(5) Risk management:

Risk management represents an integral and very important part of the overall management of the company. Risk management itself includes all activities that are related to the treatment of risks, such as planning, identification, analysis, compilation of proactive and reactive strategies, monitoring and control of risks. Entrepreneurship involves taking and managing risks. The same applies to entrepreneurial marketing as it is a concept that cuts across two disciplines: marketing and entrepreneurship. This concept ensures that marketing strategy are created and implemented to reduce the vulnerability to, and dependence on, the external environment, and enhance the firm's flexibility.

Types of Risks

An entrepreneur could be faced with different types of risks. They could be grouped as strategic risks, financial risks, etc. Some authors (Byrd & Megginson, 2013; Ramadani & Hisrich, 2015) divide risks in pure, speculative and fundamental risks, which characteristics are elaborated as follow:

• Pure risk. The risk is considered as pure, when it causes a sure loss, or a situation that it is in break-even point and it is always unpredictable. Examples are fire, traffic accident, etc.

• Speculative risk. When the risk is pure, the entrepreneur faces with those situations in which can only lose, while in a speculative risk, he can lose or can win. An entrepreneur can buy a parcel (land) hoping that its value will increase in the future; another entrepreneur will sell his current business to buy another one with hope that the second one will be more profitable than the first; someone else can buy shares of a certain company and hope for their greater value in the future. As profits can be expected from these investments, there also can occur unpredictable and plot situations, where the new purchased business, land or shares lose their previous value and all this will end up with losses for the entrepreneur {Ramadani & Hisrich, 2015}.

• Fundamental (unavoidable) risk: This type of risk is different from others in the sense that its occurrence affects all companies which operate in a respective country or community. Possible sources of this type of risk can be the natural forces, political factors, economic factors, social factors, etc.

• Financial risk. Financial risks include all monetary losses resulting from new investments. Financial can sometimes be unlimited requiring entrepreneurs to settle all liabilities with their personal funds and properties. Individuals who are risk averse are usually reluctant to risk personal savings, houses, cars and/or salaries to start their own business.

• Career risk: Every entrepreneur starting out on his or her own risk failing at his/her business. For those with good compensation packages as employees, the decision to venture into entrepreneurship should be carefully thought out.

• Family and social risk: The time and commitment required to build a business puts the entrepreneur at the risk of closing close and valuable relationships.

The value creation dimension:

Startups/ small businesses seek ways to stand out from the crowd and offer unique products that create value for their customers/clients. In order to achieve this, startups/ small or new businesses adopting the entrepreneurial marketing strategy seek and exploring new methods and searching for unique combinations of resources to create more value for customers.

(6) **Resource leveraging and control**:

Small businesses seek to be more efficient. Hence, they aim towards achieving more with fewer resources through the skillful deployment of marketing functions (Morris et al., 2002). Entrepreneurial marketers leverage on and control the use of the resources available to them both effectively and efficiently.

(7) Willingness to change.

This is the interest of management of small business to be able to adapt to changes that occurs in the business environment. They are always willing to change position in order to achieve organizational goals within best practices available.

3.4 COMPONENTS OF ENTREPRENEURIAL MARKETING

It is established that entrepreneurial marketing is focused on the creation and adoption of new, unconventional practises by entrepreneurs and small businesses in order to survive the very competitive and predatory business environment as well as succeed in the attainment of the company’s goals and objectives.

Entrepreneurial marketing is made up of several components which aid active and personal interaction with customers. These components are marketing strategies integrated in entrepreneurial marketing. Some components of entrepreneurial marketing including guerilla marketing, buzz marketing and viral marketing overlap because they are based on the concept of word of mouth.

They include:

1. **Relationship Marketing:** this places emphasis on the need to build a bond between the brand and the consumers. Relationship marketing is a process of creating, maintaining and enhancing strong value added relationships with customers and other stockholders.
2. **Direct Marketing:** This is also known as one on one marketing. It involves implementing personalized marketing strategies in relating with ever consumer. Each consumer is treated as a distinct person.
3. **Digital Marketing:** For the past few decades, digital marketing has been a part of marketing that has received unrivalled attention over the years. It involves leveraging the power of the internet in the achievement of marketing objectives. Digital marketing has itself led to the birth of many firms who adopts this marketing strategy as their sole product offering. Entrepreneurs need to acquire a variety of digital marketing skills to help their growing companies succeed.

These skills include:

- Social media management (SMM)
- Search Engine Optimization / SEM skills
- Copywriting
- Data Analytics
- Story telling/ Content creation
- Graphic designing, amongst others.

4. Viral Marketing:

The term ***viral marketing*** was used for the first time in 1997. It describes a form of marketing that uses social networks (family, friends, neighbors, and colleagues) to draw attention towards brands, products or campaigns by spreading messages – mostly through word-of-mouth marketing – like a virus. Viral marketing is about spreading messages and rumors about the product through voluntary and honest communication by the customer himself with the aim of acquiring new customers (Ramadani & Hisrich, 2015).

5. **Guerrilla Marketing:**

The term ***guerrilla marketing*** was coined by Jay Conrad Levinson in 1984. It stands for a variety of low-cost, high-impact marketing techniques that allow small companies and/or individuals to act like big companies. Guerrilla marketing can be regarded as the ancestor of the other EM concepts. It is about the attempt to achieve wide-ranging results with an untypically low utilization of resources by acting like a guerrilla (Kraus et al, 2010). Guerrilla marketing is meant to be surprising, efficient, rebellious, infectious, and in the best case even spectacular, thereby bursting through conventional perceptions and leading to a “wow factor”. Guerrilla marketing actions are often only one-time, limited in scope, and seldom repeatable (Kraus et al, 2010).

6. **Expeditionary Marketing:** Just as entrepreneurial marketing diverts from the traditional; marketing principles, expeditionary marketing offers a daring approach to marketing. Companies adopting this strategy, act like leaders and not followers by creating new products as ways to conduct marketing activities. Expeditionary marketing involves creating a new market for a product offering, developing innovative product, etc.

7. Buzz Marketing:

Buzz marketing is a new form of word-of-mouth communication which targets opinion leaders to disseminate information. It emerged as a reaction to the fact that more and more consumers are critical towards classical advertising. It attempts to stimulate the recipients through the use of spectacular actions so much that the product becomes the subject of discussions or gossip (Rosenbloom, 2000). Buzz marketing uses the recipient’s Internet, e-mail or cell phone networks to generate a buzz around a product or a brand, thereby leaving the actual advertising to the customers.

This form of marketing pulls its strength from its credibility, its weakness is that it can be counterproductive when the product itself does not ultimately convince the customer (Ramadani & Hisrich, 2015).

3.5 DIFFERENCE BETWEEN ENTREPRENEURIAL AND TRADITIONAL MARKETING

Entrepreneurial marketing is directed towards helping businesses especially small businesses and start-ups survive and succeed in a hostile and ever dynamic environment. Note the word, **small businesses / start-ups**, entrepreneurial marketing was birthed from the fact that the conventional marketing principles are most suitable for big companies and by the nature of small companies, start-ups/ small companies can afford to be flexible and divert from the orthodox principles than their larger counterparts. Entrepreneurial marketing offers tools, principles and theories to help growth-oriented businesses achieve their goals.

Table 1: Differences between Entrepreneurial Marketing and Traditional Marketing

Marketing principles	**Traditional Marketing**	**Entrepreneurial Marketing**
Concept	Customer-oriented: Market-driven, product development follows	Innovation-oriented: Idea-driven, intuitive assessment of market needs.
Strategy	Top-down segmentation, targeting and positioning.	Bottom-up targeting of customers and other influence groups.
Methods	The marketing mix: four and seven Ps.	Interactive marketing methods: word-of-mouth marketing (WOM), etc.
Market intelligence	Formalized research and intelligence systems	Informal networking and information gathering

Source: Adapted from Stokes, D. (2000), “Putting Entrepreneurship into Marketing: The Process of Entrepreneurial Marketing”, *Journal of Research in Marketing & Entrepreneurship,* 2(1), p. 13.

- **Concept:** Traditional marketing is customer oriented, market driven and guided by information obtained from the market. Entrepreneurial marketing however is innovation-oriented, idea driven and largely depends on intuitive assessment. Traditional marketing seeks to determine consumer needs firstly, and then develop a product to satisfy such need. Entrepreneurial marketing goes the other way, starts with generating an idea and then finding a market for it.
- **Strategy:** While traditional marketing follows a top-down method of segmentation, targeting and positioning, entrepreneurial marketing adopts a bottom-up approach.
- **Methods:** Unlike traditional marketing, entrepreneurial marketing is divergent from the orthodox marketing concepts. Traditional marketing involves creating and implementing marketing strategy using the marketing 4 and 7p’s mix. Entrepreneurial marketing however, adopts a more interactive marketing approach. Individuals/ organizations adopting this strategy use tools including personal selling, use of online audience engagement methods that allows for real time physical interactions with consumers/ clients, unlike in traditional marketing.

- **Market Intelligence:** Traditional marketing adopts a formalized research and intelligence system, while entrepreneurial marketing adopts informal networking and information gathering methods.

STUDENT ASSESSMENT EXERCISE

1. Explain in details the concept of entrepreneurial marketing.
2. Enumerate the dimensions and components of entrepreneurial marketing.

4.0 CONCLUSION

Entrepreneurial marketing is established as focused on the adoption of new, unconventional practises by entrepreneurs and small businesses to survive the very competitive and predatory business environment. This diversion from the conventional practices and methods has interestingly been the boom of many reputable companies today. Most SMEs are turning the way of entrepreneurial marketing to stay unique in the midst of competition.

5.0 SUMMARY

As stated at the beginning of this chapter, the start-up phase of a business is the first few years of operations. Every entrepreneur is faced with the challenge of surviving these years and growing the business amidst all challenges to becoming a market leader. The last decades have witnessed the start and success of small companies that grew into the big present day companies. This includes and is not limited to Microsoft Inc., Mailchimp, Shopify, Grammarly, and GoFundMe. This chapter has discussed entrepreneurial marketing, the next discusses an integral aspect of it – relationship marketing.

6.0 TUTOR MARKED ASSESSMENT

1. As an entrepreneur would you adopt entrepreneurial marketing, stick with the conventional practises of marketing, or adopt a blend of both? Discuss.

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ANSWERS TO STUDENT ASSESSMENT EXERCISE

1. Answer should tally with 3.1
2. Answer should tally with 3.3

UNIT 8: RELATIONSHIP MARKETING

CONTENT

1.0 INTRODUCTION

In this unit, we shall define the terms ‘entrepreneurial marketing, discuss the development of entrepreneurial marketing as a theory, discuss the characteristics/dimensions as well as the component of entrepreneurial marketing. This unit also discusses the difference between traditional and entrepreneurial marketing as well as digital and relationship marketing.

2.0 OBJECTIVES

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

- Define the terms: entrepreneurial marketing, relationship marketing, viral marketing, guerilla marketing and digital marketing.
- Describe entrepreneurship as a modern business strategy.

3.0 MAIN CONTENT

3.1 DEFINITION OF RELATIONSHIP MARKETING

The purpose of business is to create and keep customers as well as ensure cost effectiveness. Companies often fail because their products fail, and products fail because customers reject them.

Relationship marketing concerns the shifting from activities of attracting customers to activities concerned with current customers and how to retain them. At its core is the maintenance of relations between a company and as suppliers, channel distribution intermediaries, the public and its customers. The key idea is to create customer loyalty so that a stable, mutually profitable and long-term relationship is developed. The idea of relationship marketing implies at least two essential conditions. First, a relationship is a mutuality rewarding connection between the parties so that they expect to benefits from it. Second, the parties have a commitment to the relationship over time and are, therefore, willing to make adaptations to their own behaviour to maintain its continuity. Relationship marketing is a strategy that entails seeking and establishing ongoing partnerships with customers (Lamb et al, 2018). Relationship marketing has become an important business marketing strategy as customers have become more demanding and competition has become more intense. Loyal customers are also more profitable than those who are price sensitive and perceive little or no difference among brands or suppliers (Lamb et al, 2018).

The goal of an entrepreneur or business is gain repeat business. Relationship marketing is used also in building strategic alliances. A strategic alliance, sometimes called a strategic partnership, is a cooperative agreement between business firms (Lamb et al, 2018). Strategic alliances can take the form of licensing or distribution agreements, joint ventures, research and development consortia, and partnerships. They may be between manufacturers, manufacturers and customers, manufacturers and suppliers, and manufacturers and channel intermediaries.

Kotler (1997) defines relationship marketing as the practice of building long-term, satisfying relations with key parties' customers, suppliers, and distributors in order to retain their long-term preference and business. Good marketers build up long-term win-win relationships by delivering high quality goods, service and fair prices to other parties over time. More companies today are shifting emphasis from "transaction marketing to relationship marketing".

3.2 SOME KEY FACTORS FOR RELATIONSHIP MARKETING.

1. The customer is not a competitor
2. You need the customer; the customer does not need you
3. The customer has feelings
4. The customer can choose you or somebody else
5. You need to manage the relationship with an existing customer because it is more difficult and costly to establish a new relationship than to manage an existing one.
6. A strong relationship translates into greater business volume via repeat purchases and new introductions.

3.3 REASONS FOR RELATIONSHIP MARKETING

1. The market place has been transformed in recent times and you have to change with time and get close to your customers.
2. The customer has a basket of competing products to choose from. He has a choice.
3. Most business activities are now market driven and only good relationship marketing can grow volume and enhance profitability.
4. Relationship marketing will enable you hold on to your existing customers, whist you try to snatch some customers away from your competitors.
5. It aids the attainment of organizational and marketing goals.

3.4 METHODS EMPLOYED IN BUILDING RELATIONSHIPS MARKETING.

As a result of the existing fierce competition, it is important for companies to be customer focused by providing superior service to customers who are themselves exposed to wide choices.

A key method of building relationship and goodwill is the provision of customer service. Ways of building relationships are:

1. **Technical Support:** Research and development cooperation, before sales or after sales service, and providing training to the customer's staff. The supplier is thus enhancing the customers know how and productivity.
2. **Expertise:** Suppliers can provide expertise to their customers e.g. the offer of design and engineering consultancies and dual selling where the customer's sales force is complemented by the supplier.
3. **Resource Support:** Suppliers can support tile resource base of customers by extending credit facilities•, giving low interest loan, agreeing to cooperative promotion.
4. **Service Levels:** Suppliers can improve their relationships with customers by improving the level of services offered to them. This involves providing more reliable delivery, fast or just-in- time delivery.
5. **Risk Reduction:** It involves free demonstrative preventative maintenance contracts, product and delivery guarantees etc.

3.4 ATTRIBUTES OF RELATIONSHIP MARKETER

- Cheerful and should have an inexhaustible sense of humor
- Intelligent and knowledgeable. He must apart from knowing his products also know the customer's business.
- Willingness to find and store information for future use to the benefits of the organization.
- Focus on customer satisfaction and not profit making.
- Prioritizes building and maintaining beneficial relationships.

STUDENT ASSESSMENT EXERCISE

1. Highlight the key factors for relationship marketing.
2. State the reasons for relationship marketing

4.0 CONCLUSION

In this unit, you have been introduced to a core aspect of entrepreneurial marketing- relationship marketing. Relationship marketing has proven beneficial too companies in building long lasting relations with all stakeholders and in the attainment of a firm’s marketing and overall objectives.

