THE IMPERATIVE OF MARKETING IN THE MANAGEMENT OF DEREGULATION: A STUDY OF THE NIGERIAN DOWNSTREAM OIL SECTOR

Ogwo E. Ogwo¹, Onuoha A. Onuoha²

¹ Professor of Marketing, Abia State University, Uturu,
² Department of Marketing, University of Port Harcourt, Port Harcourt,
NIGERIA.

² ifony2005@yahoo.com

ABSTRACT

The management of the regulated Nigerian downstream oil sector has been everything but transparent. In order to ensure transparency in the management of the downstream oil sector, government decided to liberalize the sector which was hitherto managed by the Nigerian National Petroleum Corporation (NNPC) on behalf of government. The goal of government in adopting the principles of liberalization in the downstream oil sector is influenced by the successes of other countries in doing the same. However, at issue is the stiff resistance which the policy has encountered from Nigerians of all classes, thus making it sound like a hard sell.

We believe that the discipline of marketing could help in the management of the resistance to deregulation of the downstream oil sector. Managing and subsequently neutralizing the resistance, through the instruments of marketing, is the main thrust of this paper.

Keywords: Deregulation, Downstream, Resistance, Social marketing

INTRODUCTION

Government’s establishment of public enterprises – medium of government participation in business – has various reasons which converged on the national development hypothesis (Udensi, 1996). Eboh (1999) traced the roots of government participation in business to the colonial era. However, government’s participation deepened with the enactment of the Nigerian Enterprise Promotion Decree in 1976. Consequently, many public enterprises arose, most of them wholly owned by government.

With the establishment of the Nigerian National Petroleum Corporation (NNPC) by an Act No. 33 of 1977, in line with Nigerian Enterprises Promotion Decree, government maintained significant interest in the downstream oil sector.

NNPC had played and is still playing significant roles in the regulated downstream oil sector, by making heavy investments in refineries, pipelines, pipeline networks, depots and very recently, mega (filling/service) stations. The Department of Petroleum Resources (DPR) and Pipelines and Products Marketing Company (PPMC), both subsidiaries of the NNPC, oversee the marketing activities of filling/service stations (major and independent) in the country.

The dominant role being played by government in the downstream oil sector, through the NNPC has hampered the establishment of refineries by private individuals and corporate bodies. Even those already licensed to build private refineries are not in a haste to do so as government still controls the pump prices of petroleum products. This has hampered the easy availability of petroleum products being consumed in Nigeria, especially Premium Motor Spirit (Petrol) which Wogu (2011) puts at 40 Million liters per day.
The Bumpy Road of Nigerian Downstream Oil Sector

Nigeria is blessed with vast quantities of oil referred to as “His Majesty” by Misser (2001), and has generated billions of dollars in revenues over the last fifty years since oil was found in Nigeria. The oil industry contributes around 95 percent of export earnings, and about 73 percent of government revenue (Okpara, 2008; AIT Business Reports, 2012).

However, the industry, especially the downstream sector, is equally faced with numerous challenges including inefficiencies, corruption, abuse of natural monopoly powers, mismanagement, smuggling, bureaucratic bottlenecks and excessive subsidizing (Ibanga, 2009; Sanusi, 2011; Wogu, 2011, Sokunbi, 2011). Also included are incessant strikes by oil workers, incessant scarcity of petroleum products, and intermittent increase in prices of petroleum products. The latest upward review of the pump price of PMS from ₦65 to ₦97 was the thirteenth in the series between 1998 and 2012.

Sequel to the challenges, government decided to emulate other developing and developed nations, particularly OPEC countries, in liberalizing the country’s downstream oil sector which was hitherto managed by the NNPC on behalf of government.

Deregulation: Definition and Meaning

Deregulation, to an average Nigerian, simply means the removal of subsidy. A subsidy, according to Eyisi (2010), is a form of assistance given by government to a business or economic sector. In Nigeria’s oil sector, it is utilized for price support – to keep the price of petroleum products at a particular level to benefit the public (Nwokoji, 2012; Eyisi, 2010; Wogu, 2011). The existence of petroleum subsidy in Nigeria means that the prices of petroleum products are not set by market forces. Consequently, government’s attempt to deregulate downstream oil sector is seen by average Nigerians as being synonymous with the removal of fuel subsidy. However, there is more to the deregulation of the downstream oil sector than just removal of fuel subsidy.

