

AN APPRAISAL OF MARKETING STRATEGY IN THE NIGERIAN
OIL SECTOR

[A CASE STUDY ON PIPELINE AND PRODUCT MARKETING
COMPANY]

BY

IDRIS ABUBAKAR SADDIQ

(MATRIC No PGD/GST/139/2003/2004)

A PROJECT SUBMITTED

TO THE POSTGRADUATE SCHOOL IN PARTIAL FULFILLMENT
OF THE REQUIREMENTS FOR THE AWARD OF
POSTGRADUATE DIPLOMA IN BUSINESS MANAGEMENT
TECHNOLOGY.

IN

THE DEPARTMENT GENERAL STUDIES,
SCHOOL OF SCIENCE AND SCIENCE EDUCATION,
FEDERAL UNIVERSITY OF TECHNOLOGY MINNA

DECEMBER, 2004

DECLARATION

I hereby declare that this project is the product of my research work and findings. That due acknowledgement has been made, where the idea of others has been used. The selection of the topic, structure of the work and opinion expressed are the sole responsibility of the researcher.

Alhassan
.....

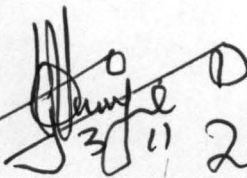
IDRIS ABUBAKAR SADDIQ

15-4-2005
.....

DATE

APPROVAL

This project has been approved by the Department of General studies, School of Science and Science education, Federal University of Technology, Minna. has met the requirements for the award of Post Graduate Diploma in Business Management Technology.


.....
Dr. J. O. Otitolaiye

Project Supervisor

.....
Dr. S. K. Tswanya

Head of Department

DEDICATION

This project is dedicated to ALMIGHTY ALLAH to whom all things are possible and to my parents Mohammed Idris and Maimuna Idris.

ACKNOWLEDGEMENTS

Alhamdulillah Ya Rabil Alamin. My Special thanks to Mr. A.. H. Gimba for his support and criticism. My appreciation to Dr. S. K. Tswanya (H. O. D) and other lecturers in the Department. I am particularly grateful to my Supervisor Dr. J. O. Otitolaiye who took the pain to read through my manuscripts, made corrections and offered useful suggestions. My appreciation to my brothers and sisters for there disturbance, and also to Ms Fatima Aliyu N. for taking up my time.

Lastly to my friend Aliyu Dan Yawa and other well wishers who have contributed in one way or the other, for all names can not be mentioned, I say thank you all.

ABSTRACT

The research sought to examine ways by which the Pipeline and Product Marketing Company can properly distinct its services from other related companies using marketing strategies. The present economic climate in the country poses a serious challenge to the petroleum sector, ranging from effective and prudent management of resources, to such development attributed to economic crisis which have created keen competition for better-customized services. A research population, sampling procedure and statistical techniques were used in analyzing the data. It was founded that the company applies the best marketing strategy in service delivery and also the company operates a marketing strategy that brings about customer satisfaction by providing certain range of services. Presently, the Nigerian petroleum industry is on the process of deregulation, PPMC continues to be a prime mover of petroleum product supply and distribution.

LIST OF TABLES

4.1	Working Experience of Respondent	25
4.2	Objective Orientation	26
4.3	Level and Efficiency of Marketing	26
4.4	Duration of Strategy	27
4.5	Promotional Medium	28
4.6	Frequency of Opinion	29
4.7	Government Assistance	29
4.8	Service Delivery	30
4.9	Government Subsidy	31
4.10	Customer Opinion	31
4.11	Retail Outlet	32
4.12	Problems Encountered	33

TABLE OF CONTENTS

Declaration	i
Approval Page	ii
Dedication	iii
Acknowledgments	iv
Abstract	v
List of tables	vi
Table of contents	vii
CHAPTER ONE: INTRODUCTION	
1.1 Background of the Study	1
1.2 Statement of the Problem	2
1.3 Objectives of Study	3
1.4 Research Questions	3
1.5 Scope of the Study	3
1.6 Definition of terms.	4
CHAPTER TWO: LITERATURE REVIEW	
2.1 Meaning of Marketing	5
2.2 Marketing Strategy	6
2.3 The Nigeria Oil Sector	7
2.4 Petroleum Product Marketing in Nigeria	10
2.5 Business and Ethics of petroleum Product Marketing in Nigeria	12
2.6 Participants in the Oil Industry	13

2.7	Marketing Strategy in Nigeria Oil sector	15
-----	--	----

CHAPTER THREE: RESEARCH METHODOLOGY

3.1	Research Design	22
3.2	Population and sample	22
3.3	Research Instrument	22
3.4	Methods of Data Collection	23
3.5	Methods of Data Analysis	23
3.6	Limitation of the study.	24

CHAPTER FOUR: DATA PRESENTATION , INTERPRETATION AND ANALYSIS

4.1	Presentation and Interpretation of tables.	24
4.2	Findings	33

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION

5.1	Summary	35
5.2	Conclusion	36
5.3	Recommendation.	37

CHAPTER ONE

INTRODUCTION

Petroleum products was supplied to the Nigeria economy through imports by multinationals like, Shell petroleum, British Petroleum among others, prior to the commissioning of the old port Harcourt refinery in 1966. Consequently, government through the Nigerian National Petroleum Corporation took over the importation of the products into the country and started the construction of refineries, storage facilities and pipelines to the storage depots.

The commissioning of the Kaduna refinery enabled the nation to produce base oil for manufacturing of motor engine oil, and bitumen for road construction. Petroleum products demand in the country before the civil war was mainly for operating motor vehicle, generating sets, lighting and cooking at home. Even with all this uses, meeting the demand of these products did not need to be an issue of concern to government. However, by the end of the Nigerian civil war in the late 70s, demand for petroleum products has outstripped the production capacity of the Nigerians only refinery. In real term, product consumption took a vertical climb from 21,516 barrel per day in 1970 to 68,217 barrel in 1975. [PPMC 2002 "profiles" An in-house publication]. Consequently on these development, products marketing activities became a very big business in Nigeria as it embraced the full range of petroleum products distribution with the major oil companies and the independent marketers in Nigeria.