5.0 SUMMARY

Marketing refers to the social management processes by which products, or groups' needs and wants. These processes include, but are not limited to advertising, (promotion, distribution, and sales). Everyone markets something without even realizing it throughout his or her life. Marketing is not mere selling, it the all activities involved in creating value for a customer and generating a lasting and beneficial relationship. Relationship marketing was first defined as a firm of marketing deployed from direct response marketing campaigns which emphasis customer relation and satisfaction, rather than a dominant focus on sales transactions. As a practice, relationship marketing differs from other forms of marketing in that it recognizes the long term value of customer relationships and extends communications beyond intrusive advertising and sales promotional messages.

With the growth of the internet and mobile platforms, relationship marketing has continued to evolve and move forward as technology opens more collaborative and social communication channels. This includes tools for managing relationships with customers that go beyond simple demographic and customer service data. Relationship marketing extends to include inbound marketing efforts, (a combination of search optimization and strategic content), public relations, media and application development.

6.0 TUTOR MARKED ASSIGNMENT (TMA)

1. Using any of the modern day companies as a case study, analyse how entrepreneurial marketing is implemented as a marketing strategy? Indicate as pertaining to the company, the advantages and disadvantages of adopting the strategy?
2. "Relationship marketing is not crucial to entrepreneurial marketing". Discuss

ANSWERS TO STUDENT ASSESSMENT EXERCISE

1. Answer must tally with 3.2
2. Answer must tally with 3.3

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UNIT 9: MARKET SEGMENTATION CONTEXT IN ENTREPRENEURIAL MARKETING

CONTENT

1.0 INTRODUCTION

Market segmentation is defined as the subdivision of a market into homogeneous subset of customer, where any subset may conceivably be selected as a market target to be reached with a distinct marketing mix. Marketers have the task of managing markets and demand. A market in this sense will refer to the population of present and potential buyers of a product. This task is by no means easy. There are many marketing segments or concepts that marketers can adopt. To satisfy somebody, you need to know him (not just a nodding acquaintance, markets needs to know their customers better), understand their needs/wants, reach them and interact or reason with them.

2.0 OBJECTIVES

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

- Explain service market segmentation and their strategies
- Examine product market/product differentiation marketing
- Discuss the various characteristics of effective market segmentation

3.0 MAIN CONTENT

3.1 DEFINITION AND MEANING OF MARKET SEGMENTATION

Market segmentation is defined as the identification and aggregation of individual consumers coming from a heterogeneous population into groups or segments where the members of the group or segment are relatively alike, yet different from other groups. Market segmentation is also defined as the subdivision of a market into homogeneous subsets of customer, where any - subset may conceivably be selected as a market target to be reached with a distinct marketing mix. It also depends on the partitioning of potential customers into groups of differentiated sub- markets. Since no company can operate in every market and satisfy every need, there is need for market segmentation, a very important marketing technique whereby an organization define the boundaries of its markets carefully before designing appropriate marketing programs for each target market.

3.2 SERVICE MARKET SEGMENTATION STRATEGY

Three strategic options are open to marketers indeed organizations, in choosing markets and products to use in serving the markets. These are mass marketing/undifferentiated marketing, product variety/product differentiation marketing and target marketing.

3.2.1 Mass Marketing/ Undifferentiated Marketing

In this situation, the marketer is either ignorant of differences among the population of buyers or is aware of the differences but prefers to presume that the population of buyers can be served with one product. In mass marketing, or what is alternatively called undifferentiated marketing, the marketer offers one product or uses one blend of marketing mix to serve the whole market. This marketing operation is characterized by mass production, mass distribution and mass promotion of one product, obviously at a low price on account of economies of scale. Furthermore, marketing strategy was attractive and perhaps still is commendable in shortage and scarce economies where emphasis may rightly be on increasing production of products and making them affordable.

In competitive markets however, its ability to sustain profitable operations for organizations is to say the least, doubtful. Over time buyers have developed sharply different tastes, are more informed, critical and discriminatory, and· will not settle for just any product simply because it is cheap. Consumers now want their requirements and specifications roundly met in product offerings before they buy. Undifferentiated marketing, it seems to us, has ceased to be a potent strategy in modem marketing and markets are increasingly being flooded with deep assortment of product brands. Organizations are daily challenged these days to justify their continued existence and their positions are equally threatened by innovative and aggressively combative competitors and even upstarts striving to carve out niches for themselves.

3.2.2 Product Variation / Product Differentiation Marketing

Perhaps in recognition of the inadequacy of undifferentiated marketing to serve organizations in attracting and maintaining sufficient customer patronage in developed and developing marketing systems, marketers in the recent past are increasingly turning to product differentiation marketing. Simply put, this strategy suggests that differences in the taste and buying needs and behavior of consumers can be addressed if varieties of a product are pushed into the market. The assumption being that each brand will appeal to a group of buyers in the consuming population, and ultimately the different brands put together will meet the different wants of buyers. In this strategy, each company offers different product offerings or marketing mixes to expectedly serve various market segments. Product differentiation can be achieved by

varying the features, styles, qualities, package, sizes and colors of products. PAN (Peugeot Automobile of Nigeria) is a good example of a company that differentiates its products. Peugeot

504 has many varieties or models GR, GL, L etc. The attempt at product differentiation is usually supported by advertising. Advertising will emphasize the features which differentiate or distinguish one product from others in the same category. This strategy is often adopted when a company is faced with competition. So, product differentiation marketing is merely a company's answers to competition and not a deliberate effort by the company to identify customer needs/wants and satisfy them. However, this attempt to meet competition by product differentiation has contributed greatly to progress in product development. It has led to actual product improvement.

3.2.3 Target Marketing

In this strategy, marketers are aware that a given customer population comprises heterogeneous units that can be grouped into somewhat homogenous groups or segments, each segment expected to respond in the same way to given marketing stimuli (i.e. blend of marketing mix). The acceptance of the heterogeneity of the general market or mass market supports the proposition that different blends of marketing mixes be developed for the different segments of the market. Target or differentiated marketing therefore aims at dividing a large heterogeneous market into homogenous groups or segments, and developing a marketing mix that will appeal directly and efficiently to buyers in each. Alternatively, a market can select two or more market segments and develop distinct marketing mix for each. other option will be to develop as many market mixes as there are market segments in each market You will notice that in target marketing, marketing planning starts with the effort to know who the customers are, what their needs/wants are, and how best they can be satisfied.

Target marketing requires four major steps - market segmentation, market targeting, market penetration and product positioning.

3.3 CHARACTERISTICS OF EFFECTIVE MARKET SEGMENTATION

The conditions for effective market segmentation are:

1. **Measurable**: There must be some ways of measuring the size and purchasing power of the segments.
2. **Accessible**: The firm (Bank) should be able to reach the segments. They should be able to locate the segments at designated places or reach by certain media.
3. **Sustainability:** The segments should be of a sufficient size and value to be profitable.
4. **Differentiable:** The segments are conceptually distinguishable and

respond differently to different marketing - mix elements and program.

5. **Predictable:** The segment can only be of value to the marketer, if he can predict its future behaviour with some confidence.
6. **Profitability:** The market must be serviced at a profit, not at a loss.
7. **Identifiable:** This is the degree to which a marketer is able to identify the specific requirements of the market of interest.

STUDENT ASSESSMENT EXERCISE

1. Explain market segmentation.
2. List the characteristics of market segmentation.

4.0 CONCLUSION

In this unit, you have been introduced to the concept of marketing segmentation which refers to the subdivision of a market into homogeneous subsets of customer, where any - subset may conceivably be selected as a market target to be reached with a distinct marketing mix. Market segmentation exists because no company can operate in every market and satisfy every need. As stated earlier in this chapter, it is a very important marketing technique whereby an organization define the boundaries of its markets carefully before designing appropriate marketing programs for each target market.

5.0 SUMMARY

In this unit we have explored the concept of market segmentation. The next chapter further broadens our knowledge of the concept, explaining more beyond targeting and the characteristics of the concept on to the bases of segmentation and identifying the current and potential wants that exist within a market.

6.0 TUTOR MARKED ASSIGNMENT (TMA)

Using the brand, you created earlier, attempt to segment the market available to your brand and determine the market you would be serving.

7.0 REFERENCES AND FURTHER READING

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ANSWERS TO STUDENT ASSESSMENT EXERCISE

1. Answer must tally with 3.1
2. Answer must tally with 3.3

UNIT 10: BASES FOR MARKET SEGMENTATION

CONTENT

1.0 INTRODUCTION

Market segmentation as defined in the previous chapter is the subdivision of a market into homogeneous subset of customer, where any subset may conceivably be selected as a market target to be reached with a distinct marketing mix. This chapter shed more light on the concept of market segmentation and how to achieve an effective marketing segmentation.

2.0 OBJECTIVES

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

- Compare and contrast the bases for market segmentation
- Elucidate the benefits of market segmentation
- Analyze the justification of market segmentation and the various steps in market segmentation

3.0 MAIN CONTENT

3.1 BASES OF MARKET SEGMENTATION

The bases for market segmentation are:

3.1.1 Demographic segmentation:

Here, consumers are grouped according to variables such as age, sex, marital status, income, education, occupation, race, religion. These variables greatly affect the purchase decisions of consumers, for example, young consumers. For example, young consumers cherish drinks, stereo equipment and personal computers, while old consumers sometimes pay more attention to investments and retirement issues.

3.1.2 Geographic Segmentation:

This method is useful where there is geographic locational difference in consumption patterns and preferences based on regions/zones, states, local government areas, areas of a town or city on climatic factors.

3.1.3 Psychographic Segmentation:

This was developed to overcome the inadequacies of demographics in the identification of attitudes and life styles.' Variables under this heading are:

a. Lifestyle: Lifestyle is a pattern of living adopted by an individual. It has proven to be a more useful segmentation base than personality. If there is evidence that consumers buy a product to express or carry out their lifestyle, the marketer can use lifestyle as a segmentation base e.g. Gulder for successful men, rock for laborers, Ajegunle for lower class, Surulere for the middle class, Ikoyi for the upper rich class.

b. Social class e.g. Okada for the lower income, Peugeot for the middlemen, Lexus for the higher income.

c. Personality: They assign personality characteristics to products just like the consumer personality characteristics e.g. Exclusive restaurants for the gregarious consumers.

3.1.4 Behavioural segmentation: In this approach, consumers are grouped by their purchase. For example, the detergent market might be segmented by those consumers who buy detergent solutions, detergent powders, or detergent soaps. The demographic and lifestyle characteristics of each segment would then be determined by marketers. Appropriate marketing strategies will be employed to satisfy the needs of each market· segment. Furthermore, in behavioural segmentation, markets can be segmented by identifying users of a product usage and usage situations heavy users, light users and non -users. Product choice is party dependent upon the occasion for which the product will be used.

3.2 BENEFITS OF SEGMENTATION

Both the marketing firm and its customers derive benefits from market segmentation.

1. Effective segmentation should result in improved allocation of marketing resources.
2. Segmentation enables the producer to design products and market appeals to satisfy tile needs of the target groups
3. Segmentation allows for greater consumer satisfaction
4. Effective segmentation results in greater sales volume and profitability.
5. Segmentation makes for better competitive position for existing brands in the market place
6. Segmentation should result in better identification of· marketing opportunity.
7. Promotional appeals and media campaigns can be focused on the target market.
8. It assists small banks with limited resources in streamlining their operational activities.

3.3 STEPS IN MARKET SEGMENTATION

The steps involved in segmenting a market into an organized fashion are:

3.3.1 Identify the current and potential wants· that, exist within a market: The marketer carefully examines the market to determine the specific needs being satisfied by current offerings, the needs current offerings fail to adequately satisfy, and the needs that may not be yet recognized. It might involve interviewing/observing consumers or firms to determine their behaviour, levels of satisfaction, and frustrations.

3.3.2 Identify characteristics that distinguish among the segments: In this step, the focus is on what prospects who share a particular want have in common to distinguish them from other segments in the market that have different wants. Among business firms, it could be size or location, for consumers it might be an attitude or a behaviour pattern. From the results of this step, potential marketing mixes (including product ideas) for the various segments can be designed.

3.3.3 Determine the size of the segments and how well they are being satisfied: The. final step is to estimate how much demand (or potential sales) each segment represents and the strength of the competition. These forecasts will determine which segments are worth pursuing.

3.4 JUSTIFICATION FOR MARKET SEGMENTATION

A basic justification for segmenting of markets is the fact that markets are often heterogeneous and therefore the needs/wants of major segments of the market cannot be satisfied with one marketing mix. Ensuring that the different needs/wants of the elements that make up the consuming population for any product are satisfied becomes the laison d'être of market segmentation and by extension target marketing. Segmenting a market however is not an end in itself. It is only a means to an end. Having ascertained the marked off segments of a market, the marketer should go ahead to select the segment or segments to serve, being conscious of the needs/wants of the segment(s), the principal resources of his company and its special competencies vis-a-vis those of competitors. The question reduces to which of the segments can the marketer or his company profitably serves?

STUDENT ASSESSMENT EXERCISE

Distinguish between demographic segmentation and geographic segmentation.

4.0 CONCLUSION

In this unit so far, you have learnt what market segmentation is, service market segmentation strategies, mass marketing and differentiated marketing. You have also learnt the bases for market segmentation, the benefits of market segmentation and the steps involved in market segmentation. The unit also discusses the justification for market segmentation.

5.0 SUMMARY

Market segmentation is a market strategy that involves dividing a broad target market into subsets of consumers, who have common needs, and then designing and implementing strategies to target their needs and desire using media channels and other touch points that best allow reaching them.

Market segments allow companies to create product differentiation strategies to target them. An ideal market segment meets the criteria of being possible to measure, being large enough to earn profit, stable, reach potential organizations, homogeneity, responding to market stimulus, aid marketing mix discussions. Consumer markets are often segmented through geographic segment, behavioral segment, and segmentation by occasions etc. Market segmentations are often used in customer retention. The basic approach to retention-based segmentation is that a company tags each of its active customers with three values.

6.0 TUTOR MARKED ASSIGNMENT (TMA)

Discuss the basic characteristics of market segmentation.

ANSWERS TO STUDENT ASSESSMENT EXERCISE

a. Geographic segmentation: This method is useful where there is geographic locational difference in consumption patterns and preferences based on regions/zones, states, local government areas, areas of a town or city on climatic factors.

b. Psychographic segmentation**:** This was developed to overcome the inadequacies of demographics in the identification of attitudes and life styles.' Variables under this heading are:

a) Lifestyle: Lifestyle is a pattern of living adopted by an individual. It has proven to be a more useful segmentation base than personality. If there is evidence that consumers buy a product to express or carry out their lifestyle, the marketer can use lifestyle as a segmentation base e.g. Guider for successful men, rock for laborers, Ajegunle for lower class, Surulere for the middle class, Ikoyi for the upper rich.

b) Social class e.g. Okada for the lower income, Peugeot for the middle men and Lexus for the higher income.

c) Personality: They assign personality characteristics to products just like the consumer personality characteristics e.g. Exclusive restaurants for the gregarious consumers.

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MODULE FOUR

UNIT 11: MARKETING PLANNING

1.0 Introduction

2.0 Objectives

3.0 Main Content

3.1 Definition and Meaning of Marketing Planning

3.2 The Need for Marketing Planning

3.3 Marketing Plan and Business Plan

4.0 Conclusion

5.0 Summary

6.0 Tutor Marked Assignment (TMA)

7.0 Reference/Further Reading

1.0 INTRODUCTION

A marketing plan may be part of an overall business plan. Solid marketing strategy is the foundation of a well written marketing plan. While marketing plan contains a list of actions, a marketing plan without a sound strategic foundation is of little use.

