
# MARKETABILITY OF MADE IN NIGERIA TEXTILE MATERIALS

**BY**

**UJU ANGELA ANYIGBO NJOKU (MRS.)**
**NCE; H. Dip; B. Sc (Hons.); MBA; MCIA; MNIM; MNIMN**
**Matric. No.: 2533**

**In partial fulfillment of the requirements for the award of the Doctor of**

**Philosophy (Ph.D.) in Marketing Management,**
**St. Clements University,**

**British West Indies.**

**SEPTEMBER, 2004**

## CERTIFICATION

This is to certify that this research work was carried out by me, Uju Angela Njoku (Mrs.), under the supervision of Prof. Iheanyi C. Achumba, University of Lagos, Nigeria and the academic counsellor, Prof. David Iornem, St. Clements University, British West Indies.

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UJU ANGELA ANYIGBO NJOKU Date

Student

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PROF. I. C. ACHUMBA Date

Project Supervisor

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PROF. DAVID IORNEM Date

Academic Counsellor

# DEDICATION

This dissertation is dedicated to My Lord and Saviour, Jesus Christ and to my Parents, Chief Paul Anyigbo ( Eze Nwinyinya) and Mrs. Rose Ikwuabo Anyigbo, both of blessed memory for their love and care while they lived. May their souls rest in peace.

To God be the Glory.

## ACKNOWLEDGEMENT

A good number of persons have been most helpful to me throughout my academic endeavours , particularly in the course of this research.

I am greatly indebted to my academic counsellor, Prof. David Iornem, who devoted valuable time to guide, advise and mid-wife this work. I am particularly grateful to my academic supervisor, Prof. Iheanyi C. Achumba who placed at my disposal his splendid academic judgment , firmness, thoroughness and an unusually fine research talents which were of enormous assistance in bringing this study into a final coherence and cohesion. To my different lecturers, I express my deep appreciation for the solid foundation, moral support, encouragement and resilience that are sine-qua-non for this type of work. To Dr. (Mrs.) Meg Kabuoh, for your encouragement and to Mercy Agbonlahor, for typesetting this work, I thank you. My gratitude therefore goes to all my brothers and sisters, particularly; Engr. Joe Anyigbo ( Ichie Akusobi), for their inspiration, moral and financial supports. To my darling children, Ada Ogugua and Kosy, I cannot thank you enough for your understanding. My gratitude finally goes to Mr. Abba for being a wonderful husband.

UJU ANGELA ANYIGBO NJOKU (Mrs.)
NCE; H. Dip; B. Sc (Hons.); MBA; MCIA; MNIM; MNIMN.

## ABSTRACT

The way Nigerian consumers evaluate home made goods could have an impact on their attitudes and behavioural intension towards domestic and foreign manufactured products, particularly textile products. Yet, this decision-making process has been examined only with respect to comparative evaluations. Therefore, based on an adapted framework from Marketing-Mix elements, the consumer ethnocentrism and country of origin study areas, this study investigated the problem and prospect of marketing made-in-Nigeria goods in Nigeria, using textiles products as a case study.

Two hundred correspondents comprising manufacturers, marketers and consumers of locally manufactured textiles were interviewed through self-administered questionnaire. Using statistical method of chi-square and correlation analysis, the results showed that while Nigerians are fairly satisfied with made-in-Nigeria goods, the goods are also not well publicized by the marketers.

The consumers felt that they are not adequately provided with varieties and the products are not well marketed. They also indicated that, while they do not experience post-purchase regrets, cheapness and the state of the economy drive them to buy the product. The study also confirmed that ethnocentric tendencies differ across various demography groups. Implications for marketing management

for buy domestic promotion campaign and directions for further studies were also addressed.

The recommendations were in two parts. One part was based on the empirical findings and the other was based on the analyses of the critical focus areas.

It is recommended that the present approach to marketing of made in Nigeria textile products should be modified, as they have been found grossly inappropriate. The marketing strategies should recognize the varying ethnocentric tendencies among varying demography groups.

The second part of the recommendation centers on the local market environment and government policies. The local market environment should be strengthened by installing basic strategic building blocks for the textile sector, such as;

- providing kick start measures to the revival of the industry,
- enforce restrictive import measures and establish enduring export incentives,
- debottleneck the system and provide competitively priced inputs,
- reduce import duty on reactive dyes and chemicals,
- create a fund for low interest financing to mills for modernization and for new product development and diversification,
- make credits available to industry at competitive rates for working capital and long term financing and establish a textile sector restructuring unit that

should manage the multiple tasks and problems associated with revival of the textile sector.

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# CHAPTER ONE

# INTRODUCTION

## 1.0 Background of the study

Made-in-Nigeria goods are those goods that are produced within Nigeria. Nigeria as a third world country needs to produce its own goods so that it will help develop its economy in terms of growth and stability.

The Nigerian government in 1988 took another bold step to encourage favourable attitudes towards made-in-Nigerian goods in a bid to actualize the Enterprises promotion Decree. The basis of this decree was to reduce foreign dominance on the economy, encourage local retention of profit, and create employment opportunities amidst other objectives. Since independence in 1960, a lot of changes have taken place in the country economically, politically and socially which as a result, firms, small and large have gone down the drain. The cause of this was mainly due to lack of good management and leadership in the country as well as lack of vision and foresight. The country is plagued with large scale under capacity resource utilization, power supply that cannot be used for any meaningful planning purpose and a whole economy that cannot be forecasted.

Marketing implications of the above scenario will be: irregular supply of products, supply of lower quality product due to dwindling income of consumers, fluctuating prices due to product shortages, low reputation of manufactured goods, low motivation towards advertising, low marketing orientation and a general consumer discontent with home made goods (Aire,pp.46-62, 1973:Kalegha et al 1983,p.5).

However, with the democratization of the system and the call to the citizenry to look inward for a sustainable growth through self-reliance, it is therefore, hoped that Nigerians will develop favourable attitudes towards made in Nigeria goods.

As our society under goes rapid changes and becomes more affluent, newer social forces make consumers spend a greater part of their income in ways remarkably different from what took place in the past. Consumers want the advantage of affluent and the latest services that technology and business can offer. (Achumba I. C. 1998 pp.1-7).

The focus of this study is the Nigerian textile market. This industry was chosen firstly because most textile products have clearly displayed “Made in” label; and secondly it is an industry where imported products had long dominated, even causing local ones to carry foreign labels.

## 1.1 **Purpose of the study**

Previous studies have shown that Nigerians have unfavourable attitudes toward home made goods (Aire, 1973,pp.46-62; Kolegha et al,p.7 1983). The purpose of the present study is to investigate the marketability of made in Nigeria textiles and the current attitude of Nigerian consumers towards made in Nigerian textiles. The objectives of the study include:

1. To examine the overall attitude of Nigerians towards made-in-Nigerian textiles.
2. To investigate Consumers’ perceptions of the quality of Made-in-Nigeria textile products in particular.

3. To find out significant differences between the current and past studies on consumer attitude towards made-in-Nigerian products.
4. To examine the possible motivations behind Nigeria attitudes towards domestically produced textiles.
5. To examine the effects of demographic factors on motivational influences to buy made in Nigeria textile goods.
6. To find out the relationship between consumer attitudes (evaluation) and satisfaction with made in Nigeria textile goods.
7. To show the relationship between consumer motivation and satisfaction with made in Nigeria textile goods.
8. To show that consumer satisfaction results from consumer motivations to buy made in Nigeria textile goods.

## 1.2 Significance of Study

In view of the foregoing aspirations, this work examines consumer attitudes toward "made-in-Nigeria" goods. An attempt is made to determine the image of "made-in-Nigeria" goods as seen by consumers and to explain the factors contributing to that image. It is hoped that the result of the study will contribute in no small way to an understanding of the influences affecting "Made-in-Nigeria" goods in the market. Such an understanding should conceivably help all who are involved in industrial development in this country and beyond-the manufacturer, distributor, the government and its agencies and the general public to make better decisions in their respective areas of influence and responsibility.

## 1.3 The Objectives of the Study

The objectives of the study include:

1. To identify the problems inherent in marketing locally made textiles.
2. To identify the prospects of marketing made in Nigeria textiles.
3. To ascertain the degree of correlation between product quality and the desire to buy locally manufactured textiles.
4. To determine the effect of unethical advertisement on local product marketing.
5. To examine the effect on dwindling purchasing power changes in consumer taste and product qualities on local product marketing.

## 1.4 Research Questions

Based on the objectives enumerated above and acknowledgement of the existing socio-economic characteristics of the country, this research attempted to address the following research questions:

1. How do consumers in Nigeria evaluate the various attributes of domestic textile products relative to similar products of foreign origin?
2. Are there significant differences between past and present evaluations of made in Nigeria textile goods?
3. What is the extent of consumer familiarity with made-in-Nigeria textile brands?
4. What is the extent of consumer satisfaction with made-in-Nigeria brands?
5. Is there any element of ethnocentrism in the country’s consumer choice?
6. How do ethnocentric tendencies differ across various demographic groups?

7. What segments of the market show greater ethnocentric tendencies?
8. What is the effect of consumer ethnocentrism on consumer satisfaction with made in Nigeria textile goods?

## 1.5 Research Hypotheses

1. There is a positive and significant relationship between product quality and the desire to buy made in Nigeria textiles.
2. The more ethnocentric the individual, the higher his/her satisfaction with made in Nigeria textiles.
3. The more nationalistic the individual, the higher his/her satisfaction with made in Nigeria textiles.
4. The greater the salience in the individual, the higher his/her satisfaction with made in Nigeria textiles.
5. The lower the perceived cost of buying by an individual, the higher his/her satisfaction with made in Nigeria textiles.
6. Ethnocentric tendencies do not differ across various demographic groups.

