

## **1.0 INTRODUCTION**

This report proposes to discuss the current marketing and operations strategies utilised by the Dangote Group of Nigeria - in order to deliver sustainable customer value to consumers within Nigerian market. This sustainable customer value is delivered in an attempt to ensure the safety of market share, and increase the profitability and revenue of the existing organisation.

This report will also investigate Dangote's ability to introduce a new product into the current portfolio of products already being offered to the market of Nigeria, and how the current business practices, and marketing strategies will best suit the introduction of this new product, whilst still supporting the existing product range.

### **1.1 Objectives**

The overall objectives of this report are to:

- ∅ Conduct an evaluation of the existing market strategies being undertaken by Dangote
- ∅ Investigate the impact and mechanisms for introducing a new product into the existing product portfolio, in order to appeal to both new and current consumers
- ∅ Explain how the various marketing and operational strategies formulated by the organisation can work together to ensure a successful introduction, planning, implementation, and monitoring of the new product
- ∅ Establish the extent to which both the existing marketing and operational activities, and those proposed by the launch of the new product, will provide sustainable customer value in the long term

## 2 ANALYSIS

### 2.1 The Current Situation

#### 2.1.1 Company Background

Established in May of 1981 as a cement manufacturer, the Dangote Group has expanded over the years to become one of the most diversified business conglomerates in Africa, and has established a brand reputation that is associated with high quality products and excellent business practices. The operational headquarters of the company are situated in Lagos, the country's capital, and the range of products now includes cement, food and beverages, real estate, telecommunications, steel, services, and a range of other products within other industries and markets. For the purpose of this report, the food and beverage section of the business will be assessed and discussed due to the nature of the new product being introduced to the market. In the 2010 business year, the company recorded a turnover of N89,980,499 and an operating profit of N16,148,876 and a profit after tax of N11,282,240 (Financial Report, 2010). With a strong reputation and brand image already established among the consumers of Nigeria, and healthy overall profits across a plethora of brands and industries, the organisation is in a good position to launch a new product within its food and beverage range.

#### 2.1.2 PEST Analysis for Dangote Group

<b>POLITICAL</b>	<b>ECONOMIC</b>
<ul style="list-style-type: none"> <li>∅ Previous governments have lead to an unsettled and tumultuous political instability</li> <li>∅ Strong links and relationships with other African countries</li> <li>∅ Strong and established unions for workers</li> </ul>	<ul style="list-style-type: none"> <li>∅ Experiencing growth and strengthening over time due to current economic reforms put in place by the new president (CIA world factbook)</li> <li>∅ Government is working hard to ensure stronger public-private partnerships in order to improve investment</li> </ul>
<b>SOCIAL</b>	<b>TECHNOLOGICAL</b>
<ul style="list-style-type: none"> <li>∅ High levels of crime and political unrest under previous governments</li> </ul>	<ul style="list-style-type: none"> <li>∅ Infrastructure and telecommunications currently being improved through government</li> </ul>

<ul style="list-style-type: none"> <li>∅ High proportion of working age population and younger population – not an aging population (indexmundi, 2011)</li> </ul>	<p>reforms</p> <ul style="list-style-type: none"> <li>∅ Good range of television and media companies (although governmentally controlled)</li> </ul>
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### 2.1.3 SWOT Analysis for Dangote Group

<b>STRENGTHS</b>	<b>WEAKNESSES</b>
<ul style="list-style-type: none"> <li>∅ Well established brand within the Nigerian markets</li> <li>∅ Experience and success of a wide range of industries across the country</li> <li>∅ Shareholders are confident and well rewarded</li> <li>∅ Already established within the food and beverage industry</li> <li>∅ Most successful conglomerate in West Africa</li> </ul>	<ul style="list-style-type: none"> <li>∅ Current economic downturn has had a negative effect of the profits and turnover of the organisation</li> <li>∅ Previous political unrest has lead to high levels of crime and uncertainty</li> <li>∅ Infrastructure within the country is not as efficient as it could be (although this is improving)</li> </ul>
<b>OPPORTUNITIES</b>	<b>THREATS</b>
<ul style="list-style-type: none"> <li>∅ Increasing population that is predominantly young or working age</li> <li>∅ Current brand strength means that new products can take advantage of the established nature of the company within specific industries</li> <li>∅ Increasing employment opportunities will improve the corporate image of the company through increased social responsibility</li> </ul>	<ul style="list-style-type: none"> <li>∅ Launching a new product during an economically difficult period carries a heavier risk than normal</li> </ul>