A marketing plan is a comprehensive blueprint which outlines an organization's overall marketing efforts. A marketing process can be realized by the marketing mix, which is outlined in 4Ps. The last step in the process is the marketing controlling. The marketing plan can function from two points, Strategy, and tactics. In most organizations, **"Strategic Planning"** is an annual process, typically covering just the year ahead. Occasionally, a few organizations may look at a practical plan which stretches three or more years ahead.

2.0 OBJECTIVES

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

- Define and explain marketing planning
- Explain the concepts of a marketing and business plan.

3.0 MAIN CONTENT

3.1 Marketing Planning

Marketing planning is defined as the process by which marketing plans are developed for products. A marketing firm needs a plan for each of its products, specifying strategies that will be use as well as resources required. The unplanned life is not worth living, so says Aristotle. In the same vein, the unplanned business or enterprise is not worth undertaking. In the past, competitive environment was less volatile and complex than it is now when it is characterized by the information technology revolution and globalization of world economies. Today, planning stands to provide the compass that directs organizational management along routes and destinations that facilitate the' achievement of organizational goals. Marketing planning is defined as the process by which business analyze the environment and their capabilities, decide upon course of marketing, and implement those decisions. The outcome of marketing planning is often a market plan.

The market plan is the written document or blueprint governing all a firm's marketing activities, including the implementation and control of these activities.

Formulation of a marketing plan is always the responsibility of top management aided by inputs from the organizational departments including the marketing department.

Planning must always come first before other activities. Every manager plans even if he decides not to use a formal plan. Plan should be complete flexible. Every aspect of the marketing concepts compels close attention to planning.

Through marketing planning, banks can be assisted to:

- Formulate their marketing objectives more appropriately and more realistically.
- Select best strategies and formulate appropriate programmes or action plans for its objectives while promoting the image and customer satisfaction.

3.2 THE NEED FOR MARKETING PLANNING.

The need for marketing planning is as follows:

- ❖ Permits a firm to balance its resources and efforts with the potentials of the market. A marketing plan must be exactly on targeting market or markets for it to succeed.
- ❖ Enables marketing management to identify marketing opportunities and limitations better. A marketing plan based on adequate information from the marketing environment places a marketing manager in a better position to achieve an organization's objectives.
- ❖ Specifies how resources are to be allocated.
- ❖ Assign responsibilities, tasks and timing.
- ❖ Inform few participants in the, plan of their role and function.
- ❖ It provides a yardstick against which progress can be measured with provision for appropriate action if achievement is seriously above or below target.
- ❖ It facilitates integration of efforts. It not only integrates and coordinates the activities to the 4Ps of marketing mix but also of the other functional activities into the marketing effort aimed at achieving customer satisfaction. Marketing plan is the proper place to integrate marketing with other functions like finance, personnel, production, etc.
- ❖ It provides a clear statement of marketing objectives to which every department of the organization that has endorsed or accepted the plan is committed.

CONSTRAINTS TO MARKETING PLANNING

Numerous factors conspire to impede individual and corporate planning, especially strategic or long-term planning:

1. **Action of government/regulatory authorities:**

   Actions of government destabilizes or distort corporate plans e.g. the raising of paid-up capital base of bank and insurance companies, transfer of accounts of parastatals from banks to CBN.

2. **Economic Depression**
3. **Civil Strife/Social Upheaval**: Areas prone to civil strife and social upheavals delay location of planned or potential offices and even limit expansion of existing branches.
4. **Manpower Needs**: Shortage of manpower, in terms of qualified and experienced personnel can constrain companies' expansion. Companies normally look for competent staff who can deliver the goods.
5. **Political Upheavals:** Political upheavals such as coups, riotous elections (and even religious disturbances) affect planning.
6. **Inflation**: Inflation distorts planned lending levels and deposit rates of banks. It leads to upward adjustment of these rates thereby affecting the volumes of loans.
7. **Cost of operating facilities:** Rising technological equipment, computers, and communication equipment affects the operation of firms.

Strategic planning is the managerial process of creating and maintaining a fit between the organization's objectives and resources and the evolving market opportunities. The goal of strategic planning is long-run profitability and growth. Thus, strategic decisions require long-term commitments of resources

A strategic error can threaten a firm's survival and a good strategic plan can guarantee a firm's long term success, help protect and grow the firm's resources (Lamb, Hair Jr, & McDaniel, 2018). Planning help an organization understand how it will reach its goals. Planning is the process of anticipating future events and determining strategies to achieve organizational objectives in the future.

Figure: Elements of a Marketing Plan

Set the marketing goals / Objectives

↓

Conduct a marketing audit

↓

Conduct market research

↓

Analyse the research

↓

Identify the target audience

↓

Determine a budget

↓

Develop specific marketing strategies

↓

Implementation

↓

Evaluation

- **Set your marketing goals:** In writing a marketing plan, it is important that the goals and objectives to be achieved are clearly stated. Clear and realistic goals should be set over different periods and length of time. This allows for proper planning around that period and also the consideration the factors that could affect the outcome of the plan at a period in time.
- **Conduct a marketing audit:** A marketing audit is a review of all marketing activities that have occurred in your practice over the years. Marketing audit should be done using a thorough process.
- **Conduct market research:** Market research gives a clear insight into the industry, factors existent in the industry where you operate, your chances of success and failure and your current position. It allows you make fairly accurate projections about future growth in the community, identify competitive factors and explore non-traditional opportunities (Anwar, 2020). Conducting market research is often time-consuming, it is however an important step.
- **Analyse the research:** After conducting market research, you need to analyse and interpret the result of your findings. This will help you make better decision and develop sound strategies that address the issues identified during the research.
- **Identify a target audience:** With the help of your market research analysis, you should be able to identify your practice's "target audience," which is the specific part of the overall market available which you would like to direct your marketing efforts (Anwar, 2020). Your target audience should be people whose needs can be met using your product or service. This may or may not be limited to age, location, etc. Selecting a target market is dependent on the product design and the marketing objectives to be achieved.
- **Determine a budget:** The marketing strategies to be adopted largely depend on the finance available for such marketing project. All strategies and activities should be tailored in sync with the budget.
- **Develop marketing strategies:** With your budget in place, you can begin to define specific marketing strategies that will address your goals, reach your target audience and build your patient base. Remember to focus your strategies on the elements of your practice that can be used to create a special value in the minds of consumers (Anwar, 2020). Each strategy should be related to a specific goal and should be made up of numerous actions.
- **Develop an implementation schedule:** An implementation schedule is a timeline that shows

which marketing actions will be done when and by whom (Anwar, 2020). The schedule should also include the cost of each marketing action and how it fits into the budget estimates for the period. The implementation schedule gives a basis on which to monitor the progress of your marketing plan.

- **Create an evaluation process:** The value of a marketing plan is its effectiveness, which requires deliberate and timely implementation *and* monitoring and evaluation of results (Anwar, 2020). It's important to measure results against the standards set in establishing your goals.

CONTENTS OF A BUSINESS PLAN

A business plan describes how a business is going to achieve its objectives. The aspects of a business plan include the following:

1. Title page
2. Table of contents
3. Executive Summary: the executive summary is the most important document in the business plan. It is an important 2-page documents that contains all information a potential investor needs to know. It should have the name of the company and address on the title page and should give a detailed explanation of the problem existing and the proposed solution. It should also give information of each key members of the managing team.
4. Description of business: This aspect of a business plan describes the nature of the venture, its mode of operation and its strategy for solving the identified problem. This section gives a detailed description of the business structure, its legal structure, and strategies.
5. Description of Industry: The description and analysis of the industry is given herein with future industry trends. This section provides information on all the various markets within the industry.
6. Technology plan: This section gives an in-depth explanation of the methods adopted by the business in the attainment of its goals. This includes all types of machines to be used, the mode of operations, the internet and how it will be leveraged in achieving the marketing and overall organizational objectives.
7. Marketing plan: This section gives a detailed explanation of the marketing strategies to be adopted. The strategies usually revolve around the 5p's of marketing: product, place, pricing, people, and promotion. A good marketing plan will help the organization achieve its goals.
8. Financial plan: Financial data is an important aspect of the business plan, most investors look carefully at the charts, tables, formulas and spreadsheets in the financial section,

because it tells how well the business is doing and predict its future performance.

9. Production (outsourcing plan): This aspect spells out the production processes from the sources of raw materials, the materials which will be outsourced to the production process itself.
10. Organizational plan: This aspect provides an understanding of how the marketing, financial, production and technology plan will contribute tot the attainment of organizational goals.
11. Operational plan: It is a highly detailed plan that provides a clear picture of how each team, person, departments, and partnerships contribute to the overall attainment of organizational goals. This section states the day to day activities of the business.
12. Summary
13. Appendix

STUDENT ASSESSMENT EXERCISE

Using the brand, you designed, explain how some constraints to marketing planning can affect your brand.

4.0 / 5.0 CONCLUSION AND SUMMARY

In this unit, you have been introduced to the concept of marketing planning. You have also learnt that a marketing plan is part of the overall business plan. You have learnt that it is through marketing planning that all marketing objectives are achieved. The next unit sheds more light into the topic.

6.0 TUTOR MARKED ASSIGNMENT (TMA)

1. Examine any five constraints to marketing plan you know.

7.0 REFERENCES AND FURTHER STUDIES

Anwar, D. (2020). *Nine Steps to a Strategic Marketing Plan.* Retrieved from American Academy of Family Physicians: https://www.aafp.org/fpm/2001/1100/p39.html#:~:text=There%20are%20nine%20major%20steps,develop%20an%20implementation%20schedule%20for

Kotler, P. (2003) “Principles marketing” 4th edition. Prentice-Hall New York

ANSWERS TO STUDENT ASSESSMENT EXERCISE

Answers are based on the students' brand type and analysis but should be in sync with the constraints of marketing earlier listed in this unit.

UNIT 12: QUALITIES OF A GOOD MARKETING PLAN

1.0 Introduction

2.0 Objectives

3.0 Main Content

3.1 Qualities of a Good Marketing Plan

3.2 Contents of a Marketing Plan

3.3 Implementation, Evaluation and Control of the Marketing Plan

4.0 Conclusion

5.0 Summary

6.0 Tutor Marked Assignment (TMA)

7.0 Reference/Further Reading

1.0 INTRODUCTION

As introduced in the previous unit, a marketing plan may be part of an overall business plan. Solid marketing strategy is the foundation of a well written marketing plan. This unit shed into the qualities of a marketing plan, the contents of a marketing plan, the implementation, evaluation and control of a marketing plan.

2.0 OBJECTIVES

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

- Explain the qualities of a good marketing plan
- Explain when a marketing plan is said to be comprehensive
- Itemize the major contents in a marketing plan

3.0 MAIN CONTENT

3.1 QUALITIES OF A GOOD MARKETING PLAN

A good marketing plan should have the following qualities:

1. **Flexibility:** It should be able to accommodate changes or modifications occasioned by unanticipated events in the macro-economy e.g. the use or application of technology.
2. **Brevity**: It should allow for ease of comprehension by managers most of whom are too busy to read lengthy and wordy treatises.
3. **Comprehensiveness:** The plan should cover all departments and activities of the business organization. Marketing plans should be brief enough to be interesting but still cover the subject adequately.
4. **Clarity:** The plan should be unambiguous and easy to understand. Actions and objectives should be stated precisely and clearly.

3.5 CONTENTS OF A MARKETING PLAN

Marketing planning involves designing activities relating to marketing objectives and the changing marketing environment. It is the basis for all marketing strategies and decisions. Issues such as product lines, distribution channels, marketing communications, and pricing are all delineated in the marketing plan. The marketing plan is a written document that acts as a guidebook of marketing activities for the marketing manager and provides clearly stated activities that help employees and managers understand and work toward common goals (Lamb, Hair Jr, & McDaniel, 2018) .

Planning is essential for the attainment of goals. The attainment of an organization's marketing objectives requires good strategic planning, hence the reason for this sub theme marketing planning. Marketing plans form the basis for all marketing strategies, guides all actions and decisions to be taken by the organization in the attainment of the overall objectives. Creating a marketing plan hinges on so many factor, howbeit a marketing plan should be created considering the ever changing nature if the business environment. A marketing plan integrates all the 5ps of marketing.

A good marketing plan may have more than these stated elements; however, it must contain the following:

1. **The Business Mission Statement**

   The mission statement of a business is a clear written expression of what the company does. According to (Lamb, Hair Jr, & McDaniel, 2018), it answers the question; "what business are we in?" The mission statement of a company is created based on a careful analysis of benefits sought by present and potential customers and an analysis of existing and anticipated environmental conditions. The mission statement serves as a guide by which all future actions and decisions are made, objectives and strategies are created. It establishes a boundary as to what can and cannot be done by the business. Lamb, Hair Jr, & McDaniel, (2018) stated that a mission statement should focus on the market or markets the organization is attempting to serve rather than on the good or service offered. Otherwise, a new technology may quickly make the good or service obsolete and the mission statement irrelevant to company functions.

2. **Situation Analysis / Environmental Scanning**

   It is imperative that marketers and managers understand the current and potential situation of the market in which they are to operate and in which the product / service is to be marketed. A situation analysis is therefore important to gain a good understanding of the market. It can be carried out using one of the recognized models, one of which is the SWOT Analysis. SWOT is an acronym for: Strengths (S), Weaknesses (W), Opportunities (O) and Threats (T). The SWOT analysis identifies the internal strengths and weaknesses of a firm as well as the external threats and opportunities.

   When examining internal strengths and weaknesses, the marketing manager should focus on organizational resources such as production costs, marketing skills, financial resources, company or brand image, employee capabilities, and available technology. When examining external opportunities and threats, marketing managers must analyze aspects of the marketing environment. This process is called **environmental scanning**—the collection and interpretation of information about forces, events, and relationships in the external environment that may affect the future of the organization or the implementation of the marketing plan. Environmental scanning helps identify market opportunities and threats and provides guidelines for the design of marketing strategy (Lamb, Hair Jr, & McDaniel, 2018).

3. Objectives

It is important that the objectives of a marketing plan are stated. A marketing objective is a statement of what is to be accomplished through marketing activities. This serves as a basis for measuring the actual results obtained after the implementation of the plan. It also serves as a guide for planning, choice, and implementation of strategies. Stated objectives allow the marketing manager measure how successful the implementation of strategies has been.

Objectives must be consistent with the general objectives of the company, it must be being sync with the business mission statement, provide direction for managers and those who would be executing the plan

Objectives also serve as motivators by creating something for employees to strive for. Objectives are which are attainable and challenging, motivate those charged with achieving the objectives. Marketing must have the following characteristics:

- **Realistic and Attainable:** Managers should develop objectives that are both challenging and attainable. This will serve as motivation for employees and also prevent loss of interest or/ and underutilization of available human resources.
- **Specific and Measurable:** Objectives must be specifically stated in a way that they are measurable. It is important that objectives are quantitatively measurable. Objectives should be stated as; “To increase sales volume from N2,000,000 to N2,500,000 by the 2nd quarter of the year 2020” and not as “to increase sales volume by the second quarter of the year 2020”.
- **Time specific:** All stated objectives must be time-bound. By what time must these objectives be achieved? A time frame should be set within which all activities would be channeled towards the achievement of the stated objectives. This allows managers review and decide on how well the company is performing over a period of time.