1.1 BACKGROUND OF STUDY

When in March 1988, the Nigerian National Petroleum Corporation was organized for the purpose of capitalization and commercialization, one of the subsidiary established was the pipeline and product marketing company [PPMC]. The company is directly responsible for the comparative ease with which petroleum products are sourced and distributed to all parts of the country and relatively at a uniform price. The pipeline and product marketing company is an outfit that ensures among other things, Nigerians should have petroleum products to use. The road to the establishment of the company began with the putting in place of the distribution pipelines and storage facilities. Government wanted to solve the problem created by the rapid growth in the petroleum products demand in Nigeria. A network of pipeline was built for distribution linking the North and the South. It germinated in 1974 by the officials of Ministry of Mines and Power. The Ministry was at that time charged with the responsibility of freeing the nation from the trauma of petroleum product shortage which the nation was experiencing as a result of inadequacy in the existing product distribution infrastructures, hoarding activities and illegal bunkering. The company was setup with the objective of providing excellent customer service by transporting crude oil to the refineries and moving the refined products to the existing and future market.

The company has the vision to be the dominant supplier of the refined products to the domestic and growing export market. The business mission of PPMC is however to ensure security of supplying petroleum product at a low operating cost and also market special petroleum products competitively in the domestic and international market.

1.2 STATEMENT OF THE PROBLEM

The prevailing condition in the Nigerian oil sector calls for the application of marketing strategy. Hence the study will investigate and try to provide answers to the following problems:

1. To find out why marketing strategy in the Nigerian oil sector has not contributed to the achievement of the set goals and objective of PPMC.
2. To determine the causes of inefficiency and ineffectiveness in the application of marketing strategy in the oil sector.

1.3 OBJECTIVES OF STUDY

This research intends to highlight ways by which the PPMC can properly distinct its services from other related companies using marketing strategy.

Also to identify the problem hindering effective application of marketing strategy in the Nigerian oil sector and to profer solution.

The aim is to ensure that marketing department is up-graded to meet the needs of the customers adequately.

1.4 REASRCH QUESTIONS

- i. To what extent is marketing strategy the sole determinant in marketing and distribution of petroleum products?
- ii. How does marketing strategy sufficiently help in realizing the objective of the company?

1.5 SCOPE OF STUDY

The study will cover the basic concept and practice of marketing strategy in the Nigerian oil sector. It will be limited to Pipeline and Product Marketing Company. [Abuja office] a subsidiary of NNPC.

1.6 DEFINITION OF TERMS

PPMC: - Pipeline and product marketing Company charged with the responsibility of marketing, distribution, and transporting petroleum products throughout the country.

DEPOTS: - These are storage centers from where petroleum products are made available to the various markets.

PIPELINE: - These are cylinders shaped materials laid underground through which crude and refined petroleum products are passed

White product:-These is the direct refined petroleum product.

MAJOR MARKETING COMPANIES: - This are the big multinational oil firms operating in Nigeria Example; Exxon Mobil, Total-clf-fina etc

SERVICE STATION:-These are outlet or service point where products are served to customers.

TANKER TRUCKS: - these are long vehicles used in transporting petroleum products to various destinations

CHAPTER TWO

LITERATURE REVIEW

INTRODUCTION

In this chapter, the project is to review various literature or works published or written on the subject of study.

REVIEW OF ESSENTIAL VARIABLES IN THE TITLE

2.1 MEANING OF MARKETING

Lots of institutions and scholars have defined marketing in various ways, for the purpose of this write-up there is a need to put in a generally accepted definition.

Microsoft Encarta(R) (1997) stated "Marketing is a process of identifying, anticipating and satisfying customer requirements for consumer goods and services." It went further to state that marketing technique involve little more than making potential consumer aware of a product's existence, benefits and getting it to the market.

Charles (1981) argued, "Marketing is the creation of and deliverance of a standard of living"

Marketing according to Charles involves,

- i- Finding out what consumer want.
- ii- Planning and developing a product or services that satisfies these wants.
- iii- Determining the best way to price, provide and distribute a product

Berkowitz (1989) defines marketing as “a set of activities aimed at facilitating exchange processes”.

Hence, the satisfaction of wants and needs involves in exchange process is actually not marketing activity. Despite the differences and emphasis, the role of the customer in the successful operation of an enterprise is a key element of marketing

Rabiu (1992) defines marketing as “ the performance of business activities that directs the flow of goods and services from the producers to the consumer”.

The definition suggests that with little limitation the concept of marketing could be profitably applied in the oil industry.

Nevertheless, the aim of these projects not to rest on marketing definitions but to delude into the importance of marketing strategy and its application for effective disposition of goods and services.

2.2 MARKETING STRATEGY

The Marketing Strategy spells out the game plan for attaining the business objective and to be successful, the company must do a better job than its competitors by satisfying targets of customer based on its size and industrial position. The company must find the strategy that gives it strongest possible comparative advantage. Objective and Strategy should not be confused. A Marketing objective should give management a path or direction to achieve standard goal set. While a Marketing strategy tells how or technique to arrive at the set goal i.e. plan for achieving objectives through the deployment of scarce resources in the face of competition.

Two most important steps in planning marketing strategy are:

- i - Selecting a specific target market
- ii - Designing a market mix that satisfies the needs of those in the market.

It is important to note that PPMC was established to serve the public and therefore is charged with the responsibility of making available all petroleum products to the public at a considerable price.

2.3 THE NIGERIAN OIL SECTOR

The Nigerian economy is largely dependant on its oil sector, which account for more than 80% of government revenue, with over 95% of total exports and over 90% of the country's foreign exchange earnings. Nigerian dependence in crude oil s expected to lessen somewhat as the natural gas industry develops.