## 1.6 **Justification of the Study**

Nigerian economy has been characterized by declining capacity utilization in the real sector, poor performance of major infrastructural facilities, large budget deficits, rising level of unemployment and inflation.

Given the poor state of the economy, it is the desire of all Nigerians to have in place and functional too, an economic policy which will:

(b) Revive and grow Nigeria's comatose economy;

(c) Significantly raise the standard of living of the people;

(d) Put Nigerian back to gain-full work and create new employment opportunities and to

(e) Reposition the economy to participate beneficially in the global economy.

## 1.7 **Scope of Study**

This work is an attempt to research into the problems and prospects of marketing made in Nigeria goods with particular reference to textiles products.

Internal and External factors impair marketing local products. This study is however, limited to marketing mix elements, product, price, promotion and place. The study focuses on locally manufactured textiles with the hope that the result of this work can be generalized to other locally manufactured goods.

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# CHAPTER TWO

# LITERATURE REVIEW

## 2.0 DEFINITION OF TERMS

Virtually every text on marketing starts with a new definition and each of these definitions of marketing explains, from the point of view of its author, the behaviours of the actors in any marketing system. Below are some definitions of marketing:

Mazur (1947pp.13-15) defined Marketing as: "the delivery of a standard of living to society".

The American Market Association (1960) on the other hand defined Marketing as: "the performance of business activities that direct the flow of goods and services from producer to consumer or users".

Bartels (1968pp.29-33) defined Marketing as: "the process whereby society, to supply its consumption needs, evolves distributive systems composed of participants, who, interacting under constraints – technical economic and ethical (social) – create the transactions or flows which resolve market separations and result in exchange and consumption".

Risley (1972p.11) added that Marketing includes all business activities that make possible, the determination of what should be produced and control that which is produced from its creation to ultimate consumption.

Holloway and Hancokk (1993p.10) viewed Marketing as a set of activities necessary and incidental to bringing about exchange relationships in our economic system.

Stanton (1981pp.19-33) viewed Marketing, in a societal sense, as any exchange activity intended to satisfy human want; - in a business sense as a system of business action designed to plan, price, promote and distribute want satisfying goods and services to markets.

Schewe and Smith (1983pp.4-29) viewed Marketing as: "managing human and organizational exchange activities directed at satisfying human wants and needs."

From Stewart's (1995p.1) point of view, Marketing is the vehicle through which a company can achieve its short-term goals and strategic aims in terms of long-term survival in the face of change, particularly competitive change.

Kotler (1995p.6), defined Marketing as 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.

Christopher, McDonald and Wills (1988) contended that: "Marketing is the primary management function which organizes and directs the aggregate of business activities involved in converting consumer purchasing power into effective demand for a specific product or service". Rodger's (1974p.47) viewpoint can be added to this definition: and in moving the product or service to the final consumer or user so as to achieve company set profit or other objectives".

"Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational objectives." (AMA). This definition stresses the importance of beneficial exchanges that satisfy objectives of both those who buy and those who sell goods and services.

"Marketing is a total system of business activities designed to plan, price, promote and distribute want satisfying good, services, and ideas to target markets to achieve organizational objectives." (AMA). This definition stresses the importance of beneficial exchanges that satisfy objectives of both those who buy and those who sell goods and services.

Marketing is the overall process of studying, analyzing, and making decisions about how best to serve consumers with continuing education programs, products and services. Here, the emphasis is on the needs, attitudes and values of the client as well as that of the sponsoring organization.

Marketing is a comprehensive strategy for inducing learners to exchange resources they value – time and money, for example – for something they value more: education.

Rados (1981) defines marketing as follows: "Marketing ….deals with the many methods by which A tries to get B to do his will, where B has the freedom to act as he chooses" in view of this, Marketing is a methodology for attracting learners, a methodology that guides program development, promotion, pricing,

Baker (1985p.5) cites Crosier (1975) as reviewing over fifty definitions of marketing and categorizing them into three major groups, namely:

a. Definitions which conceive of marketing as a process.

b. Definitions which portray marketing as a concept or philosophy of business and

c. Definitions which emphasize marketing as an orientation.

Baker (1985p.5) further added that though there is a general consensus in the above marketing definitions, but there is no single definition of marketing! Marketing is a complex activity that combines both the philosophy of business and its practice.

Also Prof. Nwokoye (1981) has a similar definition of marketing as "a set of activities that facilitate exchange transactions involving economic goods and services for the ultimate purpose of satisfying human needs".

In a simplified form, Achumba and Osuagwu (1994pp.1-11) defined marketing as "getting the right goods in the right quantities and qualities to the right people in the right places at the right time and at the prices which the customers/clients are able to pay and willing to pay and which yield benefit to the marketers".

These definitions are very comprehensive because they highlight the economic aspect of marketing in terms of production, consumer orientation, the dynamic nature of marketing process and the integrated form of marketing comprising interacting activities, they also emphasize the exchange or transactional aspect of marketing. Furthermore, they point out that marketing starts from the conception of a product idea and does not end until the consumer's wants are satisfied.

Whatever is the exact definition of marketing, it should be known that marketing exist both at the macro and micro levels.

McCarthy and Perreault (1984) defined Micro and Macro Marketing as follows: Micro marketing is: "the performance of activities which seek to accomplish an organization's objectives by anticipating customer's or clients' needs, and directing a flow of need satisfying goods and services from producer to customer or clients".

Macro marketing, on the other hand, is: "a social process which directs an economy's flow of goods and services from producers to consumers in a way which effectively matches supply and demand, and accomplishes the objectives of society".

Given all the above definitions, in order to get a better understanding of marketing Lancaster and Massingham (1988pp.1-16), highlighted the following key points:

- Marketing focuses the firm's or individual's attention towards the needs and wants of the market place.
- Marketing is concerned with satisfying the genuine needs and wants of specifically defined target markets by creating products or services that satisfy customer requirements.
- Marketing involves analysis, planning and control
- The principle of marketing states that all business decisions should be made with careful and systematic consideration of the user.
- The distinguishing feature of marketing-oriented organization is the way in which it strives to provide customer satisfaction as a way of achieving its own business objectives.
- Marketing is dynamic and operational, requiring action as well as planning for marketing to be able to lead and catalyze the application of the marketing approach.
- Marketing requires an improved form of business organization in order for marketing to be able to lead and catalyze the application of the marketing approach.
- Marketing is both an important functional area of management and an overall business philosophy, which recognizes that the identification, satisfaction and retention of customers is the key to prosperity.

For the purpose of this research, the following definition of marketing shall be adopted:-

Marketing is a set of micro/macro business activities that aim at identifying, anticipating and producing want satisfying goods, services and ideas and directing their flow from producers to consumers so as to satisfy consumers' and society's needs and wants at a profit.

From the foregoing it can be seen that marketing involves:

- Identifying what customers and society in general need.
- Anticipating customers' and society's needs and wants
- Producing goods, services and ideas that will satisfy these needs.
- Ensuring that these goods, services and ideas get to the ultimate consumers.
- Developing the appropriate marketing mix to achieve these objectives at a profit.

## 2.1 **Marketing Concept**

Marketing is regarded by some successful companies as the key stone of their business. These companies view marketing as an overall business philosophy, a way of thinking about business and a way of working which runs through every aspect of the firm's activities.

They regard marketing as a profit-oriented approach to business that permeates not just the marketing department but the entire business.

This marketing-oriented business philosophy is referred to as the marketing concept. It is simply the adoption of a business philosophy that puts customer satisfaction at the center of management thinking throughout the organization that distinguishes a market-oriented firm from other less enlightened companies. The marketing concept has been defined in different ways by various authors.

Morden, (1987pp.2-12) described marketing concept as: “The most important managerial task within the organization is that of understanding the needs and wants of customers in the market, and of adapting the operations of the organization to deliver the right goods and services more effectively and efficiently than its competitors”.

Kotler gave a definition of marketing concept similar to the above. According to him, the “Marketing concept holds that the key to achieving organizational goals consists of determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors”.

On the other hand, Schewe and Smith (1980pp.4-29) viewed the marketing concept as: “the philosophy of business, or attitude of management which maintains that the focal point of the entire firm is the consumer”.

Bolt (1987p.337) in his distinction between marketing and marketing concept stated that: “the marketing concept is a philosophy, an attitude or a course of business thinking (…). The marketing concept is concerned with marketing company in the market place”.

Felton (1959p.56) described the marketing concept as: "a corporate state of mind that insists on the integration and coordination of all the marketing functions which, in turn are melded with all other corporate functions for the basic objective of producing maximum long-range corporate profits".

Hise (1965pp.9-12) emphasized the marketing concept's customer orientation, profitability controls, and organizational structure in which all (sic) marketing activities are performed by the marketing department, and where the chief marketing executive is accorded a place on the company's organizational chart equal to that given the top financial and manufacturing executives".

With respect to product planning, it has been suggested that adopting the marketing concept may result in increased reliance on customer-oriented sources for new product ideas (Marcus et al., 1975p.25; Mccarthy, 1978p.17). There is evidence to support this belief. In fact, General Electric has stated that consumer wants dictate the direction of its designing and operations (Corey, 1961p.79).

Kollat, Blackwell and Robeson (1972p.16) have reported: "As increasing numbers of companies have adopted the marketing concept, added emphasis has been placed on customer-oriented sources of new products ideas".

Conceptual papers argued that this increased dependence on customer-oriented sources for new product ideas may lead to a proliferation of initiative products at the expense of break through innovations (Kerby, 1972pp.31-35: Lawton and Parasuraman 1977).