4. Marketing Strategy

The marketing strategy covers the activities of selecting and describing one or more target markets and developing and maintaining a marketing mix that will produce mutually satisfying exchanges with target markets. In creating a marketing strategy, the manager need to first identify the market to which the product will be sold. This market consists of all individuals, organizations and institutions having the capacity to carry out mutually satisfying exchanges and to whom the product / service will be beneficial. This market is called the target market. Selecting a target market can be done through the process of segmentation, earlier explained in this book and adopting the **target market strategy**. The target market strategy identifies the market segment or segments on which to focus beginning with a **Market Opportunity Analysis (MOA)**. The Market Opportunity Analysis is the description and estimation of the size and sales potential of market segments that are of interest to the firm and the assessment of key competitors in these market segments (Lamb, Hair Jr, & McDaniel, 2018).

Upon the identification of the multiple market segments available to a company, it then decides to target one or more of them.

5. **Components of the marketing mix**

The marketing mix refers to a unique blend of product, place (distribution), promotion, people, and pricing strategies, designed to produce mutually satisfying exchanges with a target market (Lamb, Hair Jr, & McDaniel, 2018). All the five components must be strategically and well blended to achieve optimal results. According to (Lamb, Hair Jr, & McDaniel, 2018), the best promotion and the lowest price cannot save a poor product. Similarly, excellent products with poor placing, pricing, or promotion will likely fail. Successful marketing mixes have been carefully designed to satisfy target markets.

3.6 IMPLEMENTATION, EVALUATION AND CONTROL OF THE MARKETING PLAN

Following the creation of the marketing plan is its implementation. Implementation is the process that turns a marketing plan into action assignments and ensures that these assignments are executed in a way that accomplishes the plan's objectives. It involves detailed job assignments, activity descriptions, time lines, budgets, and lots of communication. It requires managers to delegated authority and responsibilities, set deadlines for the completion of tasks and allocate resources effectively (Lamb, Hair Jr, & McDaniel, 2018).

After the implementation of the marketing plan, evaluation is necessary. Evaluation entails reviewing the activities that have been carried out and the results obtained from them. It also allows managers compare actual results against expected results as stated in the objectives over a period of time. The evaluation of marketing plans also allows managers to review and implement changes where and when necessary. The control of marketing plans involves the provision of mechanisms for evaluating marketing results in light of the plan's objectives and for correcting actions that do not help the organization reach those objectives. It is essential that companies establish formal and informal control programs to make the entire operation more efficient. One of these control programs is the **marketing audit**. Marketing audit is a thorough, systematic, periodic evaluation of the objectives, strategies, structure, and performance of the marketing organization. A marketing audit helps management allocate marketing resources efficiently (Lamb, Hair Jr, & McDaniel, 2018). The marketing audit develops a full profile of the organization's marketing effort and to provide a basis for developing and revising the marketing plan, it is also an excellent way to improve communication and raise the level of marketing consciousness within the organization. It is a useful vehicle for selling the philosophy and techniques of strategic marketing to other members of the organization (Lamb, Hair Jr, & McDaniel, 2018).

STUDENT ASSESSMENT EXERCISE

1. Itemize the contents of a marketing plan.

4.0 CONCLUSION

In this unit, you can somewhat see, that marketing planning is a game plan by which marketing objectives will be achieved. This unit has taught the essentials of marketing planning, marketing plans; its implementation and control, all integrated towards the attainment of the marketing objectives of a company.

5.0 SUMMARY

Behind the corporate objectives, which in themselves offer the main content for the marketing plan, will lay the **"Corporate mission",** which in turn provides the context for these corporate objectives. In a sales-oriented organization, the marketing planning function designs incentive play plans to not only motivate and reward frontline staff fairly but also to a to align marketing activities with corporate mission. The marketing plan basically aims to make the business provide the solution with the awareness with the expected customers. This corporate mission can be thought of as a definition of what the organization is, or what it does: **"our business is".** This definition should not be too narrow, or it will constrict the development of the organization; a too rigorous concentration on the view that **"we are in the business of marketing meat-scales,"** as the bank services were during the early years 2007 after the bank consolidation, might have limited its subsequent development into other areas. On the other hand, it should not be too wide or it will become meaningless; **"we want to make a profit"** is not too helpful in developing specific plan.

6.0 TUTOR MARKED ASSIGNMENT (TMA)

1. Examine any five constraints to marketing plan you know.
2. Using any brand or company of your choice, write a simple marketing plan

ANSWERS TO STUDENT ASSESSMENT EXERCISE

Content of a good marketing plan:

1. The Business Mission Statement.
2. Situation Analysis / Environmental Scanning.
3. Objectives.
4. Marketing Strategy.
5. Components of the marketing mix.

REFERENCE/FURTHER READING

Gurumurthy, N. (2004), “Marketing Bank Products”, IBA Bulletin, (April), p.23

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UNIT 13: FORMS OF BUSINESS OWNERSHIP

CONTENTS

1.0 INTRODUCTION

In the last unit, we described the role of an entrepreneur as a risk bearer; discussed the management decision making function of an entrepreneur; explained production function of an entrepreneur; discussed the strategic planning function of an entrepreneur; explained marketing management function of the entrepreneur.

In this unit, we shall examine various forms business ownership and their distinguishing characteristics.

2.0 OBJECTIVES

At the end of this unit, you should be able to discuss the various forms of business ownership that entrepreneurs could embark on. You should also be able to discuss the features, objectives, capital available, advantages and disadvantages of each form of business ownership.

3.0 MAIN CONTENT

3.1 Forms of Business Ownership

Brown and Dow (1997) say define business as all of the activities of an individual or group of individuals in producing and distributing goods and services to customers. Business wants to know the needs, wants, goals, values etc. of prospective and potential consumer before they can sell their goods to them. Business therefore is involved in the production of goods and services, undertake organizing, managing, and marketing. The resources used by the businesses include human, material and financial resources. Business, no matter the type or form, has certain characteristics such as involvement in the exchange / sale or transfer of goods and services, profit motive, production of goods and services and bearing risks and uncertainties.

As mentioned earlier in the unit, we mentioned objectives of a business to include:

(i) profit maximization;

(ii) survival and continuity;

(iii) growth;

(iv) control of a fair share of the market;

(v) improvement in productivity;

(vi) initiating innovative ideas for quality product;

(vii) employee welfare;

(viii) service to consumers; and

(ix) social responsibility to the community that hosts the enterprise.

We list below the forms of business ownership to include sole trader or proprietorship, partnership, business name, cooperative society. All these business ownership whether individuals or group of individuals or corporation are all referred to as entrepreneurs. These forms of business ownership listed will be discussed separately in subsequent sections of this unit.

3.2 Forms of Business - The Sole Trade

The definitions of a sole trader are almost the same depending on the different authors consulted. A sole trader is a person who enters business working for him/herself. He/she puts in the capitals to start the enterprise, works either on his/her own or with employees and, as a reward receives the profit. A sole trader is a form of business enterprise in which one man owns and manages the business (Denedo, 2004). A sole trader goes with other names as “one-man business”, “sole proprietor”. Sole trading is mostly found in retailing business. This type of business is the oldest type of business in Nigeria. Up to 19th century, most production companies were owned by individuals. In Nigeria it is one of the commonest types of business you see around. You see them around the cities and villages.

The sole trader starts his business with his own capital and labor (sometimes he may borrow money from friends or relatives assisted with labor by same people). He organizes the business himself and takes all the profit or loss that arises. The sole trader therefore represents many things at the same time. He is a capitalist because he alone owns the business and receives the profit. He is a laborer because he performs most or all the work in the business; he is an entrepreneur because he takes on his stride the risk of financial loss. He is also a manager because he takes decisions and controls the operation of the business.

Features of a Sole Trader

1. **Ownership:** A sole trader as the name implies is own by one person.
2. **Liability:** The liability of the one-man business in unlimited. i.e., if the owner is indebted, both, the business asset and his personal asset can be sold to offset the debt.
3. **Sources of Capital or Finance**: The capital outlay is provided by the owner. This source of fund could be through: Personal saving, intended capital, Credit, Borrowing from relatives and Banks etc.

4. **Legal Entity:** It is not a legal entity. By law the business and the owner are regarded as one person. They are not different, unlike corporate business; a company is a legal entity, different from the owners.
5. **Motive:** It is believing, that a sole trader is into business to make profit.
6. **Method of Withdrawing Capital:** The owner can withdraw his capital anytime from the business without consulting with anybody.
7. **No Board of Director:** Because he is the owner, no board of directors that is why he does what is in (vi).
8. **Its Nature:** It is a simplest and the commonest type of business unit you can think of.

Sources of Funds of a Sole Trader

1. ***Personal Savings***

   Many individuals or group of individuals raise money from their personal savings to set up business.
2. **Borrowing particularly from Friends and Relatives**

   It is common, among the Igbo business traders that once their brothers are willing to do business, they give him a helping hand by borrowing him some amount of money to start his business, when he starts making profit, he will pay. This borrowing is not limited to brothers alone; friends and relatives equally help out in this situation for people to start up a one-man business.
3. **Credit Purchase from Manufacturers or Wholesalers**

   Sole traders get financed through credit buying from the manufactures or a wholesaler by selling goods to sole traders at credit the wholesalers are financing a sole trader.
4. **Donations from Friends and Relatives**

   Friends and relatives can give you money purposely to help you continue with your business.

Advantages of a Sole Trading Business

Sole trader is the earliest form of business ownership. The advantages of this form of business ownership are as stated below:

(i) It requires small capital. Can be established quickly and easily with small cash, there are no organization fees and the services of lawyers to draw up terms are not generally required. It is the commonest and the cheapest form of business organization.

(ii) Easy to establish: This is because it requires no formalities and legal processes attached to establishing the business and is subject to very few government regulations as no business of balance sheet to the registrar of companies is required.

(iii) Ownership of all profit: The sole trader does not share profit of the business with any one.

(iv) Quick decision-making: The sole trader can take quick decisions since he has no parties to consult or a boss whose permission he must get. He takes action as soon as circumstances arise or as soon as he conceives an idea, such flexibility could be very vital to his success.

(v) Easy to withdraw his assets: Proprietorship can be liquidated as easily as it is begun. All what he needs to do is to stop doing business. All his assets, liabilities and receivable are still his.

(vi) Single handedly formulates all policies: He determines the firms' policies and goals that guides the business internally and externally and works towards them. He enjoys the advantage of independence of actions and personal freedom in directing their own affairs.

(vii) Boss: He is free and literally his own boss but at the same time continues to satisfy his own customers.

(viii) It is flexible: The owner can combine two or more types of occupation as a result of the flexibility of his business e.g. a barber can also be selling mineral and musical records.

(ix) Personal Satisfaction: There is a great joy in knowing that a person is his own master.

The sole trader has a great deal of that. He also knew that the success and failure of the business completely lies with him. This gives him the incentive to make his business as efficient as possible.

(x) Cordial Relationship, with workers and customers: Because the sole trader is usually small, the owner can have a very close relationship with his workers to the extent that domestic/personal issues can be discussed and addressed. He also knows firsthand from customers what their wants are. It also enables him to know which of the customer's credits are worthy. This kind of relationship is usually beneficial to all the parties.

(xi) Tax saving: Unlike in companies the profits of the sole trader are not taxed, the owner only pays his income tax.

(xii) Privacy: The sole trader is not under any legal obligation to publish his accounts for public consumption as in joint stock companies.

Disadvantages of a Sole Trading Business

The disadvantages of this form of business ownership include:

(i) **Bear All Losses and Risks Alone -** Business is full of risks and uncertainties and unlike other forms of business organizations where risks and losses are shared among partners, the owner of one-man business does not share these risks and losses with anyb ody as it does not share the profits of the business with anybody.

(ii) **Limited Financial Resources -** The greatest single cause for the abandonment of one- man business form is the desire for expansion and the resultant need for additional capital which is not forthcoming because the capital used in running the business comes from only one-man and is limited to the extent of his own personal fortune. His inability to raise more capital limits its plan of expansion.

(iii) **Unlimited Liability -** Unlimited liability means that in the event of failure of the business, the personal assets of a person can be claimed to pay debts of the business. For a sole trader, it means that everything he owns is subject to liquidation for the purpose of setting the ability of the business if the business fails.

(iv) **Lack of Continuity-** When the sole proprietors retire or dies, the business may end like that. Though his children or relatives may attempt to continue with the business, most often than not they lack the zeal, and or, the ability to operate efficiently. The imprisonment or bankruptcy of the sole proprietor spells similar doom for the business.

(v) **Absence of Specialization -** As stated earlier the sole proprietor does so many things by himself. As a result of this, he may not handle aspects of the work efficiently. This negatively affects the prospects of the business.

(vi) **Limitation on Expansion -** Because of limited capital, the sole proprietor may not be able to increase the size of his business no matter how ingénue he is. As enumerated earlier, the sole proprietor has few source of capital. Except for banks, he may not get any substantial capital for expansion frantically; his ability to borrow from banks depends on his collateral which may not be enough for bank finding.

3.3 Forms of Business (2) - Partnership

Denedo (2004) says partnership is an association of two to twenty persons carrying on a business in common with the view of making profit. The partners contribute both funds and efforts to set up and manage the business sharing profit (or loss) on an agreed basis. Partnership can also be defining as the relationship that exist when two or more persons who contribute small money or moneys worth in order to establish, own and manage business organization with the sole aim of making profit. Partnership is an association of 2-20 persons or 2-10 persons as in case of a bank to carry on as co-owners of business for profit. They also share the losses that arise from such businesses.

Features of Partnership

Following are the features of a partnership form of business ownership:

❖ **Ownership:** It is formed by between 2-10 people and between 2-10 people in case of banks.

❖ **Capital:** The initial capital is contributed by partners.

❖ **Liability:** Their liability is unlimited except for limited partner.

❖ **Formation motives:** They are formed for profit reasons.

❖ **Sources of capital:** contribution from the partners ploughing back profit, loans from banks.

❖ **Method of withdrawing capital** must be approved by other partners as laid down in their partnership deed.

❖ It has **no separate legal entity**.

❖ It has **no board of directors**.

Types of Partnership

We have principally two types of partnership namely; ordinary and limited partnership.

❖ **Ordinary Partnership -** All members or partner take active part in the management of the business and are generally liable to any loss or risk. All partners have equal responsibility and bear all the risks of the business equally. All the partners have equal powers, unlimited liabilities, take active part and profits are shared equally.

❖ **Limited Partnership -** Any members in this category, his debts are restricted to the amount of money contributed in running the business. Not all partners take equal part in the management of their business. But there must be a member who bears the risk and also takes active part in the business activities. In other words, in limited partnership, there is at least one ordinary partner who has unlimited liability.

Kinds of Partners

We have five types of partners and they include:

❖ **Active Partner:** This is the partner(s) who take active part in the formation, financing and management of the business. They receive salary for the role they play as a manager or managing director or director of the business as spelt out in the partnership deed.