Undiff (1986) says: "Marketing strategy defines the broad principles by which business unit expect to achieve its marketing objective in a targeted market. It consists of basic decisions on total marketing expenditure, mix and allocation".

Marketing management must decide what level of marketing expenditure is necessary to achieve its marketing objective. Also devices a total marketing budget among the various tools in the marketing mix.

Swift (1984) defined Marketing Mix as "the set of tools that a firm uses to purse its marketing objectives in a targeted market." There are literally dozens of marketing mix tools:

Rabiu (1992) popularized four factor classifications of these tools called the four Ps

- a- Product
- b- Price
- c- Place
- d- Promotion

Majorities of Nigerian's crude exports were destined for markets in the United States and the Western Europe. In 1999, Nigeria was the sixth largest crude exporter to the US behind Saudi Arabia, Mexico, Venezuela, Canada and Iraq.

The problem facing Nigeria's upstream oil sector has been insufficient government funding of its joint venture commitment. In 1999, field operator involved in joint venture with the Nigerian National Petroleum Corporation ceased exploration and field development, because NNPC failed to pay its share capital. The NNPC owns a 60% share in the major onshore and offshore joint venture operation.

Petroleum is generally defined under Nigerian legislation to consist of both crude oil and gas. Petroleum, literally "rock oil", is a mineral oil normally a liquid mixture consisting essentially of many different hydrocarbons occurring naturally and having a wide range of colors from yellow to black and characteristic odors. It is the raw material from which the following products are obtained: liquefied petroleum gas (LPG), Premium Motor Spirit (PMS), Dual Purpose Kerosene (DPK), which include household kerosene and Aviation Turbine kerosene (ATK) for jet fuel, Automobile Gas oil (AGO), lubricating oil, fuel oil, paraffin wax, and bitumen among others. These in essence are what are commonly called "petroleum products".

The Department of Petroleum Resources has the general responsibility for supervising and regulating the Nigerian oil industry, including all operation of

NNPC and its subsidiaries. The specific functions assigned to the Department are as follows:

- a- Administration of government joint venture interest in all aspects of the petro industry.
- b- Oil processing policies
- c- Conservation control and inspection of Nigerian oil sector.
- d- Development of hydrocarbon industry including natural gas, processing, refineries petrochemical.
- e- Relating with different international bodies which includes organization of petro exporting nations (OPEC), African petroleum Producers Association (APPA), International Atomic Energy Agency (AEIA).

The role of government to participate in the Nigerian oil industry started from the granting in 1962 an option to the Nigerian government to purchase 33 1/3% of equity share of the Agip oil company, if and when oil was discovered.

Hitherto, the role of government maws merely a regulatory one with its interest limited to the collection of royalties and other dues offered by oil companies and making rudimentary laws to regulate the activities in the oil industry. The process of state participation in the oil sector stated when it became obvious to government that oil was going to be a dominant growth sector providing exchange for the bulk revenue and the foreign exchange earner for the country's economic development.

Secondly, by Nigeria becoming in 1971 the 11th member of Organization of petroleum Exporting Countries (OPEC), where state participation had become a cardinal implementation by every member of the organization. To strengthen and establish government control and participation in the oil industry, therefore the Nigerian National Oil Corporation (NNOC) was established by degree No. 18 of 1971. The corporation was empowered to engage in prospecting for, mining and

marketing of petroleum, its product or by- products, constructing and laying of pipes for transporting crude oil, natural gas e.t.c.

In order to create a more virile oil agency and ensure better management of human and infrastructural resources available to government, the NNOC and the then Ministry of Petroleum Resources were merged by decree No 33 of 1977 to form the Nigerian National Petroleum Corporation. The NNPC has therefore, since 1977, continued to implement the federal Government policy on petroleum “ by effective and active control (through participation, interest acquired in the existing oil companies and supervision of their operation). Within its relative history, it has grown to become a fully integrated oil company that is now involved in all aspect of the oil industry.

From a very centralized structure, the NNPC has continued to evolve new organizational structures with view to running its business much more effective and efficiently. Today, the NNPC has six Directorates and eleven subsidiary companies of which PPMC is one.

2.4 PETROLEUM MARKETING IN NIGERIA

Mobil first introduced petroleum product into the Nigerian market in 1907. Mobil imported “sunflower” tuned household kerosene, colour blue and sold mostly in the big towns like Lagos, Ibadan, Kano, and Enugu for local consumption. In 1957, Crude oil from which petroleum products were refined was found in commercial quantity. Between 1908 and 1937, most of the white products i.e. petrol, kerosene, diesel were widely marketed by multinationals like Shell, Exxon, British petroleum etc . Crude oil and petroleum sales became so significant to Nigerian economy that in 1971, the Federal Government decided to actively participate in the oil business, which lead to the establishment of NNPC and

joining OPEC. NNPC, the successor took over supply and distribution of all petroleum products in bulk.

Since 1988, the PPMC has been responsible for the purchase of crude oil from the Federal Government, transporting of crude oil to the refineries and distribution of refined products to the over 21 depots. The major marketing companies: (Con Oil, Oando, Exxon Mobil, Total-elf Fina), control about 60% of the local market and with more than 1490 independent marketers spread all over the country, market the products from depots to their retail outlets by trucks.

According to PPMC (2002), a standard truckload of any of the product is 33,000 litres. There are currently four refineries with an installed capacity of 445,000 barrels in the country.

1. Port Harcourt refinery 1 established in 1965
2. Port Harcourt refinery 2 established in 1988
3. Warri refinery established in 1978
4. Kaduna refinery established in 1980

Product pumping is done in batches in such a manner as to avoid contamination. Delivery of various product grades into storage depots is strictly monitored and controlled from contract centers located in Mosimi, Warri, Kaduna and Port Harcourt. It is possible to forecast product arrival time in any particular depot once the product leaves the refinery tanks. There are over 21 depots all over the country connected to refineries except Calabar, which is fed from the sea. There are currently over 7800 retail outlets scattered over the country. The major marketing Companies initially concentrated in the big town while the independent marketing companies are predominantly in the higher level in Kano, Gusau,

Sokoto, Gombe and Maiduguri areas. For instance, the independent marketing companies control over 60% of the market.