Notwithstanding, the marketing concept incorporates some fundamental and basic ideas that are of utmost importance to the survival of a business. These ideas are illustrated in the following statements:

- Drucker (1968) stated that “if we want to know what a business is, we have to start with its purpose – And its purpose must lie outside of the business itself. Infact, it must lie in society, since a business enterprise is an organ of society. There is only one valid definition of business purpose: To create a customer”.
- Leeps (1958) supported this point of view by saying that: “The new image of marketing implies that management must start with the customers’ needs and desires, in so far as they can be ascertained in advance of production, and follow through to activities which aid the customer in getting utility from products which he has purchased”.

Accordingly, the customer and his wants become the fulcrum around which a business moves. Concern and responsibility for marketing, although centered in one department for operational purposes, must permeate all areas of the business enterprise.

- Levitt (1962pp.45-56) further stated that: “one thing we know for such about society and consumers is that they are constantly changing in ways that are extremely important to every business. The trick is to anticipate and act on these changes before the competitor does, and to do it at the right time and in the right way".

Although, the marketing concept is referred to as new, it is of course, not new at all. Every successful business has followed it, albeit sometimes unconsciously or by accident. Obviously no business can succeed for very long without filling customers' needs or wants in an efficient manner (Buell, 1970).

In support of the foregoing, Morden (1987pp.2-12) said that "Management in the business enterprise has two main areas of responsibility;

i. Remaining sensitive to market needs: The management of the business must be aware of the nature of market demand, and of changes that occur in it. The nature of market demand, and the need to supply it effectively yet profitably, should be the driving force behind the decisions of all of the company's managers, not just its marketing functions.

ii. Market-oriented operations management: The whole business should be run so that:

    a. Marketing objectives may be achieved, and
    b. The whole business trades in a competitive and profitable manner.

From these, it can be seen that the marketing concept is based on three fundamental beliefs:

i. All company planning and operation should be customer oriented.

ii. Profitable sales volume should be the goals of a firm and not just volume for the sake of volume alone.

iii. All marketing activities in a firm should be organizationally coordinated.

It is the adoption of this concept – that is, a business philosophy that puts customer satisfaction at the center of management thinking throughout the organization that distinguishes a marketing-oriented firm from other less enlightened companies (Lancaster and Massingham, 1988pp.1-16). The changing marketing environment will certainly challenge and tax the ingenuity of marketers. Those who comprehensively analyze and plan to meet these challenges creatively by adopting a proactive response, according to the author, will reap benefits in profits. Those who ignore the changing environment or sit tight, stand the risk of being eclipsed by changes brought about by consumerism. (David Iornen 1998p.20).

## 2.2 Market Orientation

The last three decades had witnessed a growing interest in the subject of market Orientation (MARKOR). Pulendran, Speed and WidingII (2000pp.119-143) observe how this interest had prompted the marketing science to designate MARKOR as a high priority area for research. Market Orientation owes it roots as a concept in the marketing discipline and was essentially a business philosophy, an ideal or policy statement (Barksdale and Darden, 1971pp.29-36). Kohli and Jaworski (1990pp.1-18) see the term Market Orientation to mean the implementation of practice in the marketing concept and its implementation (Houston 1986pp.81-87; Webster 1988pp.50-57) gave impetus that provided a foundation for the systematic development of a theory of Market Orientation whose focus included the delineation of the original domain of the construct, provision of an operational definition, development of a prepositional inventory and establishment of a construct for comprehensive framework for directing future research (Kohli and Jaworskil 1990pp.1-18).

Kohli et al (1990pp.1-18) sample view from a cross section of marketing as well as non-marketing managers in the industrial, consumer and services industries and the academics to illicit opinions and insight which suggested three major activities germane to the definition of market orientation. These activities included intelligence generation, intelligence dissemination and intelligence responsiveness (Kohli et al 1993pp.1-18; Kotler, 1988; Mcnamara 1972pp.50-57; Tay and Morgan 2002pp.331-341).

McNamara (1972p. 5) in contrast defines it broadly as a philosophy of business management, based upon a company-wide acceptance of the need for consumers orientation, profit orientation and recognition of the important role of marketing in communicating the needs of the market to all.

The third and one of the most cited (Tay and Morgan 2002pp.331-341) and comprehensive definition is offered by Kholi et al (1990, P. 6) as the organization wide generation of market intelligence pertaining to current and future customers needs, dissemination of this intelligence across departments and organization wide responsiveness to it. This research adopts the Kholi et al (1990pp.1-18) definition which also proffers some key issues that agree with current development and opinion in the understanding of market Orientation  (Day and Nedungaid, 1994pp.31-44).

The first area of agreement sees market as more than a place of physical exchange of goods and services (Kotler, 1988) but as comprising of customers, competition and broader political, economic, social and technological conditions (Day and Nedungadi, 1994pp.31-44).

The second area of agreement conceives market orientation as the ability of a firm (organization) to understand current market conditions, predict future conditions and act appropriately upon this knowledge (Narver and Slater, 1990pp.20-25;Webster, 1992pp.15-33).

The third area of convergence is that market orientation is not all about marketing issues only, but rather a firm-wide phenomenon (Slater and Narver, 1994pp.46-55). Shapiro (1988pp.119-125) opines that rather than marketing orientation as used in previous writings, the label market orientation is preferable because the later label clarifies that the construct is not exclusively a concern of the marketing function but rather a variety of departments participate in generating market intelligence, disseminating it and taking actions in response to it (Kohli et al, 1990pp.1-18).

The label “Market Orientation” is also less politically charged, in that the importance of the marketing function in an organization is not inflated (Kohli et al

1990pp.1-18). The consequence is that all departments, embrace it, since the focus is on the markets (that includes customers and factors affecting them), which is consistent with the broader “management of markets” (Park and Zaltman, 1987).

With this understanding, market orientation is regarded as a business concept or strategy that transcends the boundaries of the marketing discipline to lend itself as a pivot for universal success in all organizations and business. While Pulendran et al (2000 pp.119-143) see the growing adoption of market orientation by managers in most fields in securing and maintaining market leadership. Cravens, Greenly Piercy and Slater (1998p.29) attribute the success of organizations like Virgins and Dell computers to the companies focus on being market oriented. They emphasized that being market oriented creates an environment for listening, understanding and responding to the market and competition. It is in this manner that customer satisfaction is managed and strong competitive barriers are built (Pulendran et al 2000pp.119-143). Lado and Maydeu-Oliveres (1998pp.1-41) see market Orientation as the set of activities developed by companies for permanent monitoring, analysis and response to market changes within its environment. In his study of market orientation in the services industry. Atuahen – Gima (1995 pp.275-293) remarks that in services like insurance and banking industries, innovation success depends on the firms market Orientation and more specifically on customers orientation. He opines that being in touch with ones clients needs and wants and being able to respond appropriately to them is a key to innovative success. Tufano, (1992pp.83-87) observes that a more fierce competition exists in the service industry where innovation is more easily and quickly imitated since the protection by means of patenting is rather difficult. He concluded that the relationship between market orientation, innovation and business performance might rather be strong.

## 2.3 Elements of Market Orientation

### A. Market Intelligence

This is a broader concept that includes consideration of:

1. Exogenous factors like competition and regulation among others, which affect customer needs and preferences
2. Current as well as future needs of customers. By this, the concept admonishes firms to be customer focused by obtaining information form customers about their needs and preferences.

From senior managers of some organizations, Kohli et al (1990pp.1-18) deduced that being customers focused goes beyond customer's verbalized opinion alone, but also involves taking action based on market intelligence. Market intelligence in this context in practice is viewed essentially as the operational veins of the first two pillars of the marketing concept-customer focus and coordination. This entails the activities of one or more departments involved in activities geared towards developing understanding of customers current and future needs and factors affecting them. It also includes sharing of understanding across departments, and the various departments engaging in activities designed to meet customer need-firm wide. (Slater and Narver, 1994pp.46-55).

**B. Intelligence Generation**

The process of market orientation begins with the generation of market intellignce (Kohli and Jawoski 1990pp.1-18; Lado and Maydeu-Olivares, 1998pp.1-41; and Pulendran et al 2001pp.119-143). In their survey of several managers in various industries Elg(2001p.16); Kohli et al (1990pp.1-18); Lado et al (1998pp.1-41); and Pulendran et al (2001pp.119-143) identify such common factors as Government regulations and competition as the most listed by firms to influence the needs and preferences of their customers, therefore their organization endeavours to monitor the factors. Day and Wensley (1983pp.79-89) also point out the lapses of focusing on customers alone excluding competition. Though market intelligence may pertain to customers' need and preference, it includes an analysis of how they may be affected by exogenous factors.

Houston (1986pp.81-87) Supports the view that market intelligence extends beyond the current needs but to future needs as well. This therefore urges organizations to anticipate customers need and initiate steps to meet them. The important point is that market intelligence generation does not stop at obtaining customers opinions, but also include careful analysis and subsequent interpretation of the forces that impinge on customers needs and performances. Equally important is the assertion of Kohli et al (1990pp.1-18) that generation of market intelligence is not and probably cannot be the exclusive responsibility of marketing departments. Rather individuals and departments throughout an organization generate it collectively therefore; mechanism must be in place for intelligence generated at one location to be disseminated effectively to the other parts of the organization.

### C. Intelligence Dissemination

Intelligence dissemination refers to the process and extent of market information exchange within an organization. Kohli et al (1993pp.1-18) point that the focal point of dissemination is entire Strategic Business Unit (SBU) and care should be taken to obtain balance between the vertical and horizontal transmission of market information. Elg (2001p.16) notes also that there is more synergy in an enterprise if members exchange data about consumers since this will give insight to customer wants and need. Again, a trade association can be an area where such inter organizational exchange of information about market conditions, customers' preference occur. In some cases, member of a distribution chain may jointly decide to design an information system that involves the whole network actors, and make customers data that a firm has access to available to all actors (Stern et al 1996). This view is collaborated by Elg (2001p.16), that information technology plays a critical role in linking different functions and levels together in the distribution of customer data, and should not be left to marketing managers alone,. Even though their primary role in firms is that of selling within the firm (Anderson 1982). Kohli et al (1990pp.1-18) stress the importance of information dissemination channels and maintained that it effectiveness is a function of concerted actions by different departments. This implies information may flow in any direction, depending on where it is generated.