Deregulation is the removal or simplification of government rules and regulations that constrain the operation of market forces (Adamu, 2011). This is supported by Ogbuji (2003), Ezeokafor (2003), and Ibanga (2009).

Deregulation aims at minimum intervention by government in the management of the economy. In a deregulated economy, the government is the catalyst of growth and development while the private sector is the prime mover of the economy (Ezeokafor, 2003). Therefore, the gradual liberation of the downstream oil sector is in line with the concept of deregulation.

In view of the new twists in subsidy regime probes (NASS Probe Panels, 2011 and 2012), occasioned by the unbecoming activities of the individuals and institutions involved in the downstream oil sector, which had cost the nation ₦3.655 trillion on fuel subsidy between 2006 and 2011 (Sanusi, 2011; Wogu, 2011; Sokunbi, 2011), government set out to liberalize the downstream oil sector including divesting government’s interest in the sector, to encourage competition.

Benefits of Deregulating the Downstream Oil Sector

One of the biggest gains of deregulating the downstream oil sector will be in savings generated from government divesting, which will free up government funds, especially in subsidizing fuel, for other developmental activities (Ibanga, 2009; Khan, 1994; Wogu, 2011, Adamu, 2011; Sanusi, 2011, Okpara and Anyanwu 2006).
Kupolokun (2004), Ibanga (2009), Sanusi (2011), Wogu (2011), and Sokunbi (2011) noted that the goals of deregulation in the downstream oil sector are creation of competition, encouraging more companies to get involved and eventually supplying the market at competitive pricing levels, among others. This is supported by Eyisi (2010) and Ebi (2012) who were of the view that deregulation will open up the downstream oil sector, through new investments, to competition. When competitive forces are unleashed, they will cause efficient resource allocation which will eventually drive down the price of fuel in Nigeria (Eyisi 2010).

Commenting on the importance of deregulation, Gyoh (2011) acknowledged that deregulation has proven to be the way forward in expanding opportunities for economic growth and competitive markets.

Deregulation: Evidence from Other Countries

The goal of the Nigerian government in adopting the principles of liberalization in the downstream oil sector is influenced by the successes of other countries in doing the same (Ihunda, 2003; Ibanga, 2009).

Petroleum products are cheaper in other OPEC member countries, and a few other countries that are non-OPEC members than in Nigeria. The secret to the low prices of petroleum products in these countries, according to Olanrewaju (2011), is local refining of crude oil, with the involvement of private companies, despite the non-existence of subsidy by the state in some of the countries. Nigeria currently pays one of the highest pump prices of petroleum products per liter as shown in Tables 1 and 2 below.

**Table 1. OPEC Countries Price of Petroleum Products Per Liter**

<table>
<thead>
<tr>
<th>Country</th>
<th>Petrol USD ($)</th>
<th>Petrol Naira (₦)</th>
<th>Diesel USD ($)</th>
<th>Diesel Naira (₦)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saudi Arabia</td>
<td>0.12</td>
<td>18</td>
<td>0.07</td>
<td>10.85</td>
</tr>
<tr>
<td>Kuwait</td>
<td>0.21</td>
<td>32.55</td>
<td>0.21</td>
<td>32.55</td>
</tr>
<tr>
<td>Nigeria</td>
<td>0.63</td>
<td>97</td>
<td>0.94</td>
<td>145.7</td>
</tr>
<tr>
<td>Venezuela</td>
<td>0.05</td>
<td>7</td>
<td>0.01</td>
<td>1.55</td>
</tr>
<tr>
<td>Venezuela</td>
<td>0.22</td>
<td>34</td>
<td>0.19</td>
<td>29.45</td>
</tr>
<tr>
<td>Iran</td>
<td>0.11</td>
<td>17</td>
<td>0.02</td>
<td>3.10</td>
</tr>
<tr>
<td>Algeria</td>
<td>0.2</td>
<td>31</td>
<td>0.19</td>
<td>29.45</td>
</tr>
</tbody>
</table>