Petroleum products are sold in bulk to 5 major marketing companies and over 1490 independent marketing companies. The procedures are that PPMC signs a bulk sale contract with a limited liability petroleum company licensed by the department of petroleum resources to store and sell petroleum products. the company must own standard retail outlets and must be capable of marketing at least 3 products namely , gasoline , kerosene and gas oil. A standard retail outlet must meet some marketing , storage and safely requirements such as large storage tanks , at least two pumps to dispense PMS and a pump each to dispense kerosene and gas oil toilet facilities, fire extinguishers, pails of sand etc. In the sales contract signed, specific quantities of monthly or yearly sales volume will be stated and the depots of loading identified. PPMC advises companies to own its truck to ensure prompt loading of products.

2.5. BUSINESS AND ETHICS OF PETROLEUM PRODUCTS MARKETING NIGERIA.

Petroleum products are derived from crude oil, one of the many mineral resources abundant in commercial quantity in the country. PPMC (2001) indicated that the marketing of the product has, over the years undergone various stages of development;

- a. Business.
- b. Ethic.

The business of petroleum products marketing entails product acquisition, storage, distribution and sales of petroleum products to the customers. The overriding objective of any business is to make profit through customers satisfaction from

timely supply of the right quantity quality and price of the products. To achieve this, an array of professionals ranging from engineers, scientist, technologist, economist, accountants, social scientist, medical doctors, marine captains, tanker drivers etc are employed in various facets of the business .

The ethics of the petroleum marketing in Nigeria can be defined as a professional standards, industrial rule and regulations, morality, decency, goodness, honor and virtue demanded by the various economy as well as professions that take part in the activities of the industry.

The main essence of any business is to efficiently produce and deliver high quality products to the consumer at reasonable price. To achieve this, there is synergy among all parties in the distribution chain until the product get to the final consumer, the Nigerian public.

2.6. PARTICIPANTS IN THE OIL INDUSTRY.

To better appreciate the impact of ethics in the realization of steady and uninterrupted supplies of petroleum products. It is necessary to evaluate the roles and responsibilities of different participants, so as to bring the standard and practices in the industry to a focused and correct perspective.

i. NNPC

Refineries: process crude oil into various finished petroleum products.

ii. PPMC

Acquires crude oil for processing at the refineries. Distributes and sells the petroleum products at its depots to the licensed major and independent marketing companies.

iii. MARKETERS

Buying and selling petroleum products at their retail outlets to the consumers. Major marketers are those that own over 100 outlets each, while independent marketers own less than 100 outlets each.

iv. TRANSPORTERS

For movement of petroleum products from NNPC depots to outlets, the marketers supply the services to the transporters. Majority of the transporters are independent of NNPC's supervision.

v. RETAILERS

These are persons or group that are employed or dealers of petroleum product on behalf of marketer.

vi. DEPARTMENT OF PETROLEUM RESOURCES (DPR)

This is an arm of government charged with the responsibility for licensing and regulating the activities of the companies which process, store, distribute and sell petroleum products.

vii. DEPARTMENT OF WEIGHTS AND MEASURE

A department of the Ministry of Industry, it complements the role of DPR in the calibration of bulk meters at the retail outlets around the country.

viii. PETROLEUM PRODUCT TASK FORCE

Established in 1984, they were military or para-military personnel charged with the security of federal government owned installations, while the shore task force is concerned with the activities on land, the Naval task force patrol the coastal waters to check illegal product diversion and cross boarder smuggling.

ix. CUSTOM AND EXCISE

This is a service solely responsible for security of our boarders, by preventing and checking smuggling of goods including petroleum products.

x. NIGERIAN PORTS AUTHORITY.

They pilot ships, boat and crafts into and out of Nigerian territorial waters.

xi. NATIONAL ELECTRIC POWER AUTHORITY

They supply power to the depots, pump stations and retail outlets. The inability to cope with the requirements has often hampered fuel supply potential nationwide.

From the descriptive note and the responsibilities of various parties, NNPC is at the beginning of the chain, between them and the final consumer other group play vital roles. Any disruption in the chain affects the steady supply of petroleum products.

Although NNPC (PPMC) responsibility ends once the retail outlets take the delivery. NNPC through PPMC continues to ensure that it maintain close liaison with the stakeholders in the industry.

2.7. MARKETNG STRATEGY IN NIGERIAN OIL SECTOR

As earlier stated, having analyzed the market and explored problems and opportunities that it offers, a marketer is ready to adopt a strategy by which the various elements of the marketing mix are employed to meet established goals.

- i. Product
- ii. Price
- iii. Promotion
- iv .Place

i. PRODUCT

Petroleum product distributed and handled in Nigeria are Premium Motor Spirit (PMS), Household Kerosene (HHK), Automobile Gas Oil (AGO), Aviation Turbine Kerosene (ATK) and liquefied petroleum gas(LPG). These are known as "white products". Other petroleum products distributed by PPMC are high and low fuel oil and Asphalt.

ii. PRICE.

The marketing of petroleum products are the sole responsibility of the marketing companies, it is profit driven. The pricing structures recognized are the cost of refining, transportation, and other overheads. These influenced remarkably the pump price at different selling points. Hence, the prices of petroleum products varied from place to place.

PPMC (2002) highlighted the urge to liberalize the control of the petroleum down stream, the Federal Government introduce an Agency comprising the entire stakeholder in the industry in 2002 to peg prices of petroleum products through the establishment of Petroleum product Pricing Regulatory Agency. Prior to this agency was a body established to chart a uniform price for the conventional products, the body was Petroleum Equalization fund (PEF) in October 1973. This was the beginning of the regulation of products pricing by the Federal Government. It is unethical to retail petroleum products above approved and regulated pump prices.

