Strategic Marketing Practice Considerations in Family Business in Nigeria

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The purpose of this study is to fill a gap in the literature by examining a medium-sized firm. Most modern economies are characterized by a significant group of middle-sized firms, still owner-managed, but with multimillion naira turnovers. Many of these remain family companies and constitute an important reservoir of business initiative. One such family business is the focus of this research. The results of the study suggest that neither the existing typologies of small firm approaches to marketing nor the formal models of marketing attributed to big companies necessarily characterize the marketing planning and management of family business in Nigeria. Keywords: Depth evaluation, family companies, medium-sized firm, modern economies, multimillion naira turnovers.

For sustained profitability, business has to identify and approach its potential customers in an informed, organized, and controlled way. Business has to offer customers some benefit at a price they are willing to pay and at the same time organize its affairs to ensure that it makes adequate profit. Irrespective of the people involved and the methods adopted, success requires analysis, planning, and control (Kotler 1984). This paper is concerned with the strategic marketing activities.

Family firms are rarely recognized as aggressive growth companies (Blake and Saleh 1995), yet growth is important to family firm survival (Ward 1987). Poza (1989) indicated that family firms must consider growth strategies to avoid the decline or loss of the family business, to promote continuity and family unity, and to save jobs and create wealth. Unique challenges arise in achieving growth while also maintaining control of the family business (Goffee 1996). To date, research-based insights into family firm growth strategies and implementation approaches are quite limited (Sharma, Chrisman, and Chua 1997), and comparative studies are rare (Dyer and Handler 1994). The current study seeks to address this shortcoming by examining the strategic marketing practice considerations in family business. Specifically, the research seeks to explore the following questions: What are the strategies family firms use to pursue growth? Are these strategies different than those used by large and small firms? What specific marketing tools do family firms use to implement the strategies?

Background
When the austerity measures failed to work in Nigeria in 1986, the Structural Adjustment Programme (SAP) prescribed by the World Bank and the International Monetary Fund (IMF) was introduced. SAP was the all-powerful prescription, which the World Bank and IMF recommended as the last resort for bailing developing nations out of their strangulating debts. It is normally a very bitter purgative pill. It is gratifying to say that SAP, in spite of all the criticisms against it, has succeeded to some extent in correcting the anomalies in the Nigerian economy.

Among the reasons for the introduction of SAP by the Babangida administration in 1986 was to restructure and diversify the productive base of the economy in order to reduce dependence on the oil sector and imports. The expected impact of these measures was the discouragement and consequent reduction of importation on the one hand and the stimulation and consequent increase in the local production of goods and services formerly imported on the other.

Active persuasive measures by the SAP helped Nigeria to ban items such as bottled water, soft drinks, carbonated drinks, and stout. This opened the way for indigenous industries, which are mostly family-owned businesses, to take on the challenge to turn out new local alternatives to foreign-made goods. Thus, marketing outlets today display innovations of invariably all types of consumer goods formerly imported into the country. In particular, the recent growth in the soft drink chain industry has resulted in fierce competition. Classic Beverages Nigeria Limited (a family-owned business) has responded to this challenge with the introduction of Lacasera to compete with other soft drinks in the market.

Literature Review
No general agreement exists among academicians as to the definition of “family business.” Several authors have called for definitions that use multiple conditions to identify family business; many use requirements such as (1) family ownership and control, (2) family influence on decision-making,
and (3) intent to transfer the firm to the next generation (Chua, Chrisman, and Sharma 1999). Unfortunately, there is no consensus as to how much ownership is necessary to qualify a firm as a family business. Ward and Dolan (1998) suggest that ownership should be measured by voting power because this may better indicate the behavior and structure within the family business than as a measure of relative economic interest. Chua et al. (1999) state that there is no specific delineation of how much ownership is necessary to qualify the firm as a family business. Ward (1986) defines control by percent ownership of stock, with 50 percent ownership considered “in control” for privately held firms and 30 percent for publicly held firms. In this study the 50 percent ownership criteria is used.