- **Dormant/ Sleeping Partner:** This partner contributes only the money needed for formation of the business or for running of the business. He is not involving in managing of the business and doesn't receive salary. He is only entitled to profit sharing and losses as it is agreed upon before formation.
- **Normal/Passive Partner:** A normal partner is one who is not actually a partner but who allows his name to be used in the partnership or who gives the public the impression that he is a partner even though he may not share in the profit of the business. This is a partner appointed because of his experience, fame or wealthy position. These members may be men and women of substance whose name are greater than silver and gold like retired army generals, politicians, civil servants, successful business men.
- **Silent Partners:** A silent partner is an individual who is known to the public as a partner but who does not take active part in the management of the firm.
- **Secret Partner:** A secret partner is that who is active in the affairs of the business but not known to the public as a partner.

Sources of Funds for Partnership

The following method could be used by partner to fund their business:

- Contribution from members
- Re-plough back profits
- Borrowing from the bank
- Enjoying credit facilities

Article of Partnership or Deed of Partnership

This is the document that regulates the activities of the partnership business. It is the "constitution of the partnership business aimed at guiding against, or resolving disagreements. It is normally drawn by a solicitor for the partners. The partners agree and sign the document. The deed of partnership is not legally required. It is very essential. The style and contents of the deed of partnership vary from partnership to partnership. They include all or some of the following:

- Name of the firm
- Name of the partners
- The place of business
- The description of the nature of business
- The amount of capital that each part is to contribute
- The role of each partner in the business

- The method of profits and losses sharing
- The compensation, if any, the partners are to receive for services rendered to the business
- The right of partners in the business
- How long the business shall last
- Partner's rights in the business
- How matters shall be determined either by majority vote or not
- Provision for the admission of new members
- The arrangements concerning withdrawals or additional investment
- Arrangement for the dissolution of the firm in the event of death, incompetence or other causes of withdrawal of one or more of its members.

Once each partner agrees to sign this document, it becomes a legal document that is enforceable in a court of law.

Advantages of Partnership

The following, are the advantages of partnership:

(i) **Greater Financial Resources:** Unlike a one-man, business between two and twenty persons forms the partnership. It translates into more capital for such business compare to the one-man business. By so doing ability to borrow i.e. from bank and be approved is higher and better compare to one-man. Benefits of expansion are higher because more funds are available.

(ii) **Combined Abilities and Skills:** In partnership, there are various partners, with various ideas, i.e. accountants, marketers, bankers, historians, managers etc. may come to together to form a business. They will put into use various talent which may advance the company more compare to a one-man business, who is the only talent.

(iii) **Greater Continuity:** Relative to the sole proprietorship, the partnership has a very great tendency of continuity even in death. The death of a partner may bring about a re-organization of the partnership, but the remaining members are likely to have some knowledge that will enable them to continue with the business.

(iv) **Ease of Formation:** Like-one-man business, the partnership is fairly easy to organize as there are few governmental regulations, governing the formation of partnerships. The investments duties, privileges, liabilities and other relationships of the partners are mutually agreed upon, and as soon as the new members and materials have been brought together, the business is ready to function.

(v) **Joint and Better Decision:** That two good heads are better than one and this is applicable to partnership business where joint and better decisions are taken.

(vi) **Creation of Employment Opportunities:** The large size partnership is in a vantage position to employ more in their business because of its huge financial resources.

(vii) **Employment of Valued Employees:** In order to secure the advice and experience of esteemed employees. They are made partners in the firm. This is a way of enhancing their personal work as well as that of the firm.

(viii) **Tax Advantage:** Partnership enjoys tax advantage. Taxes are therefore, levied upon the individual owners rather than upon the firm as it is not recognized as a legal entity.

(ix) **Application of Division of Labor:** This is applicable in its managerial and administrative hierarchy.

(x) **Privacy:** Like the sole proprietorship, partnerships are not under any legal obligation to publish their books of accounts for public consumption.

Disadvantages of Partnership

The disadvantages of partnership form of business ownership are:

(i) **Unlimited Liability:** If the business fails in the process, assets will be sold to offset their liabilities. In a situation where the assets cannot pay for the debt, the owners' personal belongings could be sold to offset such debts.

(ii) **The Business is not a Legal Entity:** Most of the partnership business has no legal backing.

(iii) **Disagreement and Resignation:** Death of a partner can lead to the death of a business especially the active partner. Most of the partnership ends with disagreement. Disagreements because of action or Opinion lead to resignation which could lead to total death.

(iv) **Decline in Pride of Ownership:** Since the partnership is owned by at least two people the pride and joy associated with ownership is reduced. Unlike in sole proprietorship where the owner enjoys great pride in his business.

(v) **Bureaucracy Leads to Slow Decision and Policy Making:** Meeting that require quorum, may not always be formed.

(vi) **Risk of Mandatory Dissolution:** Where a member withdraw his membership or admission of a new partner becomes necessary, the partnership will be dissolve and another agreement reached to admit such member. The rigors involve in this is tedious, which may be a problem for such act.

(vii) **Limited Capital:** This partnership cannot get more capital through shares except through members.

(viii) **Restriction on Sale of Interest:** There is a difficulty in affecting transfer of ownership. The interest of operation is not transferable without the consent of other partners.

3.4 Forms of Business (3) - Registered Business Name

Assuming that Hamza, Aliyu and Hamza, Bilikis intends to operate a business under a name 'Hakuri Maganin Duniya' Enterprises. The Business **Names Act 1961 and Companies and Allied Matters Act, 1990 states** that "whether or not Hamza, Aliyu and Hamza, Bilikis incorporate or form a partnership, since they wish to trade under the name of 'Hakuri Maganin Duniya' Enterprises, it will be necessary for them to register the business name under the *Business Names Act/CAMA.*

Registration would not be required if Hamza, Aliyu and Hamza, Bilikis are in partnership, traded under their individual names or if after incorporation the company, traded under its incorporated name. It is only where a person trades under a name other than his/her own that registration is required. The registration of business name is undertaken at the Corporate Affairs Commission (CAC) in Abuja. As soon as the registration certificate is issued, the business name now becomes the basis of identification of the business concerned. The certificate of registration is issued by CAC upon payment of requisite fees.

3.5 Forms of Business (4) - Cooperative Society

Cooperative is a word derived from two Latin words meaning – "Working together". The dictionary meaning of cooperative also implies "working or acting together for a common purpose". Cooperation, on the other hand, literally means the will to cooperate. According to Ige, (2011), some writers have defined cooperative as "an association of persons faced by the same problem, having resources on the basis of equality, through joint effort and mutual participation to remedy their plight". Others define cooperative as a society, a group of person who pool their resources to produce, buy or sell goods among themselves for mutual benefit.

Coady International Institute, however, defines cooperative as a "free association of persons legally constituted for the purpose of conducting an economic enterprise or business which they control and administer democratically according to established principles and technique". Each of the definitions stated above emphasizes three main issues. The first is the voluntary nature of the association, secondly, the collective efforts of the people, which imply that people's endeavors are geared towards the success and betterment of the cooperators. The third factor is the issue of collective control. This, by implication, means that if there is any benefit or problem accruing to the society, such benefit or problem belongs to all the members. Calvert in his book – "The Law and Principles of Cooperation" define cooperative as a form of organization wherein persons voluntarily associate together as human being on a basis of equality for the promotion of the economic interest of themselves". In Calvert's definition, the points emphasized here are that cooperative is a means to an end and an end in itself. It is never a goal but an excellent way of reaching the goal. The word "Voluntarily" implies that any association that springs from compulsion as against a freewill, cannot be genuinely said to be cooperative in the orthodox sense of the term.

A member's influence and voice in a cooperative society should entirely depend not on his wealth or his political or social position, but purely on his human qualities such as honesty, intelligence and tact. This is the origin of the cooperative principles, which borders on equality of human beings. Similarly, the phrase "economic interest" as contained in Calvert's definition has been stretched to cover other spheres of action and not mainly the attainment and the use of wealth. Although, the greatest service rendered by the cooperative have been most entirely in the purely economic sphere, the cooperative society is not a philanthropic institution as it exists to help its own member and no other people. If a cooperative is to succeed, it must meet a definite need felt by its members and must be capable of meeting such need more effectively than the individual effort of members could do.

The phrase "self-help through mutual help" therefore, correctly summarizes the general meaning and purpose of cooperative societies.

Historical Development of Cooperative in Nigeria

Cooperative or cooperation is as old as humanity. Before the advent of the colonial masters, our parents practiced cooperation in their own primitive style. They had "Owe" (Communal assistance given to a member of a group during the time of need) or "Aero" (Rotational assistance made by a group of people for the benefits of its members).

"Owe" and "Aaro" were introduced to reduce labor and cost used in development of firms and building projects while "Esusu" or "Ajo" was introduced to create lively economic machinery to improve their trades. Although there is a slight difference between the two, the marketing of cocoa – the only economic crop of Nigeria as at that time, was exclusively dominated and controlled by the middlemen. This consequently gave rise to the formation of some brand of cooperatives in Nigeria for cocoa farmers in the then Western Nigeria. they were mainly the thrift and loan societies designed to protect farmers from exploitation by money-lenders during the difficult period of the world trade depression.

Further attempt was made by the Nigerian Government to import that type of modern cooperation by sending an expatriate administrative officer, Mr. C. F. Strickland to study cooperative as practiced in India where people had accepted the British pattern of cooperative hook, line and sinker. The report submitted on the Introduction of Cooperative to Nigeria by Strickland, and having been accepted by the Nigeria Government, paved way to the enactment of cooperative law by the Nigeria's legislative council in the thirties.

By 1935, Mr. E.F.G. Haig was appointed the first Registrar of Cooperative Societies. With this appointment, Government went further to appoint some African staff and thus, the control of cooperative was gradually transferred to Nigerians through the newly created cooperative department. The first registered Cooperative Marketing Primary Marketing Society (G.P.M.S. Ltd.) named after one village near Ibadan. This was followed by the formation of cooperative societies in the old Ife, Ilesha, Ijebu and Abeokuta provinces.

In the then Eastern Nigeria, the first marketing cooperative was established in 1936 to purchase and transport palm produce. Other primary marketing societies were formed in Ibom, Umuahia and Edo mainly to purchase cocoa, while Rubber Marketing Cooperative Societies were formed in Ade and Eket areas respectively. The awareness was not all encouraging in the northern part of Nigeria as the Local Government had taken the initiative directly by providing credit for farmers. They saw no pressing need for cooperative societies until recently when the wind of cooperation had started to blow towards the North.

Distinction between Cooperative Thrift and Credit Society (CTCS) and Traditional Ajo or Esusu

We will now detail the distinguishing features of the Modern Cooperative Society (CTCS) and the traditional "Ajo" or "Esusu" as a means of saving or obtaining financial assistance by their respective members.

CTCS	'AJO' or 'ESUSU'
1.The membership of CTCS is unlimited or unrestricted. 2. Life of CTCS is perpetual as a corporate body. 3. Credits are always made available. 4. Loans are usually given out on merit. 5. Inspection or periodic auditing is allowed. 6. Capital is kept revolving. 7. Many members enjoy social and economic benefits. 8. Modern scientific method of operation is involved.	1. Membership is limited or restricted. 2.Life terminates when the last member takes his turn. 3. Credits are made available at certain times only. 4. Loans are usually given out based on personal relationship and is subject to the decision of the collector. 5. Financial evaluation is usually done by the collector to ascertain balance and level of debt and debtors. 6. Capital is limited and is affected if members default in paying. 7. Social and economic benefits are usually not available. 8. Traditional method of operation is involved. The collector has to make personal contact with all the customers on a daily / weekly / monthly basis.

Cooperative Principles

Cooperative principles are usually associated with Rochdale Pioneers who are referred to as the founding fathers of the modern cooperative societies. These principles are coined from the stipulation of the cooperative laws but varied to suit the type of society being formed by a group.

The number of these principles is either increased or reduced depending on the taste of such group or body that owns the cooperative. Regardless of the number, however, these principles still form the basis of the universal principles of modern cooperative as recommended by the International Cooperative Alliance (ICA). Among the basic principles as observed by this body are:

(i) Open and voluntary membership.

(ii) Democratic control and equality of members.

(iii) Limited returns on capital.

(iv) Patronage rebate or dividend sharing to members.

(v) Political and religious neutrality.

(vi) Strictly, cash trading.

(vii) Sale at market prices.

(viii) Continuous education for members, officers, employees and general public.

(ix) Cooperation among national and international cooperatives.

(i) Open and voluntary membership.

Open membership means that the society is not exclusive. It must be open to everyone to whom it can be of service. Without this principle, societies would lose their cooperative and degenerate into profit-making enterprises. Membership is open to all people irrespective of race, creed, religion or status considerations. A corollary to open membership is the issue of voluntary membership. Individual freedom is necessary to the improvement of character, which has always been regarded as the ultimate goal of cooperation. Voluntary cooperation makes it possible to enjoy the benefits of associated efforts. Thus, a cooperative society is "an organization for men to join freely or quit freely and an organization independent of and free from state or political control".

(ii) Democratic control and equality of members.

Cooperative societies are democratic organizations whose affairs are administered by persons elected or appointed in a manner agreed upon by the members.

Members enjoy equal rights of voting, that is, one member one vote. They also enjoy equal participation in decision affecting their societies. The one-man-one-vote principle prevents a few powerful members to dominate the rest of the members.

To attain meaningful democracy, however, there must be educated membership, adequate provision of information, regular meeting attendance and meaningful discussion of the society affairs with its management. Without all the above, the tyranny of democracy will definitely surface.

(iii) Limited returns on capital.

The principle of limited interest on capital would be better stated as rate of interest on capital fixed by the rule of the society. There is the recognition of the value of the service performed by the provision of capital and this is paid for, by a fixed rate of interest sufficiently high enough to attract an adequate amount of capital has no further claims on any surplus.

If, however, the amount of capital is to be increased or decreased, the rule of fixing the rate of interest may be altered although with the constant agreement of the members. This principle exists in order to provide services to members at the least cost without generating large returns from the capital.

(iv) Patronage rebate or dividend sharing to members.

This is an important principle of the cooperative, which involves the division of surplus in proportion to members' contribution to the society in terms of patronage, or transactions made to the society within a given period. The principle enables the society to operate in a way within which no members make profit out of the rest. The early cooperators were opposed to profit making and thus regarded it as a possible source of economic, social and moral evils. Rebate or dividend arise from the fact that price charged by the society to its members were in excess of cost price. In practice, the societies fixed a price for its members, which left a reasonable margin to meet the cost of distribution. If at the end of the day, a surplus is realized, this surplus will be divided among the members on the basis of each member's patronage or transaction with the society. This dividend is not a profit per-se but a surplus in excess of the actual cost price previously contributed. The returns thus generated are shared amongst members according to the volume of their patronage.

(v) Political and religious neutrality.

The principles of political and religious neutrality emerged in the British Cooperative Movement so as not to infringe on the principles of open membership and democratic control. These principles allow the society to influence the running of the society with their religious or political inclination. Nobody questions the validity on the principles of neutral questions and the validity on the principles of neutrality. There is no discrimination on the grounds of politics, religion or race in the race in the admission of anyone into a cooperative society.

(vi) Strictly, cash trading.

Cooperatives are disciplined organizations. It is therefore mandatory that members should adhere to the principle of strict cash trading. There is a common belief that the principle of cash trading was practiced partly to ensure the adequacy of financial resources and partly to avoid bankruptcy of the business. The failure of many societies was due to lavish and indiscriminate granting of credit facilities. Similarly, indebtedness is against the spirit of cooperation.