The continued weakness of the Naira has accounted for a steady disparity in fuel prices in Nigeria and those of the neighboring countries. Household kerosene is being exploited by adulteration, but quality fuel is lifted from the depots nationwide with profiteers condemning them before reaching the retailing outlets.

Consequently, the objective of providing cheap kerosene at reduced price is defected, contributing to kerosene scarcity.

Furthermore, authorized fuel dumps abound into which diverted fuels are hoarded and sold at a higher price. Youths were known to hawk fuel in bottles and unauthorized surface tanks, while roadside traders sell engine oil without license. With the on going deregulation of conventional and unconventional products, NNPC is now concentrating on the supply and construction of maga-filling station and LPG depots. Strategy is to ensure price stabilization through consistent and continuous supply of petroleum product.

a. PETROLEUM PRODUCT PRICING

1. IMPORT PARTY

Before 1979, when about half of the national petroleum product demand was imported, pricing was import parity based i.e. C I F or landed cost price at lagos, plus cost of marketing by the different companies including cost of transportation to different location. Elements included in pricing are;

Cost of product per Ton free on board

- a. Insurance cost
- b. Freight per Ton
- c. Ocean loss
- d. Port charges
- e. Profit margin
- f. Landed cost
- g. Market margin
- h. Handling charges
- i. Transportation

2. DIRECT PROCESSING FEE PRICING

In the eighties when petroleum product are refined in the country, the direct processing fee pricing .. .

Methods are:-

- a. Cost of crude per barrel plus cost of transportation to the refinery
- b. Refining cost per barrel
- c. Marketing cost- PPMC/Marketing company.

- i- Storage cost
 - ii- Transportation - pipeline, sea, and roads
 - iii- Marketing margin - marketing overhead
- Transportation cost
Dealer's margins.
Market's margins.

Using the weighted average of prices, the cost is distributed accordingly with the prime products, gasoline and ATK attracting higher costs than fuel oil and gas oil.

3. NET BACK METHOD OF PRICING CRUDE OIL.

The netback method of pricing is market determined. Using known market prices of product, the realized value of crude is established after discounting the cost elements i.e. refining, marketing as well as reasonable margin.

4. PRODUCT SUBSIDY

Until the introduction of structural adjustment program, leading to the devaluation of the Naira in 1986, petroleum product prices were not subsidized. However, since there were no price adjustment relative to the level of Naira devaluation over

the years. Product subsidy became phenomenal, this arose because 70% of cost import are dollar based.

For a long time, product pricing in Nigeria has followed this pattern. Based on the guideline given by the federal government for budget preparation, several product-pricing scenarios are worked out and presented NNPC/PPPRA top management to the Federal government. The product-pricing scenario selected by the agency/government becomes the product prices.

5. FULL RECOVERY COST

All these pricing methods have at one time or the other been applied in this country. However, in all these methods the exchange rate is a major factor because crude oil and product imported are traded in US Dollar. While products are sold at home in Naira. As the exchange rate changes the prices of petroleum products automatically changes. The refinery yields affect the cost of recovery per barrel. In order to continue to be in business, the importance of recovering all cost of production cannot be over emphasized.

iii. PROMOTION

Today, PPMC is ruined along the live of the management culture of total quality management culture (TQM). Following directives of the parent company corporation _NNPC, in 1993 for all the business and services units in the group to embrace total quality management {TQM}.

Most of the business operation carried out by PPMC were now guided by the Total quality culture, which seeks to provide goods and services that meet and exceed the desire of customer. PPMC management and staff are totally committed to satisfying agreed customers requirement at the lower practicable cost.

Most units of PPMC have carried out approved quality management projects on most of their processes to ensure that every output from PPMC's operations meets the total quality management. Other promotional tools used by retail outlets are advertisement on television and radio station.

iv. MODES OF DISTRIBUTION.

One major decision in the logistic system of an organization is that of determining which mode of transport to be used in transporting product from the factory to the warehouse or middleman and final consumer. It is therefore necessary that management decides on both the form of transportation to use and the particular carriers.

The mode of distributing petroleum products is by rail, sea, and pipeline.

By rail:- This involves the use of rail wagons, with the inception of refining in Nigeria, in the sixties and seventies movement of products by rail was significant. Both NNPC and marketing companies owned wagons operated by the Nigerian Railway Corporation for the movement of petroleum products. However, in the eighties, this mode declined, with the NRC encountering management problems currently, the contribution of this cheap and veritable means of product haulage has become insignificant as it accounts for less than 0.001% of petroleum products movement nationwide.

By sea:- Coastal vessels and barges are employed to move product from refineries to water fed installations e.g. NNPC products terminal at atlas core Lagos and Calabar, marketers facilities at Apapa, Off shore oil production locations, and outlets in the riverine communities. For this mode, barges ranging from 500 to 5,000 M/T and vessels per tank ship of 5,000 to 30,000 M/T are employed.

By road:- Product movement by road is dominant, since this is the only mode of transportation to over 10,000 retail outlets dotted all across the country. The truck sizes range from 6MT to 40MT. . . .

By pipeline:- Pipeline is specialized means of transporting oil from source to refinery and to the depots. There is a network of about 5,001 km of pipeline with diameters ranging from 6 to 16 pipeline services in the most dependable of all modes, since there are few interruptions to cause delivery time variability loss and damage to pipelines is low, because liquid and gases are not subject to damage to the same degree as manufactured goods.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0. INTRODUCTION

This chapter consists of different tools used in the collection of data. Hence, emphasis the instrument used. The research population, sampling procedure and statistical techniques were used in analyzing the data.