#### ***2.1.4 Analysis of SWOT and PEST***

The overall goal of the Dangote Group is “to touch the lives of people by providing their basic needs”. The introduction of maize meal as a cheaper alternative to pasta, rice, or potatoes will keep the company in sync with its mission through developing and improving current maize production across the country in order to better meet the nutritional needs of a growing population. According to Smith, Barau, Golman, and Mareck (1994), a major cause concern across West Africa has always been its inability to provide enough food for the growing population.

As a popular food product throughout Africa, maize is incredibly easy to grow and is resilient to most extreme weather conditions (McCann, 2006). New genetic modification technologies have also increased the plants ability to withstand extreme temperatures and grow in very difficult terrain and under difficult conditions (heat, lack of water, frost) (Iken and Amusa, 2004). Utilising the well establish brand name within the food and beverage industry, the Dangote Group can launch their own maize product to the population and use existing production and packaging facilities to refine the maize and distribute it to supermarkets and wholesalers. The current economic climate affecting the country might actually work in favour of the product launch, as the cost effective nature of the product will offer a cheaper alternative to carbohydrates for consumers who are struggling to meet their nutritional demands within their current budget.

#### ***2.1.5 STP Analysis***

##### **Segmentation**

In order to assess which sections of the market might best suit the organisation, it is important to identify the types of customers involved in a particular market, and target these customers accordingly (Armstrong, Kotler, Harker, and Brennan, 2009). The demand for any product is dependent on the income of the consumer (Evans, Foxall, and Jamal, 2009). The Living Standards Measure (LSM) is used across Southern Africa to segment markets according to their income and standard of living (Beegle, 2011). The levels within this segmentation tool range from LSM 1 (the lowest earning consumers with the lowest standard of living) to LSM 10 (representing the highest income earners).

The majority of the Nigerian population earn lower than average income levels, and in 2000, it was reported that as many as 45% of Nigerian households were earning below the poverty line (nations encyclopedia, 2011). It is therefore evident that there is a large proportion of the food and beverage market that require lower cost products that are less perishable, and more filling. The launch of this new product will be aimed at this particular market segment within the food and beverage market of Nigeria.

### **Targeting**

In order to target the lower LSM levels within Nigeria, the company will focus its efforts on providing a cost effective product, and use a promotional campaign that is suited to the types of consumers within this market. Popular promotional activities among the lower LSM levels include 'open days' where the company provides a fair within the local residential area and offers prizes, games, and product samples to try. Not only does this appeal to the lower LSM levels as a free day of entertainment, it is also something that stays within the minds of the consumers for a long time after the event, and promotes word of mouth and brand loyalty. This type of promotional activity is also in keeping with the organisation's reputation for social responsibility and caring for communities. It is also a relatively cheap promotional tool and is more accessible to the lower LSM levels that do not have access to televisions, radios, or computers. Billboards within the lower LSM residential areas will also prove to be useful and cost effective in terms of getting the brand recognised, and reminding residents of the 'open day'.