Although a formal intelligence dissemination procedure is important, Kohli et al (1990pp.1-18) find out that informal "hall talk" is an extremely powerful tool for keeping employees tuned to customers and their needs, on the parallel, Zeithaml, Leonard and Paransuraman, (1988pp.35-48) see horizontal communication to have a profound impact in the service industry. Daft and Steers (1985) explain horizontal communication as the lateral flow that occurs both within and between departments. This serves to coordinate people and department to facilitate the attainment of overall organizational goals.

**D. Responsiveness**

This is the action taken in response to intelligence that is generated and disseminated. Kohli et al (1990pp.1-18) point that unless an organization responds to market needs, the generation and dissemination of such information is of no essence. In a retail setting Elg. (2000p.16) opines that data on consumer satisfaction and consumer demands can be a decision criterion when placing orders and evaluating the manufacturers effort. This can also be a basis for demanding a certain type of product development from the manufacturer who in turn uses consumers information in evaluating the performance of their products.

Responsiveness to market intelligence involves the process of selecting target markets, designing and offering products/services that cater for their current and anticipated needs and producing, distributing and promoting the product in a way that elicits favourable end-customers response. In this regard Kohli et al (1990pp.1-18) argue that the effective implementation of such a process can only be virtual if all departments and not just marketing participate in responding to market trends in firms.

On the planning level, responsiveness focus on the degree to which market-place needs play a prominent role in assessment of market segments (categories of clients, customers and patronage) and development of marketing programmes in an organization.

The elements of market orientation can be summarized in a model shown in figure 1.

## 2.4 Antecedents of Market Orientation

These are the organizational factors that enhance or impede the implementation of the business philosophy (Kohli et al 1990pp.1-18). Previous studies have given insight to three hierarchical orders of categories that are important antecedents to market orientation (Kohli et al 1990pp.1-18; Ruekert and Walker Jnr. 1987pp.1-19; Tay and Morgan, 2002pp.331-341). These factors include – Senior management factors, interdepartmental dynamics and organizational systems respectively (Kohli et al 1990pp.1-18; Narver and Slater, 1994pp.20-25).

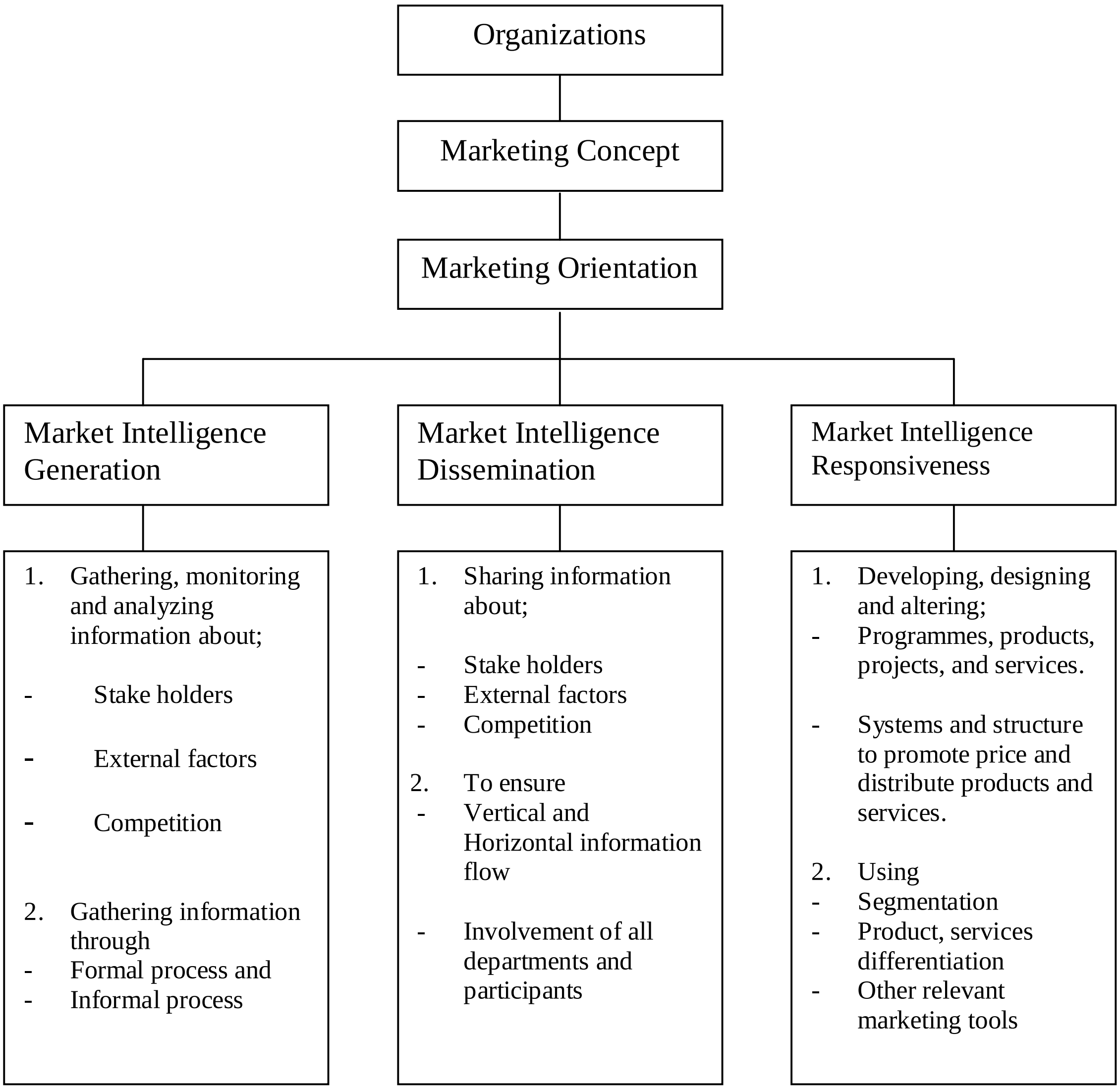
### A. Senior Management Factors

Kohli et al (1990pp.1-18) assert that the role played by senior management has the most profound effects in fostering a market orientation. This assertion collaborates Webster (1988pp.50-59) views that orientation begins with top management and that customers-oriented values and beliefs are uniquely the responsibility of top management.

Felton (1959p.56) notes also that an appropriate state of mind is necessary to develop such high attributes such that in organizations, the board of directors, Chief executive an other top-echelons are the most disposed to do so. In other words the commitment of top managers is an essential prerequisite to a market orientation.

In a similar view, Webster (1988, p.37) suggests that "Chief executives (officers) must give clear signals and establish clear values and beliefs about serving customer." This effect means that top managers apart from being committed themselves must communicate their commitment to all concerned in the organization. Kohli et al (1990pp.1-18) argue that a key factor affecting junior managers is the "gap" between what top managers say and what they do. For instance they may say be "market oriented" but cut back funds for research and discourage changes. An if this gap is consistent over time, junior managers may not be able to infer what top managers truly desire, thereby leading to low market orientation. Tay and Morgan (2002pp.331-341) also submit that market orientation involves responding to market intelligence.

FIG. 1 **MARKET ORIENTATION MODEL**




Adapted from: Andreasen 1982, Unterman & Davis 1984, Hansler 1986, Kotler & Andreasen 1991, Hansler 1988, Schwartz 1989, Kohli & Jaworski 1990, Narver & Slater 1990 and Wood and Bhuian 1993.