3.1. RESEARCH DESIGN

For the purpose of this study, the researcher has chosen survey method. Because it allows for the use of primary and secondary data. The survey method has been chosen because it is more relevant to the topic under study which enables the researcher to study and give full analysis of the data collected which will result in valuable suggestions and recommendations.

3.2. POPULATION AND SAMPLE.

The population of the management staff of the company {PPMC} is 45, out of which 10 are taken as the sample size. For the customers 20 were taken as sample size.

3.3. THE RESEARCH INSTRUMENT.

The research instrument used in this research survey is questionnaire, observation and personal interview.

a. QUESTIONNAIRE METHOD.

Questionnaires were issued to collect the necessary data. There were management questionnaires and then the customer who use the services of the company. The

aim is to gather the views and opinions of both the management staff and the customers that use the company's services.

The questions of the questionnaire were aimed at finding the impact, relevance and importance of marketing strategy as applied to the oil sector, from their own perspective and to analyze whether the company is efficiently aiming at its objectives.

b. OBSERVATION.

The researcher visited the company premises at Suleja in order to confirm certain facts during the interview based on the information that was obtained.

c. INTERVIEW

The departmental heads and some senior management personnel were interviewed to obtain first hand information.

3.4. METHOD OF DATA COLLECTION.

The method used in sampling is simple random sampling. It is a system of selection that gives individuals in the population equal chance of being selected. The essence of random sampling selection is to avoid subjective arising from personal choices.

3.5. METHOD OF DATA ANALYSIS.

Under this study, simple percentage method was used to analyze and interpret the result.

3.6. LIMITATIONS OF STUDY.

In the course of this research work, the researcher has faced some difficulties in order to compile all the relevant data for this research work to be completed. Due to lack of sufficient materials and inability of staff of pipeline and product marketing company (PPMC) to disclose some information due to their oath of secrecy, the researcher found it difficult to carry out the research works thoroughly as it might have been. Sufficient data were not readily available in most places visited by the researcher, however, few were obtained. In addition, for political reasons, some information was not disclosed to the researcher.

Another is the limited financial resource available, which made it practically impossible to visit as many marketers and outlets scattered around the country.

CHAPTER FOUR

DATA PRESENTATION, INTERPRETATION AND ANALYSIS

INTRODUCTION

This chapter involves the presentation and analysis of data collected from the field. The data is presented in a tabular form and expressed in a simple percentage

PART A: RESPONSES FROM THE MANAGEMENT STAFF

4.1 WORKING EXPERIENCE OF RESPONDENTS

In trying to find out the duration of working experiences to a certain level of which the management staff would adapt to workings of the company

Table 4.1 Working Experiences of Respondents

Working Experience	No of Respondents	Percentage %
1-3	2	20
4-6	1	10
7-9	3	20
9 and above:	5	50
Total	10	100

Source: Field survey

Table 4.1 shows that 10% of the respondents have worked for between the years of four and six, while the highest number of five respondents had worked for over

10 years. The data indicated that a significant number of the members of staff had worked for a longer time to know much about the workings of the company.

4.2 OBJECTIVE ORIENTATION OF THE COMPANY.

In determining, the objective orientation of the company is to have an inside on the statutory focus to which the company is been operated. Table 4.2 explains the kind of objective orientation.

Table 4.2 Objective Orientation

Objective Orientation	No of Respondents	Percentage %
Customers Satisfaction	2	20
Profitability	2	20
All of the above	6	60
Total	10	100

Source: Field survey

The data on table 4.2 clearly shows the company's objective orientation is on both customer satisfaction and profitability with the highest percentage of 60%.

4.3 LEVEL AND EFFICIENCY OF MARKETING.

Understanding the level and efficiency of marketing strategy brings out the objective and performance of the company.

Table 4.3 Level and Efficiency of Marketing.

Understanding marketing strategy	No. of respondents	Percentage %
Good	7	70
Fair	2	20
No idea	1	10
Total	19	100

Source: Field Survey

The information on table 4.3 indicates that the level and efficiency of the staff towards marketing strategy is best applied in marketing its products and services, with about 70% of the respondents understanding the strategy. While about 10% do not have any idea. From the statistics shown, it is evident that the management staffs understand the level and efficiency of the strategy applied by the company

4.3 DURATION OF MARKETING STRATEGY

The duration by which a strategy is been applied by management signifies how successful it is in promoting the objective of the company.

Table 4.4 Duration of Strategy

Duration of strategy	No of respondent	Percentage %
1-3	2	20
4-8	1	10
8 and above	6	60
Total	9	90

Source: field survey

Table 4.4 reveals that a strategy being applied lasted for eight and above years as according to the majority of respondents. While about ten percent were of the opinion that, a strategy is been applied for between four and eight years. .. .

4.5. PROMOTIONAL MEDIUM.

The promotional medium used by the company determines how the company relates or interacts with the customers and meeting their objectives.

Table 4.5. Promotional Medium used by Respondents

Promotional medium	No of respondents	Percentage %
Advertisement	3	30
Newspaper	2	20
Magazine	1	10
All of the above	4	40
Total	10	100

Source: field survey

The table 4.5 shows 40% of the management staff were of the view that the entire medium named are means through which the company promote its services. Based on the data, one can say the company does not emphasize on a single promotional tool , but rather combines all options to enable accessibility and coverage.

4.6 OPINION AND IDEAS

Seeking opinion from individual staff gives more avenues for collecting ideas on a way of generating policies and plans of actions. How often is that done by the management to chart better course.

Table 4.6. Frequency of Opinion

Seeking Opinion	No of respondent	Percentage %
Frequently	3	30
Occasionally	6	60
Rarely	1	10
Total	10	100

Source: Field survey

60% of the respondents indicated that the company seeks their opinions occasionally, while 10% were of the opinion that the company rarely seeks advice from individual staff.

4.7 GOVERNMENT POLICIES

Policies of government might hinder or makes the running or workings of the company difficult. As a result of the government has to assist or make policies that will be favorable to the operation of the company.