Several researchers have called for studies that investigate strategic planning and implementation in family firms. In a review of the literature, Wortman (1995) noted the paucity of research into generic strategies and the use of strategic marketing concepts. He pointed out that our understanding of family business strategy (Hoy and Verser 1994) specifically called for research into the strategies family firms use to achieve venture growth. Little is known about growth-oriented family firms or how they compare to large and small businesses.

There is a presumption, based on both empirical and anecdotal evidence, that family firms are not growth oriented and therefore achieve lower growth in sales than nonfamily firms. Family firms are thought to suffer from an absence of a growth vision (Poza 1988), little or no desire to grow (Ward 1997), and a lack of growth-oriented business goals (Tagiuri and Davis 1992). Even when family business members verbally commit to business practices that would encourage firm growth, they still employ relatively conservative business strategies (Habbershon 2001).

Strategic Marketing Practices: Business Strategies and Growth Outcomes
Porter (1997) suggested that there were four generic business level strategies. He argued that a firm could carry out either the overall cost leadership or the differentiation strategy broadly, by targeting a large market, or more narrowly, by targeting a particular segment of the market. Porter referred to the targeting of a narrow segment of the market as focus strategy. Since Porter’s seminal theoretical work, many other researchers have empirically examined these generic business level strategies and have suggested additional strategies that a fast-growth business might use to outperform other firms in the industry, thereby achieving success (Baum, Locke, and Smith 2001; Ireland and Hitt 1997).

One way to gauge the effectiveness of a firm’s selected business strategies and the resulting financial allocations that are made to support the strategies is to evaluate growth outcomes. While many growth outcomes are possible, the focus here was on expansion of products and services that offered growth in new customers and sales to new customers. To the extent that family firms reflect a “defender” orientation in the Miles and Snow schema, they should prefer a market penetration strategy. This conclusion suggests that family firms might be less inclined to introduce new products to new customers. However, as the author does not believe the defender stereotype necessarily applies, it is hypothesized that there will be no difference between family and large and small businesses with respect to growth in new products or services.

Methodology

The Reason for Qualitative Research Design
An important research issue in attempting to conceptualize marketing as a practice by entrepreneurs relates to the search for common meanings of terms. Entrepreneurs’ understanding of management terminology comes from book definitions as well as from other entrepreneurs. In a critique of the quantitative/deductive designs prevalent in family business research, Gibb (1990) gave the following examples of how things could go wrong.

Firms are asked if they are moving into “new markets” or if they are developing “new products.” Those well acquainted with the entrepreneur will know that these terms are likely to be interpreted in a variety of ways. The term “market” is open to all kinds of ambiguity, as any detailed discussion of marketing with entrepreneurs will indicate.

Gibb (1990) concluded that the search for representativeness through large sample questionnaire surveys was frequently misplaced in researching the small firm sector, and he called for the use of more inductive reasoning based on ground theory with greater emphasis on quality of data. Researchers investigating the marketing and entrepreneurship interface responded to such recommendations by using qualitative and longitudinal research to supplement the “snapshot” quantitative profiles of entrepreneurs. This study is part of this body of work, and utilizes a combination of qualitative methods—interviews and longitudinal focus groups.

Methodologically, this look at strategic marketing process in one company constitutes a qualitative case study. Such studies may sometimes be viewed as utilizing only one tool of quantitative research (Hari Das 1983) but they may, as in this case, embrace a number of techniques (Bryman 1989). While data collection was primarily by observation, largely semiparticipant observation was supplemented by both unstructured and structured interviews and by scrutiny of whatever com-
pany documentation we requested. To some extent, information received verbally could be validated by reference to this documentation. In addition, the researcher was able to check and cross-check other pieces of information by respondent validation and by colleague validation. Some elements were partially validated on a spot-check basis, by speaking to customers and market channel intermediaries.

The study was designed to find out what strategic marketing practice activities a specific firm undertook, rather than to obtain quantifiable information such as how often particular things were done or how many people were involved in them. As with most qualitative research, the study was open ended in the sense that its purpose was not precisely set out in advance (Bryman 1988). We sought, as open-mindedly and dispassionately as possible, to observe and learn what strategic marketing planning was undertaken and why the company did things the way they were done.