Sources


Table 2. Non-OPEC Countries Price of Petroleum per Liter

<table>
<thead>
<tr>
<th>Country</th>
<th>Petrol USD ($)</th>
<th>Petrol Naira (₦)</th>
<th>Diesel USD ($)</th>
<th>Diesel Naira (₦)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Behrain</td>
<td>0.21</td>
<td>32.55</td>
<td>0.13</td>
<td>20</td>
</tr>
<tr>
<td>Oman</td>
<td>0.31</td>
<td>48.00</td>
<td>0.38</td>
<td>59</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>0.22</td>
<td>34.00</td>
<td>0.20</td>
<td>31</td>
</tr>
</tbody>
</table>


The prices in other countries, as shown in the Tables above, are that low because these OPEC and non-OPEC countries, according to Umeano (2011), liberalized their oil sector, have refineries, and produce the petroleum products locally while Nigeria has to import and add the cost of freight to and fro, and other handling charges.

**Resistance to Deregulation of the Downstream Oil Sector**

Deregulation of the downstream oil sector is intended to liberalize the sector. However, at issue is the stiff resistance which the policy has encountered from the public and private sectors, artisans, traders and consumers of all classes. The antagonists of the policy insist it will perpetuate and even widen the rich–poor divide (Okpara and Anyanwu, 2006).

The opponents of deregulation express apprehension with respect to:

i. Its effect on the poor and underprivileged, especially because it often brings about an initial rise in prices of goods and services;

ii. Being hard on the financially weak SMEs, at least in the short-run; and

iii. Creating an atmosphere of financial uncertainty.

Up to now the jury is still out on the controversy. Given the growing rate of poverty in the country – 60% as at 2000 (CIA World Fact Book, 2000), 64% and 69% as at 2005 and 2010 respectively (National Bureau of Statistics, 2012) – most Nigerians are certainly confused over the downstream deregulation, especially the subsidy issue. The idea of deregulating the downstream oil sector, abolishing the subsidy scheme and channeling the funds into other critical areas of need in the economy (Wogu, 2011, Sanusi, 2011), is a laudable one. But with the high level of corruption and thievery in official circles (Kadiri, 2012), it sounds like a hard sell.

What is clear, however, is that deregulation has come to be recognized worldwide, as a viable option for economic policy makers. A cursory check on the history and development of the application of the policy of deregulation across the globe shows that the policy has been most applied in the sectors of Transportation; Energy including petroleum products and electricity; Communication; and Finance.

We, therefore, believe that the discipline of marketing could help in the management of the resistance to deregulation of the downstream oil sector. How to manage and subsequently neutralize the resistance, through the instruments of marketing, is the main thrust of this paper.
Marketing: An Introduction

Marketing has been defined in various ways. The definition that serves our purpose best is as follows:

*Marketing is a social and managerial process by which individuals and groups obtain what they need and want through creating, offering, and exchanging products of value with others (Kotler, 1998, p.9)*

Nevertheless, appreciating the discipline of marketing requires an understanding of the nature of marketing, which can be summed up in three words: eclecticism, controversy (Okpara, 2012) and versatility. But for the purpose of this paper, only the third and crucial nature of marketing (its versatility) would be discussed.

The convertibility of marketing implies that it is a dynamic field of study, which can be applied to all aspects of human endeavors. This informs the necessity of the application of marketing strategies in facilitating the acceptability of government’s policies and programs (Onuoha, 2008).

Marketing and Deregulation of the Downstream Oil Sector

In order to effectively “sell” the policy of deregulation of the downstream oil sector to the citizens, government should adopt certain marketing tactics and strategies. Specifically, the following strategies, among others, could be adopted:

**Research**

The core tasks or challenges that would become paramount as government, through whatever agencies, seeks to deregulate the downstream oil sector have to do with what the public response or reaction to it would be. The response or reaction of the society to the deregulation of the downstream oil sector would, indeed, determine the success or failure of the policy. In view of the above, there is need, therefore, to:

i. Assess, the probable public response to the policy of deregulation of the downstream oil sector as presently packaged;

ii. Devise steps to promote a favourable response;

iii. Determine people’s predispositions and attitude to the policy of downstream oil sector deregulation.