Table 4.7 Government Assistance.

Government assistance	No of Respondents	Percentage %
Yes	7	70
No	2	20
No idea	1	10
Total	10	100

Source: field survey

Table 4.7 indicates 70% of the respondents acknowledge government usually provides or facilitate assistance and make policies favorable to the company operation. On the other hand, 10% hide no idea Howard's government assistance.

PART B: RESPONSE FROM THE CUSTOMER.

4.8 SERVICES RENDERED TO CUSTOMERS.

The customer views on any service provided by PPMC to be considered as one objective of the company.

Table 4.8 Service Delivery.

Service delivery	No of Respondents	Percentage %
Satisfactory	11	55
Unsatisfactory	9	45
Total	20	100

Source: field survey

The data on table 4.8 show that 55% of the customer who respondent were of the view that services delivery are generally satisfactory, while 45% of the customers were unsatisfactory with the service delivery by the company.

4.9 SUBSIDY

Subsidy is a way of cushioning the cost and price of petroleum products we are trying to find out if the customers feel weather government does provide subsidy as a way of alleviating some burden from the final consumers.

Table 4.9 Government Subsidy.

Subsidy by government	No of Respondent	Percentage %
Yes	7	35
No	13	65
Total	20	100

Source: field survey

Table 4.9 reveals that 65 % of the customers were of the view that government do not adequately subsidize petroleum product. And that prices are not reasonable for the fact that Nigeria is among the first ten major oil producers in the world. While 35% were of the opinion that government gives subsidy, and that prices are based on the international market. Based on the statistics above, there should be review of prices by government.

4.10 CUSTOMER OPINION.

Customers opinion as regard to the marketing strategy used by PPMC in discharging its duties have an effect on the operation of the company.

Table 4.10 Opinion of Customers on Marketing Strategy.

Opinion on marketing strategy	No of Respondents	Percentage %
Satisfactory	11	55
Unsatisfactory	9	45
Total	20	100

Source: field survey

55% of the respondents from table 4.10 indicated that the company's marketing strategies were satisfactory, while 45% of the customers were of the opinion that the company's activities and marketing strategies were unsatisfactory.

4.11 NUMBER OF OUTLETS

The number of outlets scattered around the country determines how viable and availability of petroleum products in the country.

Table 4.11 Retail Outlets

Retail outlets	No of respondents	Percentage %
Inadequate	1	5
Insufficient	1	5
Adequate	8	40
Sufficient	10	50
Total	20	100

Source: field survey

Table 4.11 confirms that 5% of the respondents feels that retail outlets are inadequate and insufficient, while majorities of 50% were of the opinion that the numbers of retail outlets were adequate and sufficient.

4.12 PROBLEMS ENCOUNTERED BY CUSTOMERS

Inevitably, problems are usually encountered during service delivery.

Table 4.12 explains some of the problems encountered by customers of PPMC.

Table 4.12 Problems Encountered by Respondents

Problems encountered	No. of respondents	Percentage (%)
Delay of service delivery	3	15
Bad customer relation	8	20
Pump maladjustment	4	20
All of the above	5	35
Total	20	100

Source: field survey

The Data on table 4.13 shows that 35% of the respondents are of the view of Customer Satisfaction could be achieved through the provision of various ranges of services, good customer relation and deliverance of qualitative service by the company.

4.2 FINDINGS

From the second result obtained from the management staff response, it was identified that customer satisfaction and profitability were the priority of PPMC consequently, all the company's activities must be devoted to finding out what the customers wants are and satisfying these wants at the long-run profit.

Question four of the management staff questionnaire indicates that the company applies the best marketing strategy in service delivery. While question, six of the management staff questionnaire states that the strategy applied have a great influence on the services provided in solving the problem of scarcity, hoarding,

and bunkering. The marketing strategy applied is a unifying approach which is directed at total resource for business organization towards developmental and satisfaction of customer's wants. It could be said that once customer satisfaction towards marketing is favorable, then the company would sell more of its services and products.

The response to question seven of the customer's questionnaire indicates that the company operates a marketing strategy that brings about customer satisfaction by providing certain range of services. A good working environment adds to give an utmost satisfaction to staff of the company. The company has been observed as to seeking advice from staff and customers on periodic bases.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 SUMMARY

The company under study operates a dynamic economic environment coupled with inflation, non-stability in petroleum product prices, recession and inconsistency in government policy among other, necessitated the dynamic nature of petroleum industry in Nigeria. This however increases high competitive environment and competent staff to remain in business.

The business of petroleum products marketing is complex and the multifarious nature of the business demands a very high ethical standard by the parties concerned.

To achieve an overall objective of customer satisfaction and availability of petroleum products at all level of the business depends on the policies laid by government, attitude of staff of the company and the final consumer.

There are general operational guidelines on key features of the industry which are safety, security, accountability, pricing and customer relations and all of there have been discussed in earlier chapters. The company is also along the line of management culture of total quality that ensures sustainable growth and survival.

Most of the operations carried out by the PPMC are guided by the total quality culture, which seek to provide good and services that meet and exceed the desire of customers. PPMC have carried out approved quality improvement projects on most of their processes to ensure that every output from PPMC operations meet the total quality requirement.

Effective marketing strategies are adopted to handle activities like product acquisition, storage, distribution and sale of petroleum product to the consumers. The objective is to make profit through customer satisfaction from timely supply of the quality and price of products. To achieve there, arrays of professional are employed coupled with an excellent working environment at various facts of the business.

The company even embarks on promotion of its services and also retail outlets scattered all over the country, which advertise their services on Television, newspaper and magazines example given a daily supply of fuel and quantity.

In view of this, records have shown that the company has been performing well in terms of customer satisfaction, competition and above all profitability. Through the nation in occasionally faced with petroleum products shortage, the company has done some best to alleviate this problem in the country with the help of the federal government and other stakeholders.