### **Positioning**

In line with Dangote Group's current organisational goal of touching people's lives by providing for their basic needs, the maize product will be positioned in the minds of consumers as a healthy, filling, and cost effective way of providing nutrition to a young, growing population. Maize meal can be added to warm or cold milk in order to make a breakfast cereal, to gravy as an accompaniment to curries, stews, or other meat dishes and it can also be added to warm cream, sugar, and cinnamon to make a warm dessert. The versatility of the product, the ease in which it grows, and the incredibly beneficial nutritional value, all combine to make a cost effective, far reaching, and healthy part of any diet. Danvita

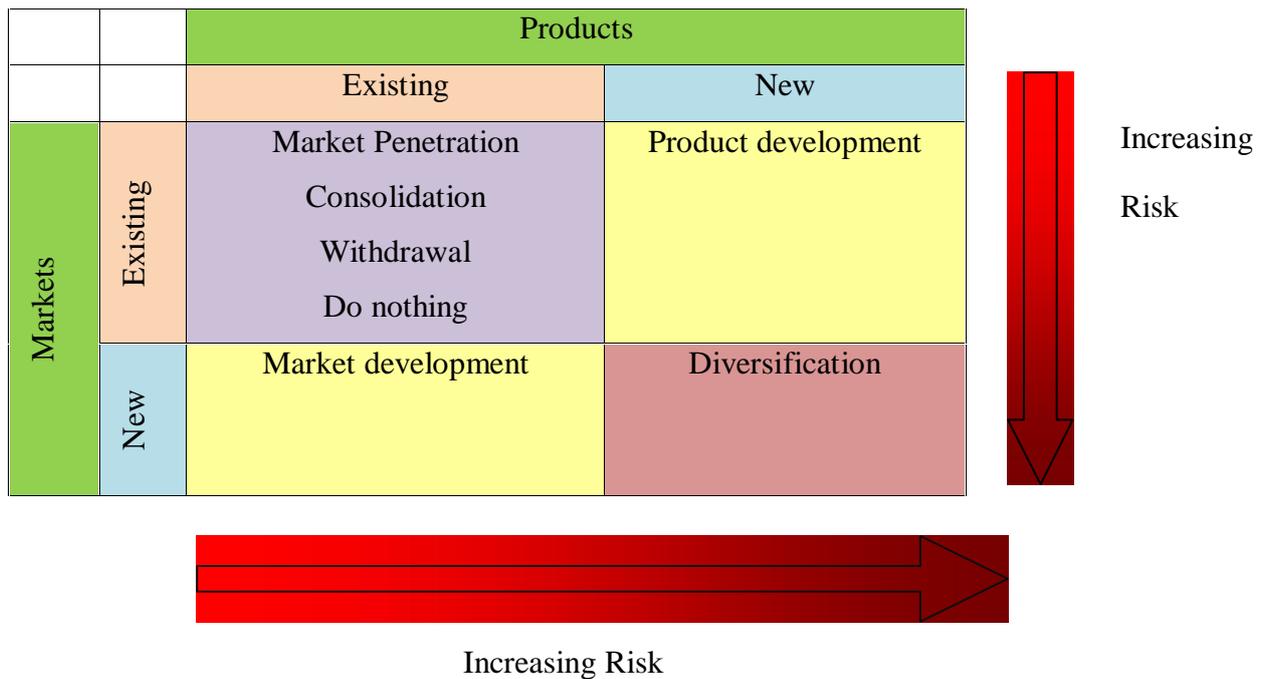
Maize will be promoted as “helping the people of Nigeria to remain strong” in body, in mind, and financially.



### ***2.1.6 Current Marketing and Operational Strategy***

Due to the fact that the organisation has been in existence for a long time, and is an established brand across Nigeria, it is evident that the introduction of a new product will form part of a diversification strategy in order to broaden the product portfolio currently held by the company and improve its chances of growth and success. How forcefully the brand enters the new market will be dependent upon the financial resources made available to the initiative, and what the company can afford to spend on the process of diversifying into a new market (Keegan, 2001). According to Ansoff’s matrix (represented below), the introduction of a new product will involve a high level of risks (discussed further in the following section) and this will require careful marketing and operational strategies in order to keep costs manageable and minimise the risks to the company. The seven P’s of the marketing mix will be discussed in more detail in the “marketing mix” section of this report.