The following account includes information about the company and the product–market background against which its marketing activities and decision-making take place. This is to assist those readers who wish to interpret things in their own way. Of course, the selection of reported data and the interpretation given here are, inevitably, the author’s alone.

**The Company**

Classic Beverage Nigeria Limited markets the soft drink Lacasera for final consumers. The company markets to both restaurants and households, both at various locations in major cities in the country. The company’s products include cola drink, black currant drink, orange drink, apple drink, and bottled water.

Established in 1999, the company has experienced continuous, unspectacular growth and currently employs 330 people in Nigeria, all but 196 of whom work in the factory. The latter figure includes a field sales force of 120; management and secretarial staff number only 76. The managing director is the son of the company’s founder and a college graduate. Other directors are college graduates and professionally qualified. The marketing manager and two of those working with him hold professional marketing qualifications. It is important to state that the company possesses no organizational chart and all managers enjoy relaxed, informal contact with each other and with the managing director. Marketing decision-making is, for the most part, highly participative and neither work nor social pressure is evident in the many, informal daily contacts. To date, it has been company policy to remain close to the original product of soft drinks and not to diversify out of the product range. Nearly all the product categories are manufactured and marketed in a range of qualities. It is noticeable, though not surprising in such a mature market, that the scope for product innovation is limited and that the company’s steady stream of improved and new products has not given rise to any dramatic improvement in volume or profitability.

**The Market**

The market(s) served by the company are relatively stable. In the domestic sphere, the company sells to the following categories of customers: (1) retail chain stores (key accounts), (2) major wholesalers and distributors (key accounts), (3) kiosk (field sales force), (4) restaurants (field sales force), and (5) schools (field sales force).

In briefly examining the markets served by the company, it is helpful to answer this question: How do the categories of customers buy?

Retail chain buyers from the large do-it-yourself (DIY) superstores are one of the company’s most important customers. They currently account for approximately half of the annual turnover. They buy centrally; lay down their volume, packaging, and transportation requirements and then bargain hard on price. Some require only own-label products, some dual branding, some want a mix of company brand and own label. A second category of “key account” customers is a more diverse group of big buyers of company-branded products. They include wholesalers and trade centers and a few other worthy of special attention and service on account of their future potential. Together they account for some 7 percent of turnover. Again, price is a major concern. The remaining buyer categories (3)–(5) above comprise the “traditional” business of the company; in order of contribution to turnover: kiosk; restaurants, and school. These categories are important because they afford the company higher unit profitability than the high volume buyers. They are serviced by the field sales force so the company is able to exert considerable influence at the point of sale through merchandising aids and advice.

**Company Marketing**

As stated above, company marketing is in the hands of 8 senior people with a highly experienced sales office of 8 supporting them. There is no other full-time marketing staff at the head office. There are 44 representatives in the field plus five regional sales managers. The marketing manager and his assistant are the initiators of most marketing action. The decision-making is collective, often embracing other managers. Although discussion is continuous, it is informal and ad hoc; there are very few formal meetings involving only company personnel. Leaving aside the days spent away from the office with prospective customers and other appointments involving people outside the company, roughly half their time is spent on the detailed administration of their marketing responsibilities. The other half is spent, typically, with the sales manager discussing possible new product improvements and other product-related initiatives. They are respon-
sible for advertising, brochures and promotional support, publicity, and public relations. They also take the lead in new product and product improvement ideas. The two “major” account managers are together responsible for servicing and negotiating some 60 key accounts. Thirty of these comprise the company’s biggest customers while the rest are potentially major customers the company has targeted for special attention and action. The latter include a few large customers who have been lost, some particularly “hard-won” accounts of middle size, but mostly potential customers currently monopolized by rivals, which the company wants “to court really seriously.” What follows is an evaluation, a partial audit, of the company’s approach to the 4Ps and the marketing mix as a whole.

**Product Policy**

The company has three product groups:

1. Fruit juice (bottled)
2. Fruit juice (carton)
3. Bottled water

Of these, the first two, together, are seen as the core business; the third is viewed as an “extra” that is now ripe for serious development and effort. All three utilize the same channels of distribution. Within these channels the company actively seeks end-buyer and distributor feedback. New products come on the stream at least once a year. There is no test marketing in the textbook sense and it is the sales figures and feedback from the channel that determines the fate of these items. New product ideas are not formally researched for customer attitude or acceptance. Indeed, new product initiatives are not costed with precision unless they are bought in or require the purchase of new capital equipment.

The company has not given serious consideration to diversification outside its three established product ranges, existing distribution, and outlets. Rather surprisingly, expensive packaged “designer” yogurt, targeted at female buyers, has not been placed in any nontraditional channel or outlet. Arguably, this is an opportunity foregone. For the present, the company regards itself as too small to tackle diversification into sectors that lie outside its traditional knowledge base.

Some members of the marketing team, though, see the potential of “household” products from a broader perspective and view it as a step toward eventual diversification away from fruit juice. Individually, members of the marketing team think through issues relating to new products in the knowledge that some ideas will gain the approval of the sales director and managing director. Agreement is not necessarily expected. Formal recommendations are not made until lengthy, informal discussion has taken place. Issues and problems are assessed with market data and competitive products at hand. Yet these initiatives, even when given the final go-ahead, are not subject to written planning; timetables are argued through and agreed but not committed to paper.

**Pricing Policy**

Major pricing policy issues, such as discount structure changes and the likely outcome of the annual negotiation with a major chain buyer, are discussed and agreed in a framework that embraces formal meetings, boardroom lunches, and much informal chat among a group, which includes the financial director and the managing director. Formal changes to published price lists, to keep abreast of information and to ensure inclusion of new lines, is agreed at ad hoc informal meetings. The cost of changing published lists is not without significance to the company and changes are made reluctantly and infrequently. All prices are set with primary regard to what the market will bear but, in addition, precise market objectives for individual lines or even specific items do play a part. As a result, company pricing corresponds closely with what professional marketers would recommend. Some items are priced to achieve particular objectives though, generally, pricing is constrained by the need to keep the various quality ranges quite distinct right across a large number of line items.

In the area of household items, the nature of competition in the marketplace is significantly different from that facing the other products. There is a discontinuous supply of very cheap products imported on an opportunity basis from several developed countries. As a consequence it proves impossible to maintain relative steady prices in this category. The company is currently analyzing how best to position the “shifting sands” of cheaper imports of mixed quality.

The prices, which have to be set, are not simply list prices but also the selection of discount rates applicable to particular volumes or category of buyer. Pricing is given exhaustive attention in a highly structured manner with production and distribution cost data at hand. A continuing tension exists between the need to meet the demands of major buyers and the need to remain within the discount limits, so as not to alienate other categories of buyer. All involved in marketing decision-making understand this tension and support the decisions made. However, despite all the prior discussions there may be in a particular instance, no customer is ever aware of internal differences of view.

**Distribution Policy**

All company-controlled physical movement of product is put out to tender. No new bidder is accepted without careful, discrete, prior inquiry about their reliability. Movement is mostly a matter of contract haulage by road transport. About one-third of the production is simply collected from the factory by the trucking nominees of major account customers who
prefer to handle distribution themselves. All company-controlled movements are arranged and monitored by the marketing team.

**Promotional Policy**
The promotional activity of the company embraces advertising, deliberate publicity, sponsorships, and public relations activities, as well as matters of packaging, point-of-sale material, brochures, merchandising equipment, and material for trade displays and exhibitions. All product packaging is selected or designed by the marketing team. This is a full promotional mix. For almost half a decade, the company advertised its products nationally in the press. Since 2004, however, the cost of such national advertising has been judged too great. Nevertheless the company brand name remains the best known in its field; partly due to the national advertising of 2000 and 2001. Today, the entire advertising budget is used in a highly selective, targeted way in special interest magazines and, to a significant extent, in relevant trade journals. To get beyond the rather narrow reach of these specialized media, without great cost, the company puts considerable effort and ingenuity into the generation of publicity that will put its name before the general public. The offer of company products as “prizes” at public events is one such means. The provision of company products free of charge to television companies and advertising agencies as “props” is another. The same thinking lies behind a number of small, local sponsorships. Careful attention is also given to any PR option that might strengthen the “image” of the brand in the trade, where, throughout the history of the firm, another manufacturer has for generations been regarded as the maker of better quality products.

**Overview of the Mix**
The marketing team gives individual and detailed attention to each element of the marketing mix and evaluation is continuous. There is also a total understanding of the need for the mix of elements to reinforce one another and give consistent signals to buyers. The researcher found nothing wanting in day-to-day, short-term activities and plans. What is lacking is a framework for consideration of longer term issues, threats, and opportunities.

**Analysis**
This study presents the case of a mature company with mature products servicing a mature market. Managers are few in number and work in an informal, flexible structure with regular, easy access to its board. Marketing planning in the company is observable daily. A small group of professional marketers, with the full support of the managing director, actively keep their company firmly market-focused and responsive to customers.

There is effective utilization and integration of all the elements of the marketing mix. Activities tend to be planned, timed, and coordinated with some skill. Yet all this is entirely tactical and short in focus. There is virtually no long-term, strategic orientation in either action or thought. While at the operational level qualified people are working professionally, what longer term thinking does take place remains locked up in the minds of individual managers. The very informality, which is so productive in generating cohesion and quick responses, appears to limit strategic thinking to the totally informal. Consequently, the strategic thinking that does take place is apparently devoid of impact. The partial explanation is the informal nature of business policy formulation overall.

There is no explicit company statement. There is no formal SWOT activity and no gap analysis. There is no explicit product portfolio analysis. Formal strategic marketing planning is absent. Very little time is devoted to the long-term development of the company, and the marketing team undertakes no formal strategic marketing planning. In particular, the pros and cons, estimated costs, and potential benefits of any feasible diversification are not addressed. Yet, theoretically at least, the company has long been at the point where realistic option of moving into “younger,” higher growth market has merited evaluation.

In a nutshell, we see a company totally professional at one level but apparently lacking the desire or will to be other than short in orientation. This professional yet nonstrategic orientation could easily be changed. The managers have the capacity and education and could make time available (MacInnis and Heslop 1990); they certainly possess both the insight and the commitment required (Colleran 1985) yet they do not.

The character of marketing in this company does not readily fit the “evolutionary” models of growing marketing professionalism found in the literature. Most of these models suggest that a company progresses through four phases, stages, or levels of marketing sophistication. In terms of the “entrepreneurial marketing–opportunities marketing–responsive marketing–diversified marketing” sequence suggested by Tybee et al. (1983), the company reaches the final “diversified” stage in short-term matters without addressing the long-term ones at all. In terms of Carson’s (1985) approach, the company’s marketing team does detail how their products impact their competition and they do use the marketing mix proactively and with skill. The firm has developed “an integrated and pro-active approach” so the company reaches the final “sophisticated” level but, again, without undertaking strategic analysis. In the case of the more complex model of Leppard and McDonald (1987), the company very clearly falls into a hole between levels three and four of that model. That is, marketing planning (short term only) is taken “very seriously” and backed with resources in a manner consistent
with level four but the company does not recognize that “marketing planning...could fundamentally change the direction and nature of the business.”

In terms of the nine key questions used by Carson and Cromie (1989) to place small businesses on a continuum of marketing sophistication, the company falls easily into the “sophisticated marketing” category. The company utilizes data productively in the three internal categories of “promotions, price and service” all the time. This study fully confirms the relevance of the questions, but also suggests a need to further refine the “sophisticated” category in a way that brings out the presence or absence of strategic thinking. The study suggests there might be a category of company that succeeds in developing quite sophisticated marketing at the operational level without undertaking strategic marketing at all. Indeed, the value of this case study from a theoretical perspective is that it shows how highly professional, integrated marketing can be managed for a long period of time without ever “maturing” into a forward-looking strategic process.

**Conclusion**

One may conjecture that the fundamental reason for the absence of strategic marketing planning, and of strategic thinking in general, in this company is its status as a private family company. Strategic issues may be regarded by all as the exclusive preserve of the owner. Yet the perspective of the players themselves is different. They point out how few they are in number and how their lack of resources precludes them from considering ambitious long-term projects or costly diversification. In other words, as was said by Balig and Burton (1979), the implementation of marketing is more than attitudes; it is a matter of resources, personnel, and money.

**References**


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**About the Author**

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