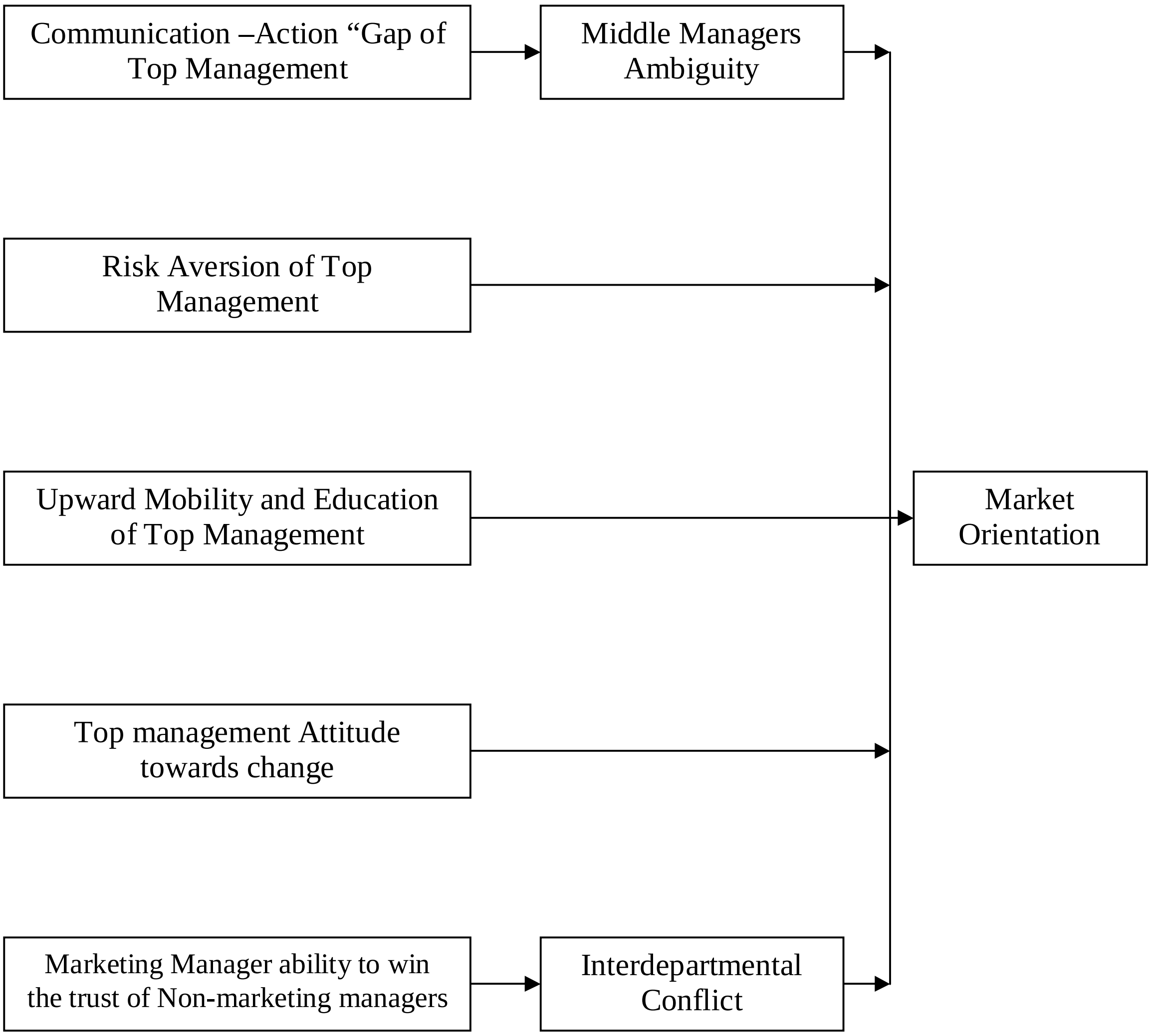
The implication is that changing market needs calls for the introduction of innovative products/services to match evolving needs. And market oriented firms in dynamic industries environments are therefore forced to adopt what they deliver to suit changing customer needs. But constantly changing organization offerings in tandem with market changes may be a risky orientation since many new products and organizational changes fail to meet objectives (Kohli et al 1990pp.1-18; Pelham and Wilson, 1996pp.21-41). Therefore, junior managers are more likely to propose and introduce new offerings if top managers demonstrate the willingness to take risks and accept occasional failures as being natural. In contrast if top managers are averse to risk and intolerant to failures, subordinates are less likely to be responsive to changes in the face of changing customer needs.

Humbrick and Mason (1984pp.193-206) suggest that organizations headed by top managers who are young, with extensive formal education and are of low socio-economic origin are more likely to pursue risky and innovative strategies. Similarly, Kohli et al (1990pp.1-18) opine that there is a correlation between formal education of senior managers and the extent to which they are upwardly mobile. This propensity to upward mobility could stimulate market orientation.

Willingness to adopt and change marketing programmes on the basis of analysis of consumer and market trend is a hallmark of market-oriented firms. Kohli et al (1990pp.1-18) observe that a positive attitude towards change has been linked consistently to individuals willing to innovate. Hence top managers' openness to new ideas and acceptance of the view that change is a critical component to an organizational success are likely to facilitate a market orientation.

Another dimension of senior management factors that has implication on market orientation is the ability to foster interdepartmental cooperation. Kohli et al (1990pp.1-18) submit that interdepartmental conflict is the tension between two or more departments that arises from incompatibility of actual or desired response; therefore Felton (1959p.56) suggests that it is critical for marketing managers to be able to win the confidence and cooperation of their corporate peers to minimize conflict and engender a market orientation. The above postulation of relationship between senior management factors and market orientation is summarized in the figure 2.

**Fig. 2. SENIOR MANAGEMENT FACTORS AND MARKET ORIENTATION**




Source: Kohli and Jaworski “Market Orientation: the construct, research proposition, and managerial implications”. *Journal of Marketing*,54(2)(1990 p. 9)

**B. Interdepartmental Dynamics**

These are the formal and informal interactions and relationships among organization's departments. Theoretical proposition holds that three categories of factors of interdepartmental dynamics influence market orientation thus:

**i. Interdepartmental Conflicts**

Kohli et al (1990pp.1-18) opine that this conflict may emanate from natural desires of individual departments to be more important or powerful, or may even be inherent in the charters of various departments. Pulendran et al. (2000pp.119-143) add that frustration results when individuals believe that the other party is not behaving as a fair manager. This is a potential contributor to breakdown in communication, secrecy and inbred competition with its likely effect to inhibit market intelligence dissemination, an important subset of market orientation.

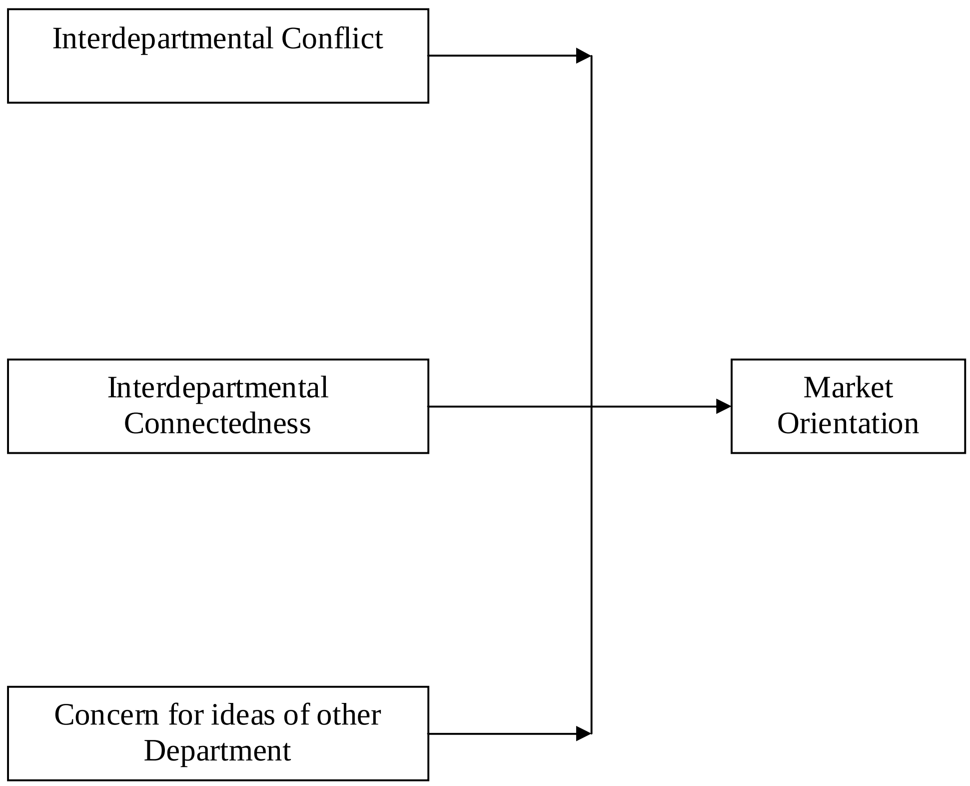
**ii. Interdepartmental Connectedness**

This variable is the degree of formal and informal contact among employees across departments. Deshpande and Zaltman (1982pp.14-31) note that connectedness enables adequate amount of intelligence to be generated and also allows for its appropriate utilization. Thus the perception of an organization as comprising different but interdependent departments and functions, together with the availability of conflict resolution mechanism facilitate the open flow of resources, work and assistance across all organizational departments (Ruekert and Walker, 1987pp.1-19). This notion may have informed Kohli et al (1990pp.1-18) to postulate that interdepartmental connectedness fosters an interdependency within organizations and encourages employees to act in concerted manner in the process of knowledge generation and knowledge utilization.

### iii. Concern for Others

Kohli et al (1990pp.1-18) explain this as openness and receptivity to the suggestions and proposals of other individuals and or groups. It is observed that low levels of concern for others is related directly to restricted information flows, distrust and antagonism, which result in ineffective group processes. Therefore, low levels of concern for the ideas of individuals in other departments can be expected to impede the dissemination of market intelligence across departments as well as the responsiveness of individuals to intelligence generated in other departments.

**Fig. 3. THIS RELATIONSHIP BETWEEN INTERDEPARTMENTAL DYNAMICS AND MARKET ORIENTATION**




Source: Kohli and Jaworski "Market Orientation: the construct, research proposition, and managerial implications". *Journal of Marketing*, 54(2) (1990 p. 11)

### C. Organizational System

The literature posits that three dimensions of organizational structure may be influential to market orientation. Tay and Morgan (2002pp.331-341). Kohli et al (1990pp.1-18) refer to them as "Organization wide characteristics" relating to the structural form of organizations. These include formalization, centralization and specialization. These structural characteristics of the marketing function have considerable impact on firms' market orientation (Tay and Morgan 2002pp.331-341). Analysts have advised construction firms to develop marketing function organizations in structurally responding to increasing demanding construction service market conditions (Morgan 1991). This is because the marketing function plays a boundary-spanning role in the firm (Webster, 1992pp.15-33).

#### 1. Formalization of Organization Structure

Pulendran et al (2000pp.119-143) explain formalization of organization structure as the behaviours, which represent an organization's way of prescribing discretions. Similarly it is viewed as the degree to which standardized roles and procedures prescribing how tasks should be done are applied within an organization (Kohli et al 1990pp.1-18; Ruekert et al, 1985pp.1-19 and Workman et al 1998pp.21-41). Although it has been proposed that structural formalization may negatively impact information utilization in firms (Deshpande and Zaltman, 1982pp.14-31). Pelham and Wilson (1996pp.21-41) on the contrary, argue that it has positive effect on marketing implementation and that grater formalization can actually enhance responsiveness to market orientation. Jaworski and Kohli (1993) share this view that structural formalization aids the organizational processes involved in the generation and dissemination of market intelligence.