Figure 1 – Ansoff’s Matrix- Next Page



(McDonald and Wilson, 2011)

### 2.1.7 Recognised Risks

As is evident from the above matrix, the strategy of market development through diversification involves a high level of risk due to the fact that it involves introducing a new product to a new market (Lynch, 2008). With this in mind, the Dangote Group will ensure that adequate market research is conducted in order to minimise the risks associated with entering a new market, and ensure that the product is sold at the right price, in the right places, and in the correct quantities.

## 2.2 Proposed marketing plan

In order to improve the lives of current consumers, and influence new consumers to purchase food and beverage products from the Dangote Group, a maize meal product will be offered to consumers as part of the existing “Danvita” brand of Flour currently offered by the Dangote Group. In order to provide a detailed description of the proposed marketing plan for the introduction of the product, the SOSTAC framework will be followed.

### 2.2.1 SOSTAC framework



(Chaffey and Smith, 2008)

#### 2.2.1.1 Situation – where are we now?

Currently, the Dangote Group offers a wide range of products in the food and beverage industry of Nigeria, including Dansa Fruit Juice, and Danvita Flour. A major brand within its industry and with a reputation for high levels of corporate social responsibility, the company is in a good position to add new products to their current range, and one that is in line with their current image of social responsibility and care. Although the previous financial reports for sugar and fruit juice products have shown a decline in demand and profits as a result of the global economic downturn, other products within the food and beverage range that are more essential to the average daily diet, have shown steady (if not slightly increasing) profits throughout the same period. It therefore stands to reason that any new product to be introduced into the current market should be one that is a cost effective response to lower level incomes, and is a versatile product that can form a major proportion of the average daily diet.

### 2.2.1.2 Marketing mix

Information pertaining to the seven P's of the marketing mix can be represented as follows:



### 2.2.2 Objectives – Where do we want to go?

#### SMART objectives

Corporate objectives are smaller, more achievable targets that will help the organisation to obtain its overall aims (Porter, 2004). They are more medium term goals that will lead to the achievement of the long term goals set out in the organisation's aims (Kourdi, 2009). These objectives must be SMART – which stands for Specific, Measurable, Achievable, Realistic, and Time-related (Whittington, 2000). Based on the aspects and information identified by the SWOT Analysis, the following SMART objectives have been formulated to help the launch of Danvita Maize into the Nigerian FMCG market:

- ∅ To launch a basic maize meal product in three different package sizes to the lower LSM levels within the Nigerian FMCG market throughout 2012, whereby 50% of the market will have consumed and being purchasing the product.
- ∅ To obtain a 25% share of the food and beverage market for the lower LSM level consumers within the Nigerian market by the end of 2013.
- ∅ To achieve TOMA (Top Of Mind Awareness) in the minds of the mass market, lower-income level earners within the Nigerian market by the end of 2013, obtaining a 75% brand recognition from customers in market research analysis).
- ∅ To enhance the company's current portfolio of corporate social responsibility and sustainability through the promotion of cheaper, healthier nutrition for all Nigerian people by 2013, evident through achieving better nutrition statistics from market research of current customers, where figures improve by 50%.

### **2.2.3 Strategy – How do we get there?**

Experiential marketing is a common form of promotions used all across rural African areas (Schmitt, 2000). It involved exhibitions and open days where companies travel to the consumers in order to provide samples, educate the masses on the benefits of the product (nutritional value, how to cook the product in various ways etc) and allows consumers to experience both the product, and the care and attention shown to them by the company launching the product. Fun games and demonstrations, as well as prizes and free gifts, draw huge crowds from a large geographical radius, and keeps consumers talking about both the product and the entire experience of the day for months to come. This type of marketing will improve the corporate social responsibility image of the organisation, whilst promoting the product and stimulating demand in the appropriate market segments. According to Aster (2009), research has indicated that the current production of maize in Nigeria can easily be doubled – which makes for a wealth of potential supply for the company. Contracting local farmers to grow maize, and assisting them both financially and in terms of fair trade, will also help to achieve the overall objectives set for the new product launch.