On the other hand, modern cooperatives do not regard credit as a social evil. For instance, if granted prudently, it would make the debtor member economically viable. Thus, as long as credit is dynamic and not static, the purpose of cooperation is fulfilled. Regardless of the merit of credit granting, however, trading strictly on a cash basis will definitely eliminate the problems, which usually attend credit transactions. It is therefore mandatory for members of cooperative to adhere strictly to this principle.

(vii) Sale at market prices.

Sale at current market prices was held as a wise and prudent principle because every organization must sell at current prices. While agreeing that cooperative societies have a duty to try and keep the price down, sale at current market prices is perhaps of more significance than what modern writers have assumed. To sell below market prices would be to invite the determined opposition of private traders, which could lead to cut-throat competition that may ruin the societies. Some schools of thought, however, strongly believe that unless cooperative societies dominate the whole economy, it is doubtful if they could influence the general level of prices as many of the factors and circumstances affecting prices of goods are outside the societies' control.

Cooperative societies do sometimes sell below the prevailing market prices when they believe that prices are artificially too high. In such cases, cooperatives sell at what they know to be a reasonable price in order to break the monopolistic control or exploitation. When prices are dropped to a reasonable level, cooperative societies will then resume their normal policy of selling at current market prices.

(viii) Continuous education for members, officers, employees and general public.

Cooperatives should follow a continuous programme of education in the principles, practices and objective of cooperation. In order to be able to compete ideologically, operate correctly, genuinely, purposefully and effectively, the existing members, prospective members, officers, staff and employers of cooperative should be given sound knowledge, skills necessary information on the workings of the principles, ideals and philosophy of cooperatives.

Education and training of members on cooperative business issues are crucial to the smooth operation of the cooperative. It would also afford the members the opportunity to make intelligent decisions on matters of policy that may affect the destiny of the venture. The Rochdale Pioneers experiment would not have been successful without education. Hence, the promotion of education among the members, staff of cooperative societies and indeed, the general public in the principles, practices and techniques of cooperation becomes imperative.

(ix) Cooperation among national and international cooperatives.

This principle emphasizes that all cooperative, home and abroad, should actively cooperate in every practical way with other cooperatives at Local, National and International levels. This becomes necessary partly because of the dare need to serve the interest of their members and the communities they represent and partly to avoid protracted disunity which bedeviled the cooperatives of the early thirties.

The Role of Cooperative Principles and its Universal Applicability

The cooperative principles have always had an impact on the smooth running of the cooperatives, especially where the principles are strictly adhered to. There is no doubt that the cooperative modern principles have contributed to the sustainable development in the cooperative movement throughout the world. The first three principles, that is, voluntary and open membership, democratic control and members' economic participation are the foundation on which the modern movement was built. The principle which guarantees autonomy and independence from government and religion has been considered as a necessary ingredient in societies where government have formerly used cooperative to enforce their own economic development programmes and plans; often to the detriment of the cooperative values of self-help and responsibility. Others like the principle of continuous education have been acknowledged as being of considerable importance not only for the cooperative members and elected representatives, managers and employees, but also for society at large; especially the opinion leaders and the world of cooperators. Also, the principle of cooperation among cooperatives is the potential strength of the international cooperative movement.

It is a principle, which is becoming increasingly important in the face of the contemporary global economic, social and political trends which societies everywhere are facing. The principle of cash trading was introduced as an antidote for financial problem. The fact is that where credit is indiscriminately granted, working capital will be drained off gradually and the association will run into bankruptcy. Cash trading is also considered to be a sound trading practice, which gives equal treatment to all and sundry.

Other principles of cooperatives, regardless of their shortcomings, are of tremendous importance to the growth and development of cooperative societies. Based upon the above, one can deduce that cooperation is of universal applicability. It can be employed to solve any known human problems.

To embark on a poultry project, for instance, one needs capital, technology and marketing outlet, which may include transportation, storage etc. A single farmer may not be in a position to scale all these possible huddles in view of our low per capita income. But where he teams up with others and they pool their resources together in line with the cooperative principles, they will be able to perform this feat. Similarly, to solve the initial problem of capital, thrift and credit cooperative society is an indispensable agent in mobilizing savings. The illustration give here in case of poultry project can also be adopted in respect of any other small-scale business set up anywhere in the world.

Golden Rules and Self Reliance of Cooperatives

Like any other business enterprises, cooperative also have their rules and operational methods, which any prospective member or promoter must strictly follow if he wants to succeed in his business.

Among these rules are:

(1) The initiator of the cooperative must give necessary information and educate the members about the cooperative ideas, concepts, leadership and how best to achieve their aims.

(2) Friendliness, love and solidarity must exist within the group making up the cooperatives.

(3) Prospective members have the freedom to join or withdraw their membership.

(4) The business of the cooperative is aimed at satisfying the economic interest of its members based on self-help and mutual assistance.

(5) In cooperatives, principle of one man one vote is exercised and there is freedom of opinion.

(6) Members own manage and patronize the business of the cooperative. This makes it distinct from other business enterprises.

(7) Cooperative should operate according to the cooperative principles recognized by the International Cooperative Alliance (ICA).

Cooperative as a Self-Reliant Venture

The self- reliance of a cooperative implies that a cooperative venture should be self-supporting, relying solely on its efforts for promotion, development, supervision, capital formation, training, research, expansion, management, control, auditing etc. without any governmental assistance from outside sources.

It is when a cooperative reaches this level that such a cooperative can truly be said to be self- reliant. For Nigeria cooperative to be self-reliant, drastic and positive change must occur. To ensure self-reliance and secure an independent posture, however, the following steps must be followed:

(i) Establishment of primary cooperative based on the felt needs of the members. This will ensure/ members' loyalty and their active participation in the cooperative business.

(ii) Securing financial self-sufficiency for the cooperative.

(iii) Investing any surplus cash in viable project.

(iv) Proper and good management training for the staff with adequate and commensurate remuneration for a better performance.

(v) Adequate accounting, planning and budgeting system should be institutionalized for better management.

(vi) Cooperators should strive towards improved turnover, in cooperative organizations and in greater achievement in terms of growth, profitability and expansion.

(vii) Establishment of the efficient strong and capable men and materials coupled with buoyant central financing capable enough to meet the financial needs and business volume of the various affiliated cooperatives.

(viii) Reorganization of the existing credit unions that will assist in the acceleration of the growth, better development and efficient services of the cooperatives.

Classification of Capital

Cooperative financing, like any other business organization, can be regarded as the means through which the cooperative meets their financial requirements, in their day-to-day business operation.

In the practical sense, the economic survival of all cooperative ventures depends entirely on the availability of funds or finances.

Like other forms of businesses, modern cooperatives derive their finances from two sources which constitute the two major classification of cooperatives capital available to the cooperative concern. These classifications are:

(1) owned capital, and

(2) loan or borrowed capital.

1. Owned Capital

Owned capital is made up of the share contribution of members plus the reserves of all types, undistributed profits and the member's entrance fees. These are discussed below:

(a) Members' Shares

This is an important aspect of the owned capital subscribed by members in form of withdrawable or transferable shares. In Nigeria and in most countries, members' shares are usually withdrawable in accordance with the provisions of the bye-laws. Each society has bye-laws, which determine the value of shares and the minimum and maximum number of shares to be held by each member.

The reason for fixing the limit of a member's shareholding is to prevent the financial domination of the society by a single member. To facilitate subscription, share may be paid up in full at once or by installments over a given period.

Advantages

(i) It forms a capital base of the society.

(ii) The liability of a member is limited in the event of the business liquidation.

(iii) The stipulation in the bye-laws in respect of a member's shareholding, prevents unnecessary financial domination by few minorities.

(iv) Shares are easily withdrawable as provided in the bye-laws.

Disadvantages

(i) The share capital of a society can only be subscribed to by members only and does not extend to the public at large. As a result of this, there is no open market for shares.

(ii) The share capital is often very slow to realize because the minimum shareholding is not always paid up in at once but usually by installments.

(iii) Members' shares are generally withdrawable, hence, this makes the shares fluctuate with the membership, thus making long-term planning difficult.

(b) Reserves

The building up of reserves is a survival strategy for the operation of a cooperative business. Reserves constitute the most important aspect of owned capital, which is built within a society from the surplus accrued as a result of the successful operation of a society. The greater bulk of the owned capital of cooperatives is held in form of reserves. There are rules in the bye-laws of every society in respect of the reserves of the business.

For instance, in Nigeria the law says that every society should build a statutory reserve not less than 25 percent of the yearly surplus. Besides, there are provisions for building other types of reserves such as general reserve, education fund, building fund, bad debt reserve and any other reserve in the interest of the society.

Advantages

(i) They contribute to the successful operation of the cooperative.

(ii) Reserves allow for long term planning and capital investment, thus strengthening the society.

(ii) Reserve portrays the spirit of solidarity in a society because of their non- divisibility.

(iv) They are the social capital of a society because of their neutrality and anonymity.

(v) Unlike share capital, reserves are not withdrawable and do not fluctuate with the membership.

(vi) They increase the borrowing power of the society.

(vii) They act as a cushion for the protection of member's liability.

Demerits of Cooperative Reserves

(i) Administration of reserves to generate surplus for the society is not easy to come by.

(ii) Most members especially in the marketing union see the building up of reserves as an encroachment on their rights and the dwindling on the bonus on patronage.

(iii) Hidden reserves (where value of the assets is understated) are often open to abuse by fraudulent managers.

(iv) This source of financing faces the problem of mismanagement.

(c) Entrance Fees

Payment of entrance fees by new members is another source of the owned capital of a cooperative society. It is an important contributor to the working capital of the business especially during the formative period of the society.

Every society has in its bye-law's provisions for the payment of entrance fees. In the primary societies, for instance, the entrance fee per member is comparatively lower than that of the unions and apex organizations. Generally, entrance fee shares the same attributes of the 'Reserves' especially in its neutrality and anonymity posture. In most cases, the entrance fees are passed to the Reserve fund. Other sources under this category (owned capital), are: fines, special grants, special levies, just to mention but a few.

2. Loan Capital

Loan capital otherwise called borrowed capital consists of members' deposits, loan from cooperative banks, loan from government and trading credits etc.

(a) Members' Deposit

Every society usually makes provision for members' deposits in its bye-laws. A society should encourage members to make deposit; as such savings are a cheaper source of capital than borrowing from commercial banks. The rate of interest on such deposits is usually determined by the members themselves or it may be based on the prevailing bank rate on savings. Deposits may be made for a longer period payable at a fixed date. They could also be voluntary or compulsory.

Merits

(i) Deposit is a cheaper source of capital for the society.

(ii) Deposit can be made for a long or short period and payable at such.

(iii) In most cases, members decide on the rate of interest that suits them.

(b) Revolving Funds

This is a very good device of securing loan capital from members. It is the most popular device with the cooperatives in the United States of America. Revolving funds are generated partly from the bonus on patronage part of which is retained and partly from the deduction made on every unit of produce marketed through the society.

The amount contributed by each member is credited to the member and passed to the revolving fund, which is made payable to the member usually at the end of the third or fifth year.

Advantages

(i) Revolving fund is a good source for the long-term capital investment.

(ii) It is a good way of obtaining capital from members at a cheaper rate of interest.

Its Shortcomings

It is difficult to apply where members' returns are low.

(c) Loan from Cooperative Sources

The bulk of the cooperative members and indeed, cooperative societies generally possess very meagre means. This fact makes outside borrowing imperative. To preserve the solidarity of cooperative in general, a cooperative society should first turn to other cooperatives for borrowing. A usual source is the Cooperative Bank.

Advantages

(i) It helps in boosting the financial base of the cooperatives.

(ii) It promotes unity and relationship among cooperatives.

(iii) It accelerates the capital investments of all cooperative societies.

(d) Loan from Commercial Banks

Cooperative societies do borrow from commercial banks, although in some cases, they are reluctant to give out long term loans. The financial weakness of cooperative societies makes loan from commercial banks almost indispensable.

Advantages

(i) It is a source of capital.

(ii) It provides guarantees fund for cooperatives.

(iii) It is instrumental to business growth and expansion.

Disadvantages

(i) Bank loan attracts high rates of interest.

(ii) Bank loans always with tough and in some cases, unbearable conditionality's like production of collateral securities.

(iii) Loans to farmers' cooperative, for instance, are by their nature risky and hazardous.

(e) Loan from the Government

Governments do give grants and loans to various cooperative societies for the successful execution of their programme. In most developing countries, government has often come directly or indirectly to give financial assistance to the cooperatives.

Loans from government are channeled through commercial banks, cooperatives financial agency, the Nigeria Agricultural and Cooperative Bank and some cooperative banks. All these loans are made available to cooperatives under some stipulated conditions.

Merits

(i) It accelerates the attainment of the society's objectives.

(ii) It is a source of capital necessary for the take-off of the cooperative ventures.

(iii) It nurtures the society to a degree of financial self-sufficiency.

Demerits

The shortcoming of this source is that, in some cases, overdependence of cooperatives on government assistance might not be in the initiative for self-sufficiency will be discouraged.

The process of taking loan from government is very slow and ineffective. In most cases, loan gets to the cooperative late. Most cooperatives do not keep to the terms of the loan agreement. Another problem identified with this source is the discrimination or partiality involved in granting the loan to cooperatives by abuses charged with the disbursement of the loans. In most cases, loans through this channel have been opened to various abuses like injudicious spending, mismanagement and fraud.

(f) Trading Credits

Another source of loan capital is the trading credits. A trading credit is a credit granted to any business organization with a view to defer payment for the goods received for a specific period of time.

Advantages

a. It is a good source of loan capital.
b. It is very easy to obtain.

Demerits

a. It is a costly credit.
b. Where it is granted, a society loses the advantage of a cash discount and a good bargaining.
c. Trading discount may lead to indebtedness or bankruptcy, which may result in business liquidation.

While there may be other sources, it is pertinent to say that those sources listed above are never exhausted by many cooperative societies. Some factors, which usually impede capital accumulation by these societies, however, may range from size of the society, administrative problem to operational cost, to mention just a few.

Cooperative Capitalization

According to Ige (2011), capitalization deals with the capital structure of a business in relation to the amount of equity, its composition and changes in it. The procedure for determining the value of a firm is known as the “capitalization of income, method of valuation”. It is a method of calculating the present value of a stream of earnings. The following terms are commonly used in the valuation process.

(i) Par Value

This is the face value at which shares are issued. It is usually static and not affected by business changes.

(ii) Market Value

This is the price at which shares are sold in the stock exchange or in any other organized stock market. It is affected by the vagaries of demand and supply in the market.

(iii) Book Value

The value at which the asset values of shares are carried in the company’s account books. It is calculated by dividing the aggregate equity item by the number of outstanding shares.

(iv) Real Value

This is the capitalized value of earning, divided by the number of outstanding shares.

3.6 Forms of Business (5) - Joint Stock Company/ Limited Liability Company

A company is an association of individuals who agreed to and jointly pool their capital together in order to establish and own a business venture distinct from others. You can define it again as an association of investors who buy or own shares in a company for the purpose of carrying on a business. Those who buy or own shares are known as shareholders. They are regarded as the owners of the company. A joint stock company could be a private limited company or a public limited company.

We have two kinds of companies:

(i) **Unlimited Liability Companies:** There liabilities do not end on the money contributed to the business, there personal belongings could be sold to recover money from them in case of a company’s indebtedness.

(ii) **Limited Liability Company by Guarantee:** This business is for promotion of science, religion, arts, education and not for profit making. They source their fund from members. Their liabilities are limited by promise or guarantee.