5.2 CONCLUSION

From the analysis conducted, it can be concluded that the petroleum industry in Nigeria to certain extent has greatly changed towards service oriented approach. The demand for petroleum products in and outside Nigeria is increasing by the day.

The present economic climate in the country poses a serious challenge to the petroleum sector, ranging from effective and prudent management resources to such development attributed to economic crisis, which have created keen competition for better-customized services.

In the past couple of years, it has been with uncertainties which made implementations of plans and programs most difficult. These have affected the industry and therefore unsteady supply of petroleum products to the Nigerian public. It is expected that with the continued stability in the economy and the eventual success in the on-going privatization, will result in a steady growth in the industry for sustained customer satisfaction to be realized. The industry of now is expected to meet the growing challenges of competition and harsh economic environment. However, these efforts may be wasted without an attitudinal change in the entire stakeholder. In addition, the present economic condition should rejuvenate its marketing strategies, techniques and tactics towards aggressive petroleum marketing.

Presently, the Nigerian petroleum industry is on the process of deregulation, PPMC continues to be a prime mover of petroleum products supply and distribution. PPMC through its performance has proved to be a viable source of pride to NNPC and indeed to the nation.

5.3 RECOMMENDATIONS

In the light of the foregoing findings discussed in proceeding chapters, the researcher hereby advances the following recommendations.

- i- The marketing strategies as explained in chapter two must be clearly understood and believed by top management and staff of the company. It should be a watchword for the company, as this would go a long way in creating customer satisfaction, greater patronage and availability of products at all times. It should be clear that these strategies must be very effective.

- ii- Customer orientation:- Due to the intense competition in today's service industries, it is worthwhile for the company to have not just profit , but customer orientation so as to increase service been rendered potential customers and uphold the marketing strategy.
- iii- Training and development of management and staff: - The management and staff of the company should be sent on an intensive course, seminars, workshops e.t.c, as these will broaden their minds on marketing and marketing strategies. This will add more efficiency, promote prompt delivery and good customer relation.
- iv- PPMC is generally charged with the responsibility of sourcing, selling and distributing petroleum product i.e. marketing. However, there is still the need to establish a marketing research department to carryout marketing activities and effective implementation. The department should be responsible for conducting marketing research, planning and control strategies and techniques for growth.
- v- Establishment of retail outlets owned and controlled by PPMC nationwide. This is to be noted, for it enhances marketing coverage and ease customer accessibility.

REFERENCE

- Ansoff, H.j. (1965): Corporate Strategy, New York: Mc Grew Hill. P. 50
- Berham, B. (1979) "Retailing Management, Macmillan Publishing Company
- Berkowitz, etal (1989) "Marketing" Second Edition, Homewood, Illinois. P.67`
- Charles, F. (1981): Sales "Management Behaviour, Practical and Cases". The Dryden Press, Illinois USA. P 76
- Microsoft(R) Encarta(R) 98 Encyclopedia.(C)b 1993-1997 Microsoft Corporation
- PPMC (2000): "Profile" An in-house Publication of PPMC
- PPMC (2001) "Investment and Business Code" An in-house Publication of PPMC
- PPMC (2002): "Impact of pipeline inter linking the distribution of refined petroleum product in Nigeria" An in-house publication of PPMC
- Rabiu, A. (1992) "Marketing of Services" Unpublished weekend Triumph Saturday (5th March)
- Swift, C. (1984) "Marketing" New York Hawper and Row Publishers, p 239
- Undiff, E. N. (1986) "Fundamental of Modern Marketing" 3rd Edition, Practice hall inc. Eagle Wood Cliffs, USA. P67

GLOSSARY OF TERMS

PPRRA: - petroleum product pricing regulatory Agency mandated to peck out prices for petroleum products.

PMS: - Premium Motor Spirit, known as petrol.

ATK: - Aviation Turbine Kerosene, fuel for Airplane.

HHK: - Household Kerosine.

AGO: - Automotive Gas oil, known as diesel.

C.I.F:- Cost Insurance Freight.

Questionnaires

Management Questionnaires

Dear sir/madam,

I am a student of postgraduate Diploma in Business Management Technology, Federal University of Technology, Minna, under taking a research study on “Appraisal of marketing strategy in the Nigerian Oil sector” with particular reference to your organization, pipeline and product marketing company.

Kindly indicate by ticking the correct answer. All information obtained will be used for academic purpose and remain strictly confidential.

- How long have you been working with the company?
 - 1-3 Years
 - 4-6 years
 - 7-9 Years
 - over-10 years
- What objective orientation does your company accept?
 - Customer Orientation
 - profitability
 - All of the above
- At what level do you understand the efficiency of marketing strategy used by the company?
 - Good
 - fair
 - No idea.
- How long have your company been applying the marketing strategy?
 - 1-3
 - 4-8
 - 9 and above.
- What kind of promotional medium does the company uses?
 - Electronic media
 - newspaper
 - Magazine
 - All of the above
- How often do management seek your opinion and ideas relating to company matters?
 - Frequently
 - Occasionally
 - Rarely

7. Is government assisting in any way in solving the company's problems, especially Fuel crisis?
- a) Yes b) No
- c) No idea

CUSTOMER'S QUESTIONNAIRE

1. As a customer, how do you consider the services rendered by the company?
a) Satisfactory b) unsatisfactory
2. Do you think the government adequately subsidizes petroleum products?
a) Yes b) No
3. What is your opinion as regard to the marketing strategy used by PPMC?
a) Satisfactory b) unsatisfactory
4. What is your Opinion as regards the number of retail outlets scattered all over the company?
a) Inadequate b) Insufficient
c) Adequate d) sufficient
5. What problems do you encounter as a customer?
a) Delay of service b) bad customer relation
c) Pump maladjustment d) All of the Above
6. Which of the following do you think will improve customer satisfaction?
a) Range of service b) Good customer relation
b) Quality of service d) All of the above