### **2.2.4 Action – Who is responsible for what and when?**

The procurement department will be responsible for researching appropriate farm land and owners to grow the maize within Nigeria, and to educate farmers on how best to nurture and harvest a healthy maize crop. Marketing will need to ensure that appropriate and ongoing research is undertaken in order to make any necessary amendments to promotional campaigns as the product life cycle begins and progresses. Production and Manufacturing will need to manage the operations side of the business, and ensure that the correct level of capacity is made available and is efficiently utilised to ensure streamlined production levels that are capable of meeting demand.

### **2.2.5 Control – How do we keep track of progress?**

To ensure consistent monitoring and controlling of marketing activities and operational strategies, the company needs to regularly revisit the overall corporate objectives as well as those objectives set for the introduction of the new product. Consistent market research into

consumer wants and needs, as well as the actions and strategies being adopted by competitive brands will help to keep the product targeting and positioning on the right track throughout the product's life cycle. Sales figures and changes in market share proportions also need to be closely monitored in order to assess those marketing activities that are proving successful, and those which are having a negative effect on the overall product image and consumer demand.

### **2.3 Projected Revenue**

Margins are expected to be relatively low for proposed Danvita Maize in comparison to other products offered by the Dangote Group, but very high levels of demand, and lower levels of production costs and raw materials (not to mention cheaper overall marketing costs involved in experiential marketing campaigns) mean that, in the long term, the product will be one of the most profitable within the product range offered by the Dangote Group. The first year of product launch will concentrate on the lowest LSM levels of 1 through 3 in the northern and eastern areas of Nigeria, including Maiduguri, Kumo, Kano, Jos, and Zaria regions. The second year will concentrate on extending the geographical coverage to the western and central areas, of Shaki, Kaduna, and Abuja, thereby increasing substantially increasing the available market, leading to a net profit of N9 million. The third year of the launch will concentrate on the southern regions of Nigeria, including Warri, Engugu, Oshogbo, and Ibadan, further increasing the available market, and leading to a projected Net Profit after tax of N14 million – surpassing the current Net Profit figures of the Dangote Group's most popular products to date.

### **2.4 Operational Challenges and Plans to Overcome Them**

At present, the flour mill section of the Lagos factory is a streamlined facility, with well trained staff and effective operational procedures in place. There is also space within this section of the factory to add to the current machinery in order to add a maize mill that will use similar procedures and mechanisms to extract the corn and grind it into a fine maize powder. Current managers of the flour mill can be used to create quality circles in order to provide efficient guidelines for training new staff. Promotional opportunities into supervisory and managerial positions within the maize plant will also be made available to those employees who have proved to be a valuable asset to the flour production plant.

## **2.5 Strategic integration of marketing and operations**

Marketing and promotions need to ensure that there is sufficient demand stimulated by the various campaigns in order to support the production levels being maintained by the operations department. Communication between the marketing and operations department is of paramount importance in order to ensure that the correct production capacity is made available in order to meet demand levels and avoid a production deficit – which can leave consumers wanting, and a production surplus – where stock is left unsold and requires storage or perishes over time. A Gantt Chart has also been formulated in order to ensure streamlined project implementation and efficient use of time (refer to Appendix A – in the attached excel document).

## **3 CONCLUSION**

The Dangote Group currently offers a wide range of products and services in various industries across Nigeria. Their range of food and beverage products includes flour, sugar, pastas and fruit juices. As an established company with a reputable image in various industries, the Dangote Group can look to expanding its current business through diversifying into a different market within the food and beverage industry, and utilise their current skills and expertise in this area to provide a cheaper product to lower LSM levels within the country. Offering sustainable value for customers and the community as a whole, the Dangote Group are committed to improving the lives of the Nigerian population both through their products, and through the various corporate social responsibility initiatives undertaken within the community. Offering a maize meal product that is both nutritious and reasonably priced, and conducting experiential marketing in order to promote the new product and improve the lives and nutritional education of consumers within the lower LSM level areas.

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