## 2. Centralization of Organization Structure

Walker and Ruekert (1987pp.1-19) explain centralization of organization structure as the concentration of authority in decision-making at the top of the management hierarchy. Consequently, Deshpade and Zaltman (1982pp.14-31) note that, the reduction of employee participation in decision-making hinders information use and innovativeness. Therefore in dynamic environment like the construction industry, firms with centralized organizational structures should find it more difficult to respond to market changes. Tay and Morgan (2002pp.331-341) observe that in order to achieve Market Orientation, it is necessary to "empower" employees at lower level of firms to make decision. It could be deduced from the foregoing arguments that strict centralization may impede timeouts action on intelligence dissemination and responsiveness, and also that hitherto hinders market orientation, on the other hand unlimited empowerment of lower level employee in decision-making may be precarious to the organizations as these cadres of employees may not be vast in the organization's philosophy. The best practicable approach should be maintenance of balance in the application of centralization of decision making in organizations.

## 3. Specialization (Departmentalization) of Organization Structure

Walker and Rueker (1987pp.1-19) explain specialization as the extent to which tasks are divided into unique elements that require specific knowledge to accomplish.

Tay and Morgan (2002pp.331-341) observe that specialization and Market Orientation of the firm are positively linked for two reasons;

i. Specialization affords the firm a more finely grained view of its market by focusing specialists attention on more specific aspects of the market environment and

ii. Specialization fosters more access to knowledgeable marketers, thereby enabling the firm to respond more effectively to market changes.

Although earlier work by Kohli et al (1993pp.1-18) argue that specialization may be related negatively to firm's innovative behaviour, the preponderance of evidence supports the paradigm that more specialized organizations are more adaptive. (Tay and Morgan, 2002pp.331-341); Walker and Ruekert, 1987pp.1-19).

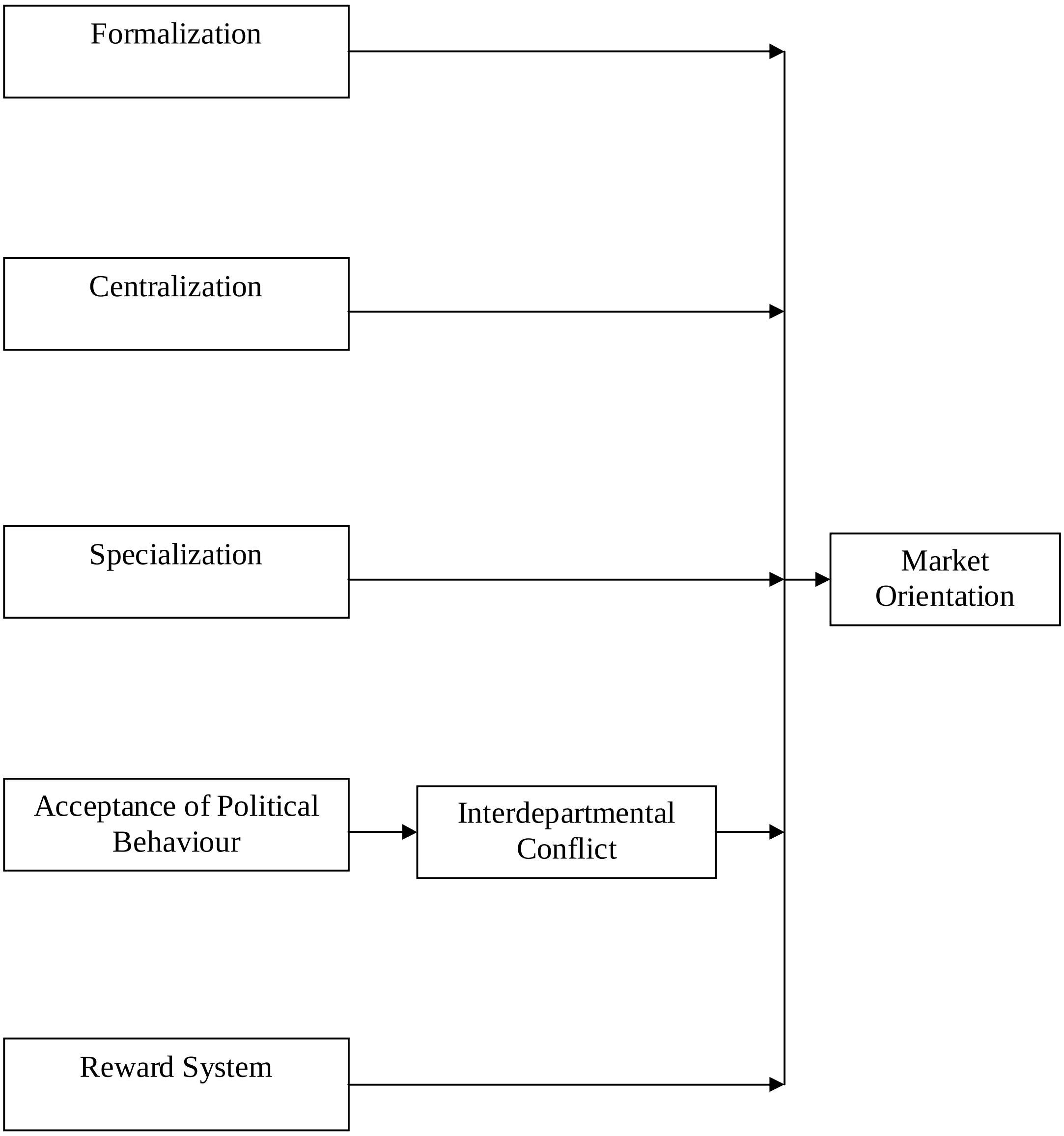
**4. Acceptance of Political Behaviour**

Political norm structure is a forth concept that has been brought into the organization wide characteristics of rims and has some relevance as the determinant of a market orientation. Porter et al (1981) sees political norm structure as the informal systems that reflect the extent to which members of an organization view political behaviour in the organization as being acceptable. Political behaviour consists of individuals' attempt to promote self-interests and threaten others interest. Kohli et al (1990pp.1-18) sharing this opinion posits that a highly politicized system may have the potential of engendering interdepartmental conflict, which is a threat to Market Orientation.

## 5. Reward System Orientation

The management literature reflects a history of work on measurement/rewards system (Harris and McCaffer 1995 and Webster, 1988pp.50-57) and their efforts on the attitudes and behaviour of employees (Dickman and Girard, 1995pp.3-17; Pinto and Kharbanda, 1995pp.45-55). Webster (1988) argues that the key to developing a market-driven, customer oriented business lies in how managers are evaluated and rewarded. He observes that if managers are evaluated primarily on the basis of short-term profitability and sales, they are likely to focus on these criteria to the neglect of such long term factors like customers satisfaction that ensure health of the organization. The findings of Pulendran et al (2000pp.119-143) show that reward systems are instrumental in shaping the behaviour of employees and the type of measurement and reward adopted. Webster (1988pp.50-57) postulates that a basic requirement for the development of a market-oriented firm is the creation of market-based measure of performance. He further reveals that this type of reward system significantly reduces, role conflicts and job ambiguity. By comparison Pulendran et al (2000pp.119-143) conclude that organizations that evaluate and administer reward based on customers satisfaction and service levels are more likely to encourage the active generation and dissemination of market intelligence and responsiveness to market needs.

**Fig. 4. ORGANIZATIONAL CHARACTERISTIC MARKET ORIENTATION**




Adapted from: Kohli and Jaworski "Market Orientation: the construct, research proposition, and managerial implication". Journal of Marketing, 54(2) (1990 p. 9); Pulendren et al "The Antecedents and consequences of Market Orientation in Australia." *The Australian Journal of Management*, 25(2) (2000), p. 123.

## 2.5 Consequences of Market Orientation

Tay and Morgan (2002pp.331-341) note that there has been substantial empirical evidence on the performance impact of market orientation. In more specific terms they observe a positive relationship between market orientation and business performance over a range of different industries and firms from previous studies. This gives credence to Jaworski and Kohli (1993pp.1-18) suggestion that a market orientation facilitates clarity of focus and vision in an organization strategy.

In the service sector Lado and Maydue-Olivares (1998pp.1-41) observe that market orientation may be an important determinant of innovation. Sharing this view, Atuahene-Gima (1996pp.275-293) notes that in services like Insurance and Banking, innovation success depends on the firm's market orientation, especially on its customers orientation. In the same vein Zeithaml et al (1988pp.35-48), opine that market orientation facilitates espirit de corps – a variable capable of reducing the gap between service quality. In addition to the proposition that market orientation facilitates business performance, the paradigm is expanded to include specific consideration of the marketing performance (Tay et al2002pp.331-341). Ruekert et al (1987pp.1-19) see business performance as a multifaceted phenomenon comprising aspects of firms' effectiveness, efficiency and adaptability, while on the other hand marketing performance is a measure of certain major activities performed by a firm and the outcome from the perception/assessment of the management (Kohli et al, 1990pp.1-18; Lado and Maydeu-Olivares, 1998pp.1-41 and Tay and Morgan, 2002pp.331-341).

**a. Moderators of Market Orientation-Performance Linkage**

With few exceptions, the literature tend to uphold the view that market orientation is a universally relevant concept in business (Deng and Dart, 1994; Fritz 1996; Greenley and Foxall, 1997pp.47-66; Jaworski et al 1993; Kohli et al, 1993pp.1-18; Narver and Slater, 1990pp.20-35; Pelham and have found a consistent positive relationship between the business degree of market orientation and their economic performance. However certain characteristics (factors) of a firm's environment are found to moderate the relationship between market orientation and performance (Kohli et al 1990pp.1-18; Jaworski and Kohli, 1993; Slater and Narver, 1994pp.20-35; Maydeu-Olivares and Lado, 1998pp.1-41, Tay and Morgan 2002pp.331-341).