Research is an important strategy that has to be adopted, first, by any government that wants her policies and programmes to be accepted by the target audience (Onuoha, 2008). There is need to know if there are possible threats to the deregulation policy, and what should be done to avert them.

The task before government, at this time, is to find out the “how” of deregulation in the oil sector of the countries that had successfully gone through the policy.

People who should be considered for a research assignment, as this, are expected to be versatile in marketing, in general, and marketing research, in particular. This is necessary since the research efforts may be directed, more, at product markets, product branding, packaging, pricing, physical distribution, promotions, and product positioning, as deregulation of the downstream oil sector is a shift from the production oriented (as being practiced today in the country) to the consumer oriented environment.
The “6 Ps” Social Marketing Model

The marketing process of a new idea is similar to that of a new product development. In order to ensure that the audience (individuals, groups or the entire society who are the target of appeals) accept the deregulation of the downstream oil sector, a change strategy is inevitable. Change strategy is the method adopted by the change agent or sponsor to effect the acceptance of an idea by the audience or to make their attitude and behavior towards it favorable. The strategy that is recommended for the acceptance of a social cause is what has come to be known in the marketing literature as Social Marketing.

Social marketing has been defined in many different ways since the original offering by Kotler and Zaltman in 1971. Such definitions include Donovan and Henley (2003), French and Blair (2005), Kotler, Ned and Lee (2002).

Central to most of the definitions is that social marketing is the application of the ideas, processes and practices of the marketing discipline to improve conditions that determine and sustain personal, social and environmental health and well-being (Weinreich, 2007).

Social marketing is constantly evolving from “influencing ideas” as presented by Kotler and Zaltman (1971) to “large scale, broad-based behavioural change focused programmes” offered by Lefebvre and Flora (1988).

Social marketing adopts the marketing mix elements, often called the “Four Ps” of marketing, and also adds a few more “Ps”. To Weinreich (2007), the other “Ps” include publics, policy, partnership, and purse strings.

For the purpose of this paper, we propose a “6P” model of social marketing that should be applied systematically in the management of resistance to the deregulation of the downstream oil sector.

The first “P” refers to **Public** - any group that has an actual or potential interest in or impact on an organization’s ability to achieve its objectives (Kotler, 2008). Any group of people with associated interest with whom an organization has or ought to have or wishes to have communication is known as a public (Ibekwe, 2001).

Technically, the public or audience for the deregulation policy is the entire country, including also the relevant segments of the international community. Consequently, the following publics are suggested:

- Consumers
- The media
- Non-Governmental Organizations
- The Political Class
- Civil and Public Servants
- Students and Youths
- Traditional Rulers
- Stars: Sports, Film, Religion, Music, and so on
- Artisans and Traders
- General Public
- International Community

These publics, as stated above, may be both at home and overseas, but mutual understanding will be a potent factor for success in every case. Thus, none of these publics is to be overlooked, as these publics can facilitate or frustrate an organization’s mission and even existence.

The second “P” refers to **product** – anything that can be offered to a market to satisfy a want or need (Kotler, 1998). Products that are marketed include goods, service, persons, places, organizations, ideas and events.

In social marketing, product refers to the ideas, habits, activities and so on that we are trying to market or demarket to the target population or groups (the customers), or asking them to adopt or reject.
For the purpose of this paper, product refers to the deregulation of downstream oil sector that government is trying to market to Nigerians.

The policy of deregulation, as a product, should be carefully conceived, developed and packaged in such a way that the perceived benefits, by the consumers, outweigh any possible threats. This will reduce the incidence of resistance to the policy of deregulation as people, according to Torben (2011), resist change when the benefits and rewards for making the change are not seen as adequate for the trouble involved.

The third “P” refers to price - the amount of money that customers pay for the product. Price, in social marketing, according to Nwosu (2003), represents such things as the time, energy, habit change, efforts and the few sacrifices to be spent or made by the members of the target population in order to get the benefits of responding positively to the message of government’s programmes. It is the job of the marketers of the deregulation policy to present the benefits being marketed as much higher than whatever “price” to be “paid” by members of the target population.