(iii) **Limited Liability Companies by Shares:** Liability is limited to the amount they contributed for the formation and management of the company. If a company is liquidated, they lose only the shares they have in the company.

We have two types of limited liability companies; they are:

1. **Private Limited Liability Company:** This Company when formed has a minimum number of two people and a maximum of fifty. The number includes employees of the company.

2. **Public Limited Liability Company:** Minimum numbers of people that can form this company are seven while the maximum is not stated. The owners are shares holders, people are free to come in and free to sell-off their shared.

METHODS OF FORMATION

Formation of Joint Stock Company starts with preparation of documents that will be presented to the registrar of companies for his action and subsequent registration. The document use for registration includes:

❖ **Memorandum of Association**

It states how the company will relate with the outside world. It will state the name, location and objectives of the company. Memorandum of association include:

- The name of the company with "limited" as the last word.
- Location of the company
- Objectives of the company
- Amount of the registered capital proposed
- Liability of the company's shareholders (statement).

❖ **Article of Association**

It tells you to about the regulation that is laid down for the internal rules and regulations of the government organization, and management of the company. The may include:

- The duties rights and position of each member of the company

- The method of the appointment of the directors
- How dividends are to be shared
- How general meeting are to be held and the procedure
- Method of electing directors and the voting rights at such election
- Method of auditing the company's account.

❖ **The Prospectus**

This is a document of notice, circular, advertisement or other invitation offering the public subscription or purchase of shares or debentures of a company.

❖ **Certificate of Incorporation**

This certificate is issued by registrar of companies and cooperate affairs commission Abuja to show that a business is legally incorporated and recognize by government.

❖ **Certificate of Trading**

It is issued to public limited liability company. He can start a business and exercises borrowing powers.

FEATURES OF A PRIVATE COMPANY

1. **Membership:** a minimum of 2 and a maximum of 50
2. **Issuance of Shares:** cannot sell shares to the public
3. **Transferability of Shares:** can only be transferred with the consent of other shareholders
4. **Quotation:** private companies are not quoted on the floor of the stock exchange
5. **Publication of Accounts:** not required to publish annual account. However, they must send a copy of their audited account to the registrar of companies each year.
6. **Limited Liability:** each shareholder possesses limited liability.

FEATURES OF A PUBLIC COMPANY

1. **Membership:** A minimum of seven and no maximum, but article of association could specify maximum.
2. **Issuance of Shares:** can sell share to the public.
3. **Transferability of Shares:** shares can be transferred without the consent of other shareholders.
4. **Quotation as Public Companies:** are quoted on the floor of the stock exchange.

5. **Publication of Accounts:** required by law to publish account and to also send a copy of audited account to the registrar of companies each year.
6. **Limited Liability:** each shareholder possesses limited liability.

ADVANTAGES OF A PRIVATE COMPANY

The advantages of a private company are:

i. **Limited Liability:** Liability is limited to the amount of money contributed into the business. In case of liquidation, your personal properties are not touched.

ii. **Privacy:** Just like the public company, it is not compulsory to publish its account yearly as such the company has the advantage of keeping its secret.

iii. **Continuity:** The minimum number of holder of a company is two and maximum is fifty. If for instance, you have forty members and two dies the company will still continue, compare to a one-man business

iv. **More Capital:** Compare to partnership business, the chances of sourcing for funds to be granted i.e. from banks is higher.

v. **Legal Entity:** The Company is a legal entity as such it can sue and be sued.

DISADVANTAGES OF A PRIVATE COMPANY

The disadvantages are listed below:

i. **Taxes:** Most of these companies pay corporate tax compare to a sole trader or partnership that pays personal income tax, the tax may be so heavy that it may be a burden on the company.

ii. **Share:** It is unfortunate that the companies share is not publicly subscribed, even in the exchange of shares, all member must be notifying. A new member may be rejected.

iii. The shares of private limited companies are not quoted on the floor of the stock exchange; hence they cannot be transferred without the consent of other shareholders.

ADVANTAGES OF PUBLIC LIMITED COMPANY

The advantages of a public limited company are as follows:

(i) **Legal Entity:** It is a corporate body; it can sue and be sued.

(ii) **Limited Liability:** The liabilities of the owners are limited to the shares brought into the organization

(iii) **Ease of Raising Additional Capital:** Because of the large numbers of the owners it makes it easy to raise fund from their contributors or selling of shares or bonds.

(iv) **Expansion is Unlimited:** There is no limit to where the company can expand to provide the company has a large capital.

(v) **Continuity:** This company life is long, even if hundred members die at a time the chances of its survival is still there. Even in a period of resignation, disability etc.., the company is not threatened.

(vi) **Adaptability:** It is adaptable to small medium and large scale companies according to the fund available to the firm.

(vii) **Capital Transfer:** you can transfer your capital at will if you are not satisfying with the company.

(viii) **Flexibility:** for the fact that we have many members as shareholders, members of board, managers etc. with diverse experience and knowledge, the running of the company will be perfect using the verse of experience personnel thereby giving room for flexibility.

(ix) **Enjoyment of Large Scale Production unlike the One-Man Business:** Because of the number of owners, finances, flexibility etc. a company has a better advantage of producing goods in a large quantity.

(x) **Share Holders Interest is Safeguarded:** Because there is no secrecy, the shareholders have nothing to fear.

(xi) **No Managerial Responsibility**: You can be a shareholder and yet you are not part of the management. It means that others are managing the business for you.

(xii) **Employees May become Co-owners:** Employee will become owner either by deliberate action of the management of the companies or by buying shares.

(xiii) **Democratic Management:** The Company is run democratically; election of board of directors is by vote. In meeting, if no quorum is formed there will not be a meeting.

DISADVANTAGES OF THE PUBLIC LIMITED COMPANY

The disadvantages are:

(i) **Double Taxation:** Most corporations are faced with double taxation. In Nigeria, federal, state and local government charge company's different taxes.

(ii) **Hard to Establish:** Methods of establishment and finance needed for such kind of business is high and it require a large capital outlay which may scare out a lot of investors.

(iii) **No Privacy:** Company and allied matter decree expect this type of company to publish its account annually, making it public affairs.

(iv) **Non-Flexibility:** It is hard to switch business because the papers for registration state what they are to do. If you change condition, it means you are to form another company entirely.

(v) Special performance must be sought from government to transact business outside the location in which you were registered.

(vi) **Cooperation is Non Existence:** Most companies have problems of misunderstanding between both managers and managers or with workers; it may be because of the large nature.

(vii) **Owners are Separate from Managers:** Therefore there is the tendency of the managers not running it well since they are not the owners.

(viii) Huge capital is required for its formation, it therefore become more complex to manage compares to one-man business.

(ix) Delay in policy and decision making.

(x) Suppression of individual initiatives.

STUDENT ASSESSMENT EXERCISE

List the forms of business ownerships and highlight their advantages and disadvantages.

4.0 CONCLUSION

We have examined in a comprehensive manner, the various forms of business ownership that entrepreneurs could embark on. We discussed the features, objectives, capital available, advantages and disadvantages of each form of business ownership.

5.0 SUMMARY

In this unit, we have discussed the various forms of business ownership that entrepreneurs could embark on. We also discussed the features, objectives, capital available, advantages and disadvantages of each form of business ownership.

6.0 TUTOR MARKED ASSIGNMENT

1. What is a joint stock company? Is there any difference between the processes involved in registering a joint stock company and a partnership business?
2. Differentiate between a cooperative society and sole proprietor.
3. What sources of capital are available to the five forms of business ownership? List and discuss the advantages and disadvantages of each of them.
4. Write short notes on the following:

(a) Deeds of Partnership

(b) Registration of Business Name

(c) Memorandum of Association

(d) Articles of Association

(e) Cooperative capitalization

5. Which form of business ownership do you think is best for your designed brand? Why?

ANSWERS TO STUDENT ASSESSMENT EXERCISE

Student answers should be in sync with all the 5 forms of business ownerships mentioned in this unit.

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UNIT 14: PACKAGING AND ADVERTISING IN ENTREPRENEURSHIP

CONTENTS

1.0 INTRODUCTION

This unit examines two elements of promotion: packaging and advertising and their importance. It gives better insight into the roles and importance of these two elements as part of entrepreneurial marketing and in achieving the marketing objectives.

2.0 OBJECTIVES

At the end of this unit, you should be able to discuss the roles of advertising and packaging, the different kinds of advertising, its importance, benefits and disadvantages of advertising, types of advertisement, key notes in adopting advertising as a marketing tool, and steps in creating a successful advert.

3.0 MAIN CONTENT

3.1 ADVERTISING

Advertising is often defined as a strategic paid from of communication aimed at achieving the objectives of informing, reminding or persuading consumers about a product. It is recognized as an effective way of promoting a company's products and services to the target audience. Packaging and advertising are recognized as promotional marketing tools. There are diverse kinds of advertisements. There are persuasive adverts, reminders, and informational. Advertising is usually a paid promotion done through print, visual or digital channels. Advertising provides direct line communication with potential and prospective clients and / or customers.

It is crucial that advertising objectives are created in sync with the overall marketing objectives.

Advertising goals are also created considering the stages of growth a business is in. A start up business will focus on its advertisement of building brand identity, recognition, and awareness. More promotional efforts will be channeled towards gaining consumer attention.

The growing business (NOT new NOT old) will channel its advertising efforts toward product and brand differentiation, increased sales customer retention and repeat purchases.

The established business will channel its efforts into remind customers of the uniqueness of their brand and will focus on increasing sales, patronage, profitability, etc.

Frolova (2014) described Advertisement as very expressive - it allows a company to present its product clearly and effectively via text, sound, and color. On one hand, advertising helps to form a long-term sustainable image of the product. On the other hand, it stimulates sales.

Advertisements usually follow a conventional pattern known as AIDA. AIDA is an acronym for Awareness, Interest, Desire and Action. The advertising process starts with the creation of awareness about a product, service, or brand. Then, consumer interests are stimulated which results in a desire to acquire the advertised product to satisfy a felt need. The final process is the action phase where the consumer / customer eventually purchases the products.

Philips Kotler (2002) classified advertising functions into 4:

1) Economical
2) Social
3) Marketing
4) Communicating

3.1 Benefits and disadvantages of advertising

- An effective means of communication to consumers widely spread across the nation and / or globe.
- It gives brands a competitive advantage.
- Advertising allows for effective communication of product / services.
- Advertising builds brand image.
- Advertising increases brand awareness and recall.
- It can stimulate consumer interest, demand, and increase patronage and sales.
- It is an effective tool in building customer base.
- It allows for product differentiation.

The disadvantages of advertising:

1. Advertising does not allow for feedbacks.
2. Some types of advertising can be very expensive especially for SMEs (Small and Medium Scale Enterprises).
3. Advertisements can easily be distorted by noise hence the message does not get to the receiver.
4. There is no personal interaction with the target audience.

3.2 Types of Advertisement

Frolova (2014) highlighted 7 types of advertising:

1. **Brand advertising** –Usually visual and textual advertising. Such advertising is intended primarily to achieve a higher level of consumer recognition of specific brands.
2. **Commerce and retail advertising** - Advertising that focuses on the specific production organization or product sales. The main task of the commerce and retail advertising is to encourage the inflow of potential buyers by informing them about the place and the main

terms of the provision of certain goods or services.

3. **Political advertising** - One of the most prominent and the most influential types of advertising. This is used in creating a positive image for a political candidate or a person engaged in politics. It helps the person gain the trust and preference of the populace.

4. **Advertising with a feedback** – This type involves an exchange of information with potential customers. Most common way is a direct mail to specific recipients that has the greatest interest for advertisers as possible buyers.

5. **Corporate advertising** - Advertising which almost never contains advertising information, and serves for the preparation of the public opinion (a certain segment of buyers) to support the point of view of the advertiser.

6. **Business advertising** - Professionally-oriented advertising, intended for distribution among groups formed by their belonging to a particular occupation.

7. **Public or social advertising** - Unlike business advertising, it is oriented to the audience, united mainly by people social status - for example, single mothers, childless couples, teenagers, etc.

Common advertisement types:

1. Social media advertising
2. Pay per click advertising
3. Mobile advertising
4. Print advertising
5. Broadcast advertising

3.3 Key notes in adopting advertising as a marketing tool

1. Advertising is mostly considered expensive; it is therefore important that advertising budgets are tailored in the most cost effective and efficient ways. A win-win situation should be sought between cost of advertising and the desired result/ outcome.
2. Determine why you are adopting this promotional strategy as it will guide in choosing the kind of advertisement to be done.
3. Consider and understand all legal obligations.

3.4 Steps in creating a successful advert:

- Ensure your ads emphasize the benefits of using your products.

- Deliver your brand promise always.
- Attach customer testimonials.
- Determine the right media channel which your audience accesses.
- Target the right audience
- Put in place KPIs to measure and track success.
- Timing is important
- Create your unique selling proposition. Add a uniqueness to your brand.
- Establish a budget
- Define your target markets.

3.5 Packaging

Packaging refers to the exterior parts of a product. Packaging also refers to the container or wrapper or container that holds the product and shields it from damage. Good packages are considered an essential part of a product. A product package tells a lot about the product and brand. A package can be used to distinguish a brand gain customer attention and stimulate patronage. Guaranty Trust bank, Nigeria has set itself apart through the packaging of its product, the creative designs of its various branches building and its service delivery. Packaging plays a critical role in promoting a product. Packages are designed and redesigned for diverse strategic purposes including responding to a competitive threat, product changes, product line restructuring, introduction of new product uses.

Packages and labels are used to encourage sales from potential and prospective buyers. Packaging exceed placing the product in a container. The right packaging will help brands develop a positive image in the minds of all relevant stakeholders.

Packaging helps build brand recognition. Previous research has stated that packaging is as essential as the 4p's of marketing. Some of the importance of packaging include:

1. Product safety and protection.
2. A channel of marketing communication.
3. Good handling.
4. It offers security.

STUDENT ASSESSMENT EXERCISE

Explain the concepts of advertising and packaging.

4.0 CONCLUSION

We have examined in a comprehensive manner, the concepts of advertising and packaging and their types and importance. You have learnt how important these two elements are and how they can aid your success in the business world.

5.0 SUMMARY

In this unit, we have discussed the advertising and packaging, the next unit takes us in to the practical world of entrepreneurial marketing.

6.0 TUTOR MARKED ASSIGNMENT

Using the brand, you designed, describe how advertising and packaging will help achieve your marketing goals.

7.0 REFERENCES AND FURTHER READINGS

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UNIT 15: ENTREPRENEURIAL MARKETING CASE STUDY

CONTENTS

1.0 INTRODUCTION

In the last unit, we reviewed the concept of packaging and advertising in entrepreneurship. The importance, roles of benefits of these concepts were explained in details. In this unit, we would be examining entrepreneurial marketing case studies. We will be reviewing two cases; one of a business and the other of a sales representative and her method of handling customer complaints.

2.0 OBJECTIVES

At the end of this unit, you should be able to discuss the application of entrepreneurial marketing in the business world. You should also be able to discuss the importance and the effectiveness of entrepreneurial marketing in achieving business objectives. This unit is aimed at examining the practical aspect of entrepreneurial marketing.