The most consistently cited environmental factors includes;

i. Marketing turbulence

ii. Competitive intensity

iii. Technological innovation

Kohli et al (1990pp.1-18) explain market turbulence as the changes in the composition of customers and their preferences. The experience of two United States consumer (food) and products companies suggest that when an organization caters for a fixed set of customers with stable preferences, a market orientation is less likely to have effect on performance because little adjustment to the market mix is necessary to cater effectively to stable preferences of a given set of customers. In contrast, if the customers' sets or their preferences are less stable, there is a greater likelihood that the company's offerings will become a mismatch with customers needs over a period of time. An organization therefore must ascertain the changed preferences of customers and adjust it's offering to match them.

Competitive intensity as explained by Tay and Morgan (2002pp.331-341) is the degree to which a firm is strengthened by the multifaceted nature and vigour of the firm's principal industry. Kohli et al (1990pp.1-18) note that the degree of competition in an industry has a straight forward bearing on the importance of the market orientation. Since strong competition leads to several options to the customers, they contend that firm wishing to do well in the face of competition must monitor and respond to customer's changing need and preferences better than competitors.

Technological innovation is viewed as the rate of change or volatility via the entire process of transforming input to output and the delivery of those output to the end customer (Kohli et al 1990pp.1-18; Tay and Morgan, 2002pp.331-341). Kohli et al. 1993 express that in industries characterized by rapidly changing technology, a market orientation may not be as important as it is in technologically stable industries. Greenley (1995pp.47-56) supports this view that technological turbulence weakens the relationship between market orientation and performance especially where performance is measure against new product success.

In summary, although it is suggested that certain contingencies moderate the strength of the relationship between market orientation and performance, several empirical studies do not uphold this preposition (Kohli et al, 1993pp.1-18; Puledran et al., 2002pp.119-143; Tay and Morgan 2002pp.331-341). The authors conclude that the relationship between market orientation and business performance appears to be consistent across situations characterized by varying levels of the market turbulence, competitive intensity and technological innovation.

In adapting these important environmental moderators construct in a construction setting, Tay and Morgan (2002pp.331-341) modified these variables and refer to them as environmental hostility, competitive hostility and market dynamism.

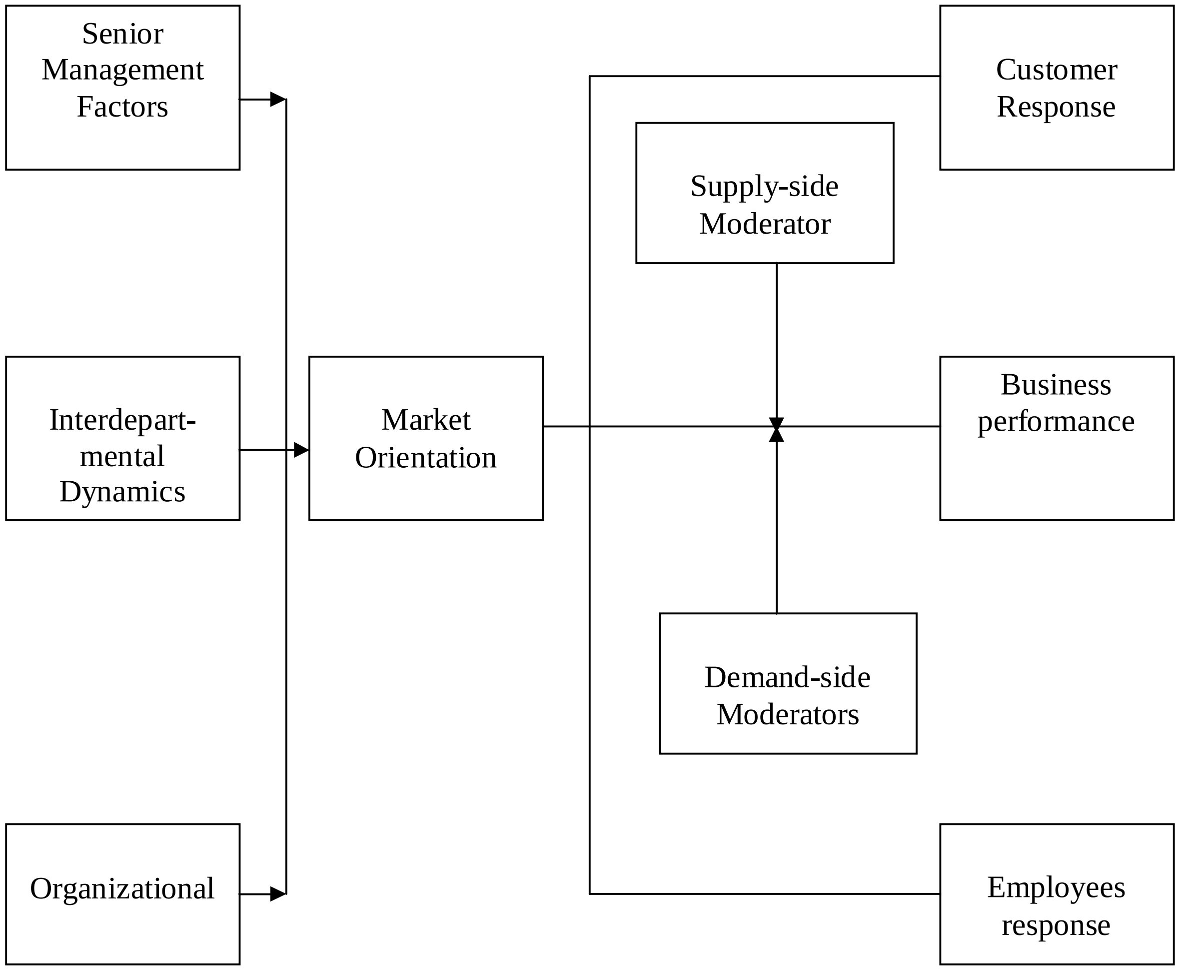
From the foregoing literatures (that is linking all propositions together), a one grand model (see figure 5) could be put forward to summarize the relationships in the antecedents and consequences of market orientation.

Tay and Morgan (2002pp.331-341) adapted and modified this model and suggested the version indicated in figure 6 which this study adopts for the purpose of testing the hypotheses in the relationship between the variables in this study.

## ANTECEDENTS AND CONSEQUENCES OF MARKET ORIENTATION

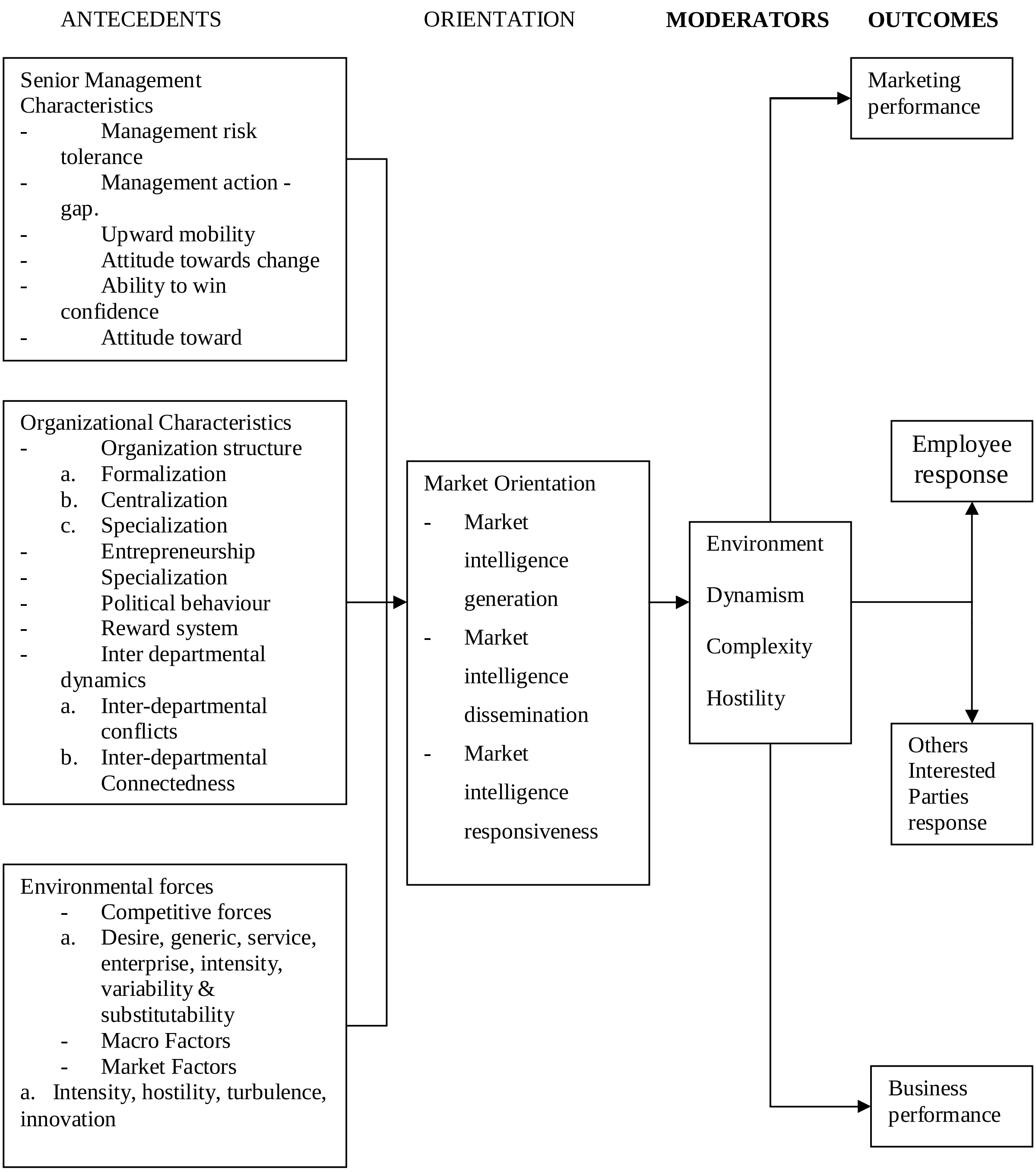
**Figure 5**

**Antecedents** **Market Orientation** **Moderators** **Consequences**




Source: Kohli and Jaworski "Market Orientation: the construct, research proposition, and managerial implications". Journal of Marketing,54(2)(1990 p. 8)

Figure 6 **The Imperatives and Consequences of Market Orientation**




Adapted from: Andreasen 1982, Unterman & Davis 1984, Hansler 1986, Kotler & Andreasen 1991, Hansler 1988, Schwartz 1989, Kohli & Jaworski 1990pp.1-18, Narver & Slater 1990pp.20-25 and Wood and Bhuian 1993.