Place, the fourth “P”, includes the various activities an organization undertakes to make the product accessible and available to target customers. In social marketing, borrowing from Nwosu (2003), it requires the marketers of government’s ideas to develop as many appropriate channels or methods for making contacts with the target population members to make the ideas, innovation or materials available and accessible to members of the target population, so that with little or no effort they will get whatever the marketing team is trying to “sell” to them, using the social marketing strategy.

Appropriate delivery outlets that could be considered and used in social marketing include special events - fairs, convocations, sport gatherings, quizzes or competitions for prizes; public lectures; town union meetings; public rallies, and meetings with opinion leaders (Ogwo, 2009).

Promotion, the fifth “P”, includes all the activities the organization undertakes to communicate and promote its products to the target market. It demands from the social marketers the ability to use appropriate promotional mix or marketing communications mix to ensure that the message of the campaign reach and have the desired impact on members of the target population in focus. The government’s marketing team has to set up communication and promotion programmes consisting of advertising, sales promotion, public relations, personal selling and direct and online marketing.

The media to be used, especially for advertising, sales promotion and public relations, include the print (newspaper and magazine); electronic (radio and television); and outdoor (billboard, signpost and transit).

Government can also adopt personal selling strategies in advancing the deregulation policy. Government officials could be sent to target publics to physically explain, in details, the intent of the downstream deregulation. This could be done at schools, churches, mosques, markets as well as town hall meetings.

Public relations activities could also be used by government in marketing the deregulation policy. Hence, government could secure the support of the people by fixing some of our roads that have been in a grave state of disrepair for decades, address the problems of the railway sector, put at least two of the nation’s four refineries back to work, in full capacity, among others, vis-á-vis the Subsidy Reinvestment and Empowerment Programme (SURE P).

Also important is the distribution of sales promotional incentives like T-shirts, key rings, exercise books, and calendars with, for example, pro-deregulation campaign messages
written on them. This could be a great way to solidify the pro-deregulation messages in the mind of the citizens.

Appreciation marketing could also be used by government in letting the citizens know how it appreciates their understanding in the downstream deregulation saga. This could be done with a simple “thank you” letter that could be sent to the citizens through SMS.

In modern social and other marketing, the popular approach to promotion or marketing communications is the Integrated Marketing Communications (IMC) approach that draws elements from the non-personal and personal marketing communications families and blends them well and uses the outcome of the integration to carry out the campaign.

The message that would be “delivered to the public should paint a palpable mental picture of what Nigeria would stand to gain at the successful implementation of the deregulation of the downstream oil sector. This must clearly demonstrate how the policy will add value to the country and her people. Thus, thought-out themes for the IMC tools are necessary.

The sixth and last “P” of the social marketing strategy refers to politics – a set of political views or beliefs. This requires the social marketers to ensure to make adequate considerations of the political dimensions of their efforts, factor them into their campaign plan and take appropriate actions to address whatever negative impacts these might have on the social campaign as well as exploit the positive potentials of these political actors and factors for the greater success of the social campaign. Thus, the marketing team should be conscious of the fact that there would be many opponents to the deregulation of the downstream oil sector, even as it is positioned as “an answer” to the anomalies in the downstream oil sector. These opponents, locally and internationally, especially those benefiting from the present subsidy regime, do not see that they could benefit even more from a deregulated downstream oil sector. The marketing team must, therefore, take note of this-since these opponents too, constitute a vibrant segment of the publics earlier defined –and should, therefore, bring to bear its public relations acumen, to be successful.

SUMMARY AND CONCLUSION

This paper has tried to explain what deregulation is and how, in spite of the controversy the policy generates, it remains a viable option for managing Nigeria’s downstream oil sector sustainably. Indeed it is true that the adoption of a policy of deregulation in any sector of the economy increases the competitive atmosphere in that sector, thus providing wider choice for the consumer. This calls forth a determination to pursue the application of marketing principles to try to outwit competition and earn the consumers’ naira.

If government would adopt the broad outline of the marketing imperative in grappling with deregulation in the downstream oil sector, as provided in this paper, incidence of the resistance to the policy in the sector will be greatly reduced, if not eliminated completely.
REFERENCES