3.0 MAIN CONTENT

The case studies are adopted from (Welsh, 2017) And (Morrish, 2009)

3.1 Case One: Retail Small Business Marketing and Ethics (Welsh, 2017)

Linda was a sales associate employed by a smaller, entrepreneurial retail store. She had eight years' sales experience working on commission in the women's career clothing department. She worked an average of thirty-five to forty hours per week and was considered a permanent employee. Her compensation package was based on the market's base wage, merit, commission, and benefits. She was awarded five percent commission on each sale.

When Linda first started at the store, she attended an orientation session to learn the company's practices and policies. During her orientation, the store's supervisors stressed the company's philosophy, "the customer is always right." At the end of these sessions, the associates were given a human resource policy handbook. Each associate was asked to thoroughly read the handbook and sign a form stating that he/she had read and understood all of the information presented.

When Linda joined the company in 2000, the merchandise return policy was quite rigid. The policy requires that the customer either have the original receipt, and/or leave the merchandise tags intact in order to get credit or cash back for any purchases. The store began to question the flexibility of the return policy when the local competitors relaxed their merchandise return policies. In essence, these policies allowed the customer to return merchandise with no questions asked–with or without a receipt. In 2008, this particular department store strategically implemented a more flexible policy in order to remain competitive and increase customer satisfaction. All associates, including Linda, were verbally informed of this change by their supervisors and department managers.

The department store's new return policy was implemented immediately. Each associate was given a copy of the new revised policy manual and requested to read and sign an acknowledgement form confirming they understood the revisions. Customer return guidelines were established. The associates were told to "trust their own instincts." If there were any questions concerning the trustworthiness of the customer, they were to contact a supervisor and/or the security department. At that point, the supervisor or the security personnel would take over the transaction. In essence, the associate was supposed to adhere to a hassle-free return procedure.

The commission procedures were also revised to comply with the new return policy. If the customer did not have a receipt when returning merchandise, the associate was to return the merchandise on the cash register using the number (9999). This procedure guaranteed that if the customer was returning commission merchandise the associate did not sell, it would not be charged against their personal account. If the sales associate that the item had been purchased from was known, the associate was to credit the return using the sales associate's personal account number. This would automatically deduct the commission for this particular sale from the proper associate's pay check. The idea behind these new procedures was to insure good customer service while conducting returns. Unfortunately, these procedures were not audited on a daily basis. As a result, conflicts due to lack of trust constantly occurred among the commission department's associates. The commission department began to show a weekly profit loss. Many associates were either taking advantage of the (9999) policy or returning the merchandise on another associate's personal number.

Linda's annual performance appraisals, consistently rated her in the average range. Linda had gained a good reputation for her product knowledge, her candidness when giving fashion advice to customers, her suggestive selling skills, and her customer prospecting skills (keeping outside personal contacts with customers, informing them of new merchandise, sales, etc.). Linda had built a loyal following of customers. Her selling skills and techniques proved quite profitable to both the company and herself. Although Linda's productivity and selling skills were excellent, she tended to be somewhat terse with customers concerning merchandise returns. During the course of a year, five separate customer complaints were filed concerning her interrogating and intimidating conduct when merchandise was returned. With each complaint, Linda's supervisor, Susan, suggested that she improve her conduct and let a supervisor handle all returns. Two written warnings were signed and dated by both Linda and Susan and added to her file. Linda continued to upset customers despite direct suggestions and warnings.

Mrs. Jones was a mid-career professional. She frequently shopped the urban shopping centre in which this particular clothing retail store was located. Mrs. Jones was among Linda's loyal clientele who frequently purchased career apparel from her department. Mrs. Jones purchased a $248 national brand name two-pieced suit that was made of 50% acetate and 50% rayon. On the suit jacket there were five fashionable star-studded buttons made from plastic and other synthetic materials. The washing instructions inside the suit stated that the garment was to be dry-cleaned only. Unfortunately, when Mrs. Jones picked up her garment, the buttons had melted and the suit jacket was ruined. The damage to the jacket was irreversible because the buttons had melted into the fabric. The dry cleaner would not take responsibility for the incident, claiming that the manufacturer was at fault because the buttons were defective. Mrs. Jones was told that she should take the dress back to the store where it had been purchased and request a full refund.

Mrs. Jones had misplaced the receipt and could not remember when she had purchased the suit. However, she was sure that she had purchased the merchandise from Linda's department. Mrs. Jones immediately took the merchandise back to Linda demanding a full refund. After Mrs. Jones explained the situation, Linda became quite curt. She suggested that although the store carried various suits with that identical national brand name, her department had not carried that specific suit. Mrs. Jones continued to claim that she had purchased the merchandise from Linda. An argument between Linda and Mrs. Jones ensued, attracting a great deal of attention from shoppers and store personnel. Once again, Linda failed to call one of the five supervisors on duty. Linda briskly told Mrs. Jones that even if her department had carried the suit, she would not reimburse her because the dry cleaner was at fault for not having removed the buttons prior to cleaning. Mrs. Jones became livid, embarrassed, and humiliated. She stormed out of the store with the suit. She decided to immediately contact the Better Business Bureau rather than contacting one of Linda's supervisors.

The Better Business Bureau (BBB) is a business-sponsored, non-profit organization whose main purpose is to protect consumers. The organization has no legal power, yet it keeps records of any consumer complaints made to the organization. It often intervenes on behalf of unsatisfied consumers who have dealt with businesses which have not attempted to settle complaints. Most businesses recognize that it is in their best interest to satisfy the customer before the BBB is contacted. Satisfied customers increase goodwill and build a positive reputation for a company

(LaForge, Morris, & Schindehutte (2002). The Better Business Bureau documented Mrs. Jones complaint, then proceeded to contact Mr. Marcus, the store manager, on behalf of Mrs. Jones. Mr. Marcus had not been informed of this situation prior to the BBB's contact. He listened intently while the representative politely explained the circumstances and suggested that this matter be handled immediately. The BBB had concluded the manufacturer was at fault. The BBB advised the store to return the merchandise to the manufacturer and offer the customer a full refund. Mr. Marcus apologized and acknowledged full responsibility for the improper handling of the incident. Immediately, Mr. Marcus investigated the situation by interviewing everyone involved (Linda, Susan, and Mrs. Jones), as well as checking the store's merchandise records. Upon researching the incident, Mr. Marcus found that the particular suit in question had not been part of the store's merchandise selection after all.

Notes:

The case study above gave a practical example of the day to day occurrences in sales and customer relations. Remember the part of this case study where sales representatives were instructed to use their instincts, the entrepreneurial marketing world is a dynamic one. The conventional principles do not always apply here. Services and solution to issues are provided in dynamic ways and methods best fitting for every particular occurrence at diverse times.

The case study as written by the author Dianne Welsh, involved an unsatisfied customer, a retail store, a customer service agent, and the non-profit customer protection agency (BBB). This study emphasized the importance of rights and the significance of understanding what a party's right are and what they are not. This case study deals with major issues such as entrepreneurial marketing, customer rights, regulations, public relations, and manufacturing requirements (Welsh, 2017).

In full attainment of a well-developed entrepreneurial framework, businesses must consider and put all the issues highlighted in this case study in check. It is important that inconsistencies in employee-customer interaction are eliminated in order to increase customer value.

Case 2: 42Below – A Spirited Vodka Company (Morrish, 2009)

42Below was founded by a Wellington-based entrepreneur and ex-Saatchi and Saatchi Marketing Executive, 39 year-old Geoff Ross in 1999. Hailed by many observers a unique marketing success, 42Below is New Zealand's first premium vodka. Like many startups, 42Below was financed from personal sources including selling the family home. In the early days, Ross distilled at home using a home brewing kit while his pregnant wife delivered cases of vodka of up to six cases a week. In 2003, the company was floated to raise capital for growth and expansion into international markets. Despite some criticism that the company was too young, too small and too soon to float, the IPO raised $15 million. Ross retained 26% of the company. Three years later, they were producing 7000 cases a week and selling to 25 countries. By the end of 2006, the company was sold to Bacardi Ltd. for $138 million (Morrish, 2009). 42Below's claim to fame is grounded in the source and purity of its ingredients. Described as "New Zealand in a bottle" 42Below has unashamedly associated itself with New Zealand and all the attributes of the country. Its main ingredient is sourced from the crystal clear spring flowing through the 42-degree latitude, below the equator that holds the international benchmark for water and air purity situated just north of Wellington. Its alcohol content is set at 42%, much higher than average that signals higher quality and greater purity. 42Below's limpidness is the result of a sophisticated 6-week long distillation process with multiple filtrations that creates a more viscous character on the palate. Three years after it was floated, 42Below expanded their product portfolio that included the award-winning spirit "South Gin", the company's spring water "420" and two types of rum "Seven Tiki" and "Tahiti Dark Rum." Despite the fact that vodka is not widely consumed in New Zealand, vodka-based cocktails are in the US and parts of Europe. Responding to global trends towards flavored spirits, 42Below introduced unique Kiwi flavours such as Kiwifruit, Passionfruit, Feijoa and Manuka Honey. Their creativity was not limited to the product. This extended to the way they marketed 42Below, quite unlike the mass advertising that is often used by their competitors. Their use of viral marketing was hugely successful. More interesting is the way they have broken many rules including being non-politically correct and taking on such issues as being gay or national identities (German, French, English) in a cheeky and irreverent way. This was an outcome of Ross' extensive advertising background complemented by his network of other shareholders with a collective expertise in advertising, fashion and media. 42Below does not conform to usual company staff titles. For example, Ross is called the Chief Vodka Bloke and they have Vodka Professors that teach bartenders in their Vodka University while Brand Agents wear "42Below Job" t-shirts. 42Below targets what they call the "elite of the cocktail set," a segment with high disposable income. This segment wants to be unique, entertained and provoked. As such they are likely to respond to individuality, cheek and irreverence. Individuals belonging to this segment respond to brands they and their social circles discover, not those endorsed by the mass media. When it comes to cocktails, this group relies on word of mouth recommendations from friends and bartenders. Realizing that the cocktail set naturally converged in bars, Ross saw bar staff as the way to reach their target consumers. As this segment rejects mass advertising, 42Below relies on web technology and interpersonal communication for their promotion strategies. Ross believed truly successful brands evoke fresh stories and exotic experiences of people and places. Needless to say, its country of origin being clean, green, pure and creative became a source of competitive advantage for 42Below. It was for this reason that 42Below launched the Annual International Cocktail World Cup where the most influential people behind the best bars of the world are flown to Queenstown for a truly unique New Zealand experience. In this event, 42 top bartenders from around the world mix vodka cocktails while doing extraordinary adventures such as jumping off a helicopter, bungy jumping and on bars on top of snow-peaked mountains. This event attracts extensive worldwide television coverage. 42Below aims to be the most desired and talked about vodka in the world. To do this, they set their own standard of being the best by differentiating not in terms of their competition but by doing things their way. They sell stories designed to evoke a different reaction on every customer they touch and many customers post their stories on online blogs such as Saatchi and Saatchi's Lovemarks page. Best means sourcing the best possible ingredients and processing. It also means finding the perfect packaging that symbolizes 42Below attributes. Failing to find a local supplier for a bottle design he wanted for the vodka, Ross sourced the bottle from France where he originally spotted it.

42Below's marketing strategy approach deviates from traditional marketing practices. They exploited international opportunities long before they were established domestically. This approach usually requires the use of networks to penetrate various niche markets and advocates the use of personal experience as ways of minimizing risk and uncertainty (Chetty and Campbell-Hunt 2004). Ross used his networks of creative people to design and develop 42Below products and marketing tactics specifically for their niche market. He also called on his personal experience both from his advertising career and by visiting the bars where 42Below's target customers are frequently found. This approach precludes entry to new markets for the sake of territorial expansion. Each market is carefully chosen and entered only where there is scope for the brand to become meaningful. Their entry into new territories has consistently relied on positioning as a premium brand using premium price points and highly selective distribution channels. 42Below's pricing strategy is consistent with that positioning. In the US it sells at about $30 per bottle. 42Below firstly expanded to the Australian market followed closely by the UK and the US. The perceived similarities of these markets meant that 42Below was able to use the same form of viral marketing across the three markets. They entered the Italian, German and French markets after winning two premium awards in Brussels and Paris. All the bars they supply in these countries powerfully endorse their products. With 42Below consistently winning taste tests around the world, it is not surprising that they have won multiple awards including the 2004 Gold Medal at the Brussels Monde World Selection for 42 Below Pure Vodka. It also won gold for 42 Below Manuka Honey Vodka at the Salon Internationale Award in Paris. In 2006, they had a grand slam of gold medals at all major spirit awards, a testimony to their superior positioning and unique understanding of opportunities that they so vigorously pursued. When Bacardi announced its takeover offer, 42Below has just posted a total of $7.2 million in revenue but reported a half-yearly loss of $2.7 million. This is a significant drop from its reported loss the previous year of $5.10 million. Over the previous 12 months it achieved a 32% increase in revenue and the cash flow from operating activities showed a 71% improvement. The number of cases sold increased by 60.6% from the previous year. They have re-invested profits into company expansion especially in the very competitive US market. With this statistics, it is no surprise that 42Below was judged the fastest growing exporter, fastest growing listed company and fastest growing company overall by Deloitte.

Notes:

This case study depicts the effective use of entrepreneurial marketing in the attainment of organizational goals and objectives. Following the method adopted by **(Morrish, 2009)**, the case of 42below will be explained using the elements of entrepreneurial marketing as a guide:

Opportunity - driven

42below leveraging the following, established itself as an opportunity-driven company. The below-listed contributed to its entrepreneurial marketing success:

- Availability of pure vodka ingredients
- New Zealand being viewed as clean and green
- Branding campaign
- New segment emerging (cocktail elite)
- New overseas trends in flavoured spirits
- Bartenders as gatekeepers

Pro-activeness

- Non-PC approaches to marketing campaigns

• Risqué and witty viral marketing campaigns

• Non-Marketing: marketing campaigns

Innovation-focused

• 6-stage distilling process

• Distinctive bottling

• New flavours: kiwi fruit, manuka honey, feijoa, passionfruit

Customer intensity

• The "cocktail elite" segment consumes products they discover themselves

• Media-savvy and rejects mass advertising

• Lovemarks and other blogs

Risk management

• Looking after the gatekeepers

• Used entrepreneur's personal networks

• Created a fashion brand

• Public float

Resource leveraging

• Sourcing unique ingredients: purest water; GE free wheat

• Annual cocktail world cup (Queenstown)

• Country of origin: unashamedly New Zealand

• Outsourcing production

• Multiple international awards

Value creation

• Product: new vodka flavours, gin, rum and water

• Premium pricing

• Highly selective distribution (top bars frequented by target market)

• Non-traditional promotion strategies: Selling stories meaningful to target market

The 42below vodka company deviated from the marketing norm. The company stood out in its adoption of entrepreneurial marketing which is quite evident in its product positioning, diversion from regular promotion, diversion from the use of official titles in addressing employees, pro-activeness in identifying and looking for opportunities to promote their products.

4.0 CONCLUSION

With the aid of the case studies examined above, we have highlighted the importance and effectiveness of entrepreneurial marketing. Most importantly, these case studies have shown the effectiveness of entrepreneurial marketing in the business world.

5.0 SUMMARY

As earlier stated, this book has been written in the simplest format to enable students learn faster and efficiently. It is aimed exposing students to an out of the box way of running a business successfully. Students can also refer to the references for further studies. We hope you learnt something new.

We look for to seeing you launch the brand you designed during this study.

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