### 2.5.1 Consumer Orientation

Consumer orientation in consumer market simply reflects the drive towards the identification, production and offering of consumer products that satisfy the needs and requirement of buyers.

The rationale, for such orientation derives from the marketing concept, which states that the consumer's wants and satisfaction is the economic and social more towards the identification, production and offering of consumer products that satisfy the needs and requirement of buyers.

The rationale, for such orientation derives from the marketing concept, which states that the consumer's wants and satisfaction is the economic and social justification of a company's existence (Stanton 1975p.33). Why is consumer orientation the consumer market? The question is pertinent, as firms will only adopt the business philosophy if it will help to further their profit interest or at least prevent them form failing in business.

Simply put, consumer orientation is one of the pillars of marketing concept. Writing on exchange relations, Kotler (1995p.6) defined the marketing concept as a management orientation that holds the key task of the organization to determine the needs and wants of target market and organization to delivering the desired satisfaction more effectively and efficiently than its competitors. The requirements of the marketing concept were identified by Kotler (1995p.6) to include;

Consumers can be grouped into different market segments depending on their needs and wants.

The consumers in any market segment will favour the offer of that organization which comes closest to satisfying their particular needs and wants.

The organization task is to research and choose target markets and develop effective offers and marketing programmes as the key to attracting and holding customers.

### 2.5.2 What Consumer Orientation Really Involves?

According to Levitt (1960pp.45-56) it involves marketing with the idea of satisfying the needs of the customer. Olusoga (1978) saw it as involving producing and selling only what consumer wants as well as ensuring that the customer is satisfied. To Kotler (1995p.6) it involves a continuous attention to the changing needs of customers and the development of new products with product modifications and services to meet these needs.

So, rather than creating or producing products and later hard-selling them to consumer, the marketer must first find out what the consumer needs/wants the over-riding goal of marketing. The knowledge of who the consumer is, helps the marketer in finding out why, what, when and how consumers buy and the array of factors which influence them. We see from all these view points that the objective of consumer orientation is the delivery of consumer satisfaction. That is why a renowned marketing scholar, Philip Kotler, advocates, “looking at business with the eye of the consumer”.

The societal and environmental concept preached that every businessman or organization owes an obligation to the society it operates. The concept calls upon marketers to balance company's profits, consumer wants satisfaction with society interests.

A quick look at the various concepts discussed, one can easily conclude that the concept mostly practiced by Nigeria markets is the selling concept. Most of them believe that consumers if left alone will not buy enough of their company's products, they therefore advertise and promote products just to dispose off company's goods without giving enlightenment to the consumers on the side effect of the excessive consumption of such products.

### 2.5.3 Consumer Behaviour

Talking about poor mass consumption of home-made products, major problem is inherent in the ostentatious life-style of the average Nigerian, particularly those in the elite class whose sharp taste for imported goods as instruments of class discrimination has diffused into the psyche of the rest of the populace particularly the youths. This unholy preference of the average Nigerian for foreign goods some of which in fact are inferior to home made goods has overrun the desired spirit of loyalty, patriotism and support for the nation and anything national. In this regard we have an attitudinal crusade to launch nationally.

### 2.5.4 The Consumer

All activities in any business must be focused on the consumer; any business unable to provide goods and services that will fulfill the needs and satisfy the wants of consumers has lost its prime reason for existence. It will not survive in a competitive environment. Consumers judge business performance and determine business destinies by the manner in which they, the consumers, exercise their purchasing power.

The term "Consumer behaviour" has been viewed from many vantage points by various authors. A consensus seems to be a mirage. The study of consumer behaviour as "those acts of individuals directly involved in obtaining and using economic goods and services, including the decision process that precede and determine those acts". This definition throws light to the subject matter, but does not give fuller meaning of the subject. However, Achumba (1996p.2) and William (1982) respectively seem to have wider acceptance.

Achumba (1996p.2) defined consumer behaviour as, "the activities people engage in actual or potential use of market items whether products, services, information or ideas". William (1982) defined consumer behaviour as, "all purchases related activities, thoughts and influences that occur before, during and after the purchase itself as performed by buyers and consumers of products and services and those who influence the purchase". The above definition embraces others and went further to include influences on the consumers.

The forces that influence the consumer are grouped into two: namely, psychological and environmental forces. The psychological forces consist of attitude, learning, perception, personality and self-concept. On the other hand, the environmental forces influencing the consumers comprise culture family, social class, group influence, economic; otherwise. Circumstances, socialization, education, promotional communication and price relationship.

### 2.5.5 The Concept of Made in Nigeria Goods

The explanation usually given for the ban on importation of goods borders on the protection of the indigenous industries and a check on the foreign exchange drain which unbridled importation of goods engenders. The aim is to force, albeit subtly, the consumers to patronize home made goods. How successful this aim has been achieved is very controversial depending on which side of the argument one finds oneself. But if the experience had during the made-in-Nigeria permanent exhibition of 1979 is anything to go by, then the government still has to find solution to the apparent aparthy towards home made goods.

The objective of the made-in-Nigeria exhibition was to “create a sense of awareness for the manufacturing industries in Nigeria so that their products could be patronized like those of advanced countries which are imported into the country”. (Abimbowo, 1979p.20) During the exhibition it was observed that people did not visit the site of exhibition.

What is responsible for this attitude of Nigerians towards goods made in the country? Has the nature of the products any part to play? Is it a case of prophet not being accepted in his home land?

Attitude is defined as the learned predisposition to respond in a favourable or unfavourable manner to any given attitude object. Attitudes refer to the stand an individual upholds and cherishes about objects, issues, persons, groups, or institutions. Having an attitude means that the individual is no longer neutral towards the referents of an attitude. He is for or against, positively inclined or negatively disposed in some degree toward them – not just momentarily, but in a lasting way, as long as the attitude in question is operative.

The problem of whether an individual will change his attitude depends on how he categorizes a communication and the communicator.

Made-in-Nigeria products can be classified into three groups namely:

(a) Goods transplanted into Nigeria. Examples are Coca Cola, Fanta, Guinness Stout.

(b) Goods adapted for Nigeria. Examples are Textiles and ready made garments.

(c) Indigenous products. Examples include native drinks, agricultural products and Akwete cloth.

Productivity, from the foregoing implies management of the relationship between quality and quantity to ensure better business performance. Literally, business performance may be defined as the degree of market-shareholding by a business. This shareholding, in today's knowledge-based economy, depends on the ability of a business to meet the quality requirements of the target market. It is a fact of business today, especially in a de-regulated economy such as ours, that no matter the price tagged to a certain quantity of goods, the goods cannot make the deal if their quality is below the Acceptable Quality Level in the target market.

Conformity of a business with Acceptable Quality Level (AQL) in a target market is, therefore, a guarantee that products do not come back to the supplier while the customers do. In essence quality is an economic undertaking aimed at building-up "competitive – business confidence" in today's' technology-driven markets. "Business confidence" is the ability of a business to meet the Acceptable Quality Level (AQL) of the target market. It is the measure of the extent of compliance with statutory normative and consensus documents, generally referred to as STANDARDS, which scientifically define product performance criteria for winning market shares.

### 2.5.6 Statutory Standards on Quality

Two types of statutory standards on quality are distinguished, viz:

- Quality control/product standards;
- Quality management system standards (ISO 9000 series).

These standards establish quality benchmarks/models aimed at optimizing economic benefits for all stakeholders. Published by recognized statutory national, regional and international standardization bodies, such as standards organization of Nigeria (SON), African Regional Organization for Standardization (ARSO) and International Organization for Standardization (ISO), Standards on quality constitute economic tools for the assessment of product and quality system performance. The Nigerian Industrial Standards (NIS), ARSO standards, ISO standards, IEC standards, Codex standards are published respectively, by Standards Organization of Nigeria. African Regional Organization for Standardization. (ARSO), International Organization for Standardization, International Electrochemical Commission, (IEC) Codex Alimentarius commission exemplify these normative documents.

Product standards and Quality Management system standards are complimentary but different. Product standards are peculiar to each country while quality management system standards are of universal application. As in the case of concept of quality, the methodologies for achieving quality also evolve in order to meet the dynamic customer expectations. Quality Assurance System Standards or Quality Assurance Standards evolved from product standards/quality control standards. Imbibing quality culture, which is synonymous with standards implementation to assure conformity. It is the key to improved product performance and therefore determines the standards of products made in any country.

### 2.5.7 Standards of Made in Nigeria