A THEORETICAL FRAMEWORK FOR PETROLEUM DEREGULATION AND POSITIONING STRATEGIES FOR THE SMALL FIRM IN BENUE STATE

A.P. Epor,
Department of Business Management,
College of Advanced and Professional Studies, Makurdi.

Abstract

One of the far-reaching economic policies of the present administration is petroleum products deregulation. Petroleum products deregulation is essentially, the removal of government controls over their ownership and pricing. The obvious implication is that prices of petroleum products have skyrocketed out of the comfort of small and even big firms.

The small firms in Benue State are suffering and will continue to suffer from the resultant declining growth and profitability unless they adopt appropriate positioning strategies. Positioning refers to the unique place in the mind of the consumer where a product occupies relative to competition in the same market.

Three positioning and repositioning strategies can be adopted by the small firm in Benue State to turn around its fortune. First, reinforcement positioning strategy is for new product or products that are doing well. In this case current marketing programmes will continue to be adopted. Second, incremental repositioning strategy is a situation where customer's wants are changing or are expected to change. This calls for slight appropriate modifications in marketing programmes. Thirdly, radical repositioning is where the current positions has become far from the target market. This calls for appropriate major marketing programme modifications.

If these positioning and repositioning strategies are appropriately adopted, it is the position of this paper that the small firm in Benue State will not only stay afloat and sustain itself, but grow into profitability.

Introduction

There is a wind of change that is now blowing across the country. The wind is called petroleum product deregulation. Petroleum products deregulation or what some people call "correct petroleum products pricing" essentially involves removing government controls over petroleum products pricing whereby owners and sellers of government controls over petroleum products pricing are free to sell at any price that the market can take. The products include gasoline, gas, kerosine etc.

The implication of the above scenario is that today, hardly any two filling stations sell the product at the same price. But these differing prices are unbearably very high. Every facet of the society and the economy, ranging from the individual through to the small and big firms are groaning under the weight of this petroleum products deregulation (this price hike).

The question then arises as to how we can survive under this harsh economic climate. And indeed, how can the small firm in Benue State survive and even make profits to sustain itself. The small firm, which includes the small and medium scale enterprises (SME) in Benue State would need to adopt appropriate positioning strategies not just to remain afloat but also to grow and make profit. This then lies the objective focus of this paper.

Positioning refers to the unique place in the mind of the consumer where a firm or product occupies relative to competition in the same market place. For example amongst the sea of competition in the soft drinks industry the consumer looks at coca-cola as having the 'cola' feature and is a big company.

Positioning are of two similar types. Company positioning and product or brand positioning. A company's competitive positioning is concerned with the overall company's offering including its image, pricing, distribution and promotion relative to the positioning of competition. If there is a change in any of these elements the totality of the company's position will change relative to that of competition.

Product or brand positioning is the place of the product or brand in the mind of the customer relative to those of the competitor. If the overall company positioning is strong and dominant, such as in food retailing, product or brand positioning will be greatly affected by it.

Petroleum Products Deregulation and the Small Firm in Benue State

Petroleum products deregulation essentially involves the removal of government controls over their pricing. This was effected in October 2003. Since then these products which includes gasoline, gas, kerosene etc, are being sold at prices the market can take. As expected these prices have sky-rocketed out of the reach of the ordinary man. Every facet of the society and the economy, including big and small firms, have been groaning under the weight of this price hike. The small firms tend to be more badly hit.

The term "small firm" is used to denote small and medium scale enterprises (SME). Small and Medium Scale Enterprises go by many definitions, but the different definitions are in term of level of operations, assets or equities. We may say that small firms are businesses that are not listed on the stock exchange and cannot employ more than fifty workers; the asset base is usually low. The list of businesses that fall under this acronym (SME) is large. They include farmers, small scale producing industries, the artisans, the informal sector and businesses in the service sector such as transportation, the professions, hair dressing salons etc.

The implication of petroleum products price-hike to the small firms in Benue State include the following:

(i) Increase in cost of production

Cost of production includes prices paid for inputs, overheads, and marketing logistics such as warehousing, transportation and inventories amongst others. Since the prices of these products and services have increased in response to the hike in the price of petroleum products, the cost of production for these small firms will also increase.

The Rice Milling firms in Otukpo will have to pay more for their paddy rice, transportation, energy and personnel in order to continue production. Because of the increased cost of production, the price of the milled rice will go up.

(ii) Decrease in demand

It is a well known principle that demand is a function of the price of the product, purchaser's income, fashion etc. we also know that due to the hike in the price of petroleum products, the general price level will go up including the price of outputs from these Benue firms. This is happening in the face of low income amongst the buying masses. The long and short of it is that demand for these products will decrease, leading to a fall in sales revenue from these firms.

(iii) Fall in profits

A firm's profit is the difference between its cost of production and sales. If costs are high, and sales are low, as is now the case amongst small firms in Benue State, profits will fall. This surely is an unhappy state of affairs for the Benue investors whose overall aim for doing business is to maximize profits.

(iv) Inability to buy inputs

The ability to buy inputs such as materials, labour etc depends on the profitability of the firm. In this case, since the small Benue firm is suffering from declining profitability, it will increasingly be unable to pay for the inputs necessary for the production process to go on smoothly.

(v) Restiveness of workers

Every firm would want to have dedicated and happy workers. And this means that the firm should be able to pay the workers and provide other facilities as and when due. But unfortunately the small Benue firm would not be able to provide these facilities for its workers resulting in restiveness and eventually strikes and lockouts.

(vi) Low-productivity

High productivity is the ability of the firm and workers to produce efficiently. And this ability depends in part on dedication and commitment of the work force. But since the workers are unhappy due to non-payment of wages and salaries productivity in these small firms will be low.

(vii) Industrial pilferage

Industrial pilferage is the stealing of parts and products belonging to the firm. This nefarious activity is a result of poverty, and restiveness amongst the workers. This ugly trend would be rife amongst the small firms in Benue State whose workers are uncommitted and unhappy.

(viii) Fake and sub-standard products

The productions of fake and sub-standard products arise from the use of poor grade materials and inputs. Because the small firm in Benue State has become vulnerable due to declining sales, arising from the hike in the price of petroleum products it will tend to purchase low-grade inputs for its production process. The production of sub-standard product may be described as the first stage in the bankruptcy process.

(ix) Machine break-downs

The functionality of plant and machines depends on adequate and regular maintenance. This to a firm, in turn depends on availability of sales revenue. Availability of sales revenue is a problem to the small firm in Benue State. The result will be frequent machine breakdowns and repairs.

(x) Bankruptcy and death

Bankruptcy and death are final results that can befall a beleaguered firm. Under these problems and incongruences that have been discussed above, the small firm and indeed the Benue Small firm will be under increasing threats for not only survival and profitability but also bankruptcy and death.

The main effects of petroleum products deregulation on the small firm in Benue State, and indeed any firm at all, include increased cost of production, decrease in demand and fall in profit. One of the important ways out of this maze is through the application of positioning and repositioning principles. This will boost sales revenue and improve profitability of the small firm in Benue State.

Conceptual Framework

Definition

Positioning, like every other marketing term, enjoys a variety of definitions, as there are scholars in the field. But the lines between these various definitions are very thin.

According to Hooley, (1995, p.420); "it is defined in terms of the customer groups the offerings aimed at, and the differential advantage or uniqueness created and offered to that target". Kotler Philip (1994, p.272) opined that "positioning is the act of designing the company's product and marketing mix to fit a given place in the consumer's mind". Bove'e et al (1992, p.284) assert that " A product position is the way the product is perceived by consumers especially in relation to the way competing products are perceived".

We may say that positioning refers to the unique place in the mind of the consumer where a company or product occupies relative to competition in the same market. Product positioning revolves around the needs and wants of consumers in the target market. These needs and want are as dynamic as the environment. Thus from time to time marketers use the term "repositioning" to refer to a change in the way existing products are perceived by consumers relative to competition.

One other important concept in positioning is the perceptual map or what some people call the brand map. A perceptual map in the words of Bove'e *et al* (1992, p.286) is "a diagram that illustrates how customers perceive a variety of competing products according to their key attributes". For example customers might choose an airline on the basis of fares, security, timeliness and service. All airlines in the target market will be subjected to perception tests and customers who value security most would be positioned accordingly.

Using the perception map gaps where customers needs and wants are yet to be satisfied would be located and attended to by marketers. These gaps can then be filled by product positioning or repositioning.

The Main Concepts and Ideas

From our definition and exposition of positioning, we can identify five key concepts and ideas that are critical to the proper understanding of positioning

"First, positioning is concerned with long term strategy rather than short term tactics. Positions take time to create and are not just produced by short-term advertising campaigns". Hooley G. J. (P.421), said they are enduring and sustainable.

Second, positioning is in the mind of the customers as espoused by the classical writers on the subject, Ries *et al* (1981). This is made manifest by product features, price, distribution and promotion generally. It is therefore crucial to define positioning from the point of view of the customer rather than the company or the product.

Third, positioning is need and benefit based, i.e. it is concerned with unfulfilled needs and benefits of the consumer in the target market.

Fourth, because different customers pursue different benefits from the same product, positioning requires that market segmentation and targeting take this unique feature into account.

Finally, positioning is a relative concept. Products and brands occupy positions relative to competing products and brands in the same market.

Positioning Strategies

Wind (1982) identified six positioning strategies that a firm can use in the market place. Let us examine the five popular ones.

(i) *Needs and Benefits:* One of the most effective ways to position a product is to provide needs and benefits to customers. Lower prices or higher quality are benefits, which are often used in positioning a company or product.

(ii) *Feature:* If a product has a striking feature that distinguishes it from those of competition, that attribute can be a basis to position a product.

(iii) *Usage:* Marketers can position products on the basis of how, where or when they are used. Palm oil produced in Oweri and sold in Kano all year round can be a basis for positioning.

(iv) *Users:* Another strategy is that users of a product can be a basis for positioning a product. Topol is a toothpaste used by smokers.

(v) *Competition*: A competition positioning strategy is one whereby a company or product is positioned directly against a competitor, near a competitor or away from a competitor. When John Okoro, an Audi auto mechanic came to Makurdi town he decided to position his workshop opposite the popular German Volkswagen Auto Mechanic, Peter Asongo. The soft drink *7Up* positioned itself away from the competition creating the perception of an "uncola" drink.

Conditions for Effective Positioning Strategy

According to Arnold (1992), Hooley and Saunders (1993), for positioning strategy to be effective, four conditions must be met:

(i) There should be a clear view of the target market and the customers aimed at. This is particularly important because two or more persons in the target market perceive the product differently.
(ii) The needs and benefits of the customers in the target market must be understood and aimed at. For example, a low price positioning when aiming for a segment that is not price sensitive does not make sense.
(iii) Positioning should be based on unique strength and competencies of the company. The relative asset base strength ensures that positioning are both defensible and sustainable in the face of competitive attack.
(iv) Finally, positioning should be capable of being communicated to the target market. This often means that they should be simple and uncomplicated and amendable to translation into attractive, creative advertising or other communication means.

Developing Positioning Strategies for Small Firms in Benue State

Whether your business is a new one or an on-going one, the process of developing a position or repositioning strategy involves three phases; Identify your current position; decide where you want to position the business/product; and implement the strategy to get you there.

(i) Identifying Current Product Position

As stated by Hooley (1995, p. 423) "a starting point for developing a positioning strategy is to understand the position the product currently occupies in the minds of the customer and potential customer". Whether this has been pursued deliberately or not ,every product surely occupies a current place in the minds of the customer.

The way to do this is to draw a perceptual map. In other words select competitive products and estimate their features and attributes. This should be followed by the identification and enumeration of customer requirements and unsatisfied needs and benefits.

(ii) Deciding where you wish to Position your Business/Product

Having identified the unserved needs and benefits of the market, the next step is to decide where actually you wish to position your product .To do this requires the organisation of two issues:

Firstly, you have to select the target market(s) and hence target competitors from the array of segments. Market consideration include size and growth rate of the segment, stage of product life cycle and seasonally of demand and customers level of income amongst others.

Second, you have to define your competitive advantage or points of difference with the competitors. Considerations of our competitive advantage include the relative share of the market, existence of unique and valued products and services, asset based advantage etc.

Once the market consideration and competitive advantages have been analysed, you can then select the target market(s).

(iii) Implementing the Positioning Strategy

Implementing the positioning strategy can be carried out in several ways depending on the varying conditions and circumstances. Whichever way you want to implement your positioning strategy note that the elements of the marketing mix are in full play at this phase.

One possible option is to adopt *reinforcement positioning strategy*. Reinforcement positioning is adopted for businesses and products that are doing well. Reinforcement positioning is for new businesses and products and also for businesses that are having a jolly time in the market place. The marketing programmes should continue to be used with only slight modifications if necessary.

Another option is *incremental reposition*. Incremental repositioning is adopted where customer wants are changing or expected to change, calling for unsatisfied needs and benefits. Incremental repositioning can happen by product modification and/ or image re-engineering.

For instance, your product may require the addition of a striking and unique feature. Usage and user repositioning strategies could be adopted whereby new uses and users may be found for the product.

Radical repositioning is a third option. This is a situation whereby the current position has become too far from target customers. Radical repositioning may require entering a completely new market segment. For example, lucozade was originally meant for children but now it has been repositioned as an energy booster for adults as well.

Any of the repositioning strategies such as usage, user and competition based strategies could be adopted. For instance if your product begins to fail you may explore other markets in other states or even outside the country to sell the product. And in selling in other markets you may need to adopt competition based positioning for easier promotion and acceptability.

Radical repositioning may require you to make a major modification of the product so as to satisfy unfulfilled needs and wants. Thus, a seller of wine may decide to add beer and soft drinks to improve patronage.

The above positioning and repositioning strategies opened to the small firm in Benue State are many and varied. Each firm should choose the strategy that fits the nature and characteristics of the product or service. Once the appropriate positioning or repositioning strategy is adopted the firm should begin to enjoy improved sales revenue and profitability. This means that sales will increase high enough to outstrip costs, occasioned by petroleum products price hike.

Summary and Conclusion

Petroleum deregulation is the removal of government controls over petroleum products ownership and pricing. The effect of the deregulation is that the general price level will increase.

Every facet of the society and the economy including big and small firms will be badly affected. Small firms will be worse hit. It will affect cost of production and demand for the product of the firms. Profitability of firms will suffer. Small firms in Benue State are hard hit.

Company or product positioning and repositioning is a strategy that the small firm in Benue State can adopt to improve its growth and profitability. Positioning is the unique place in the mind of the customer that a product occupies relative to competition.

Reinforced positioning, incremental repositioning and radical repositioning are different strategic options, which the small firm in Benue State can adopt in order to make profit and sustain itself. This we think is the way out of the harsh economic climate, which has been left in the wake of petroleum product deregulation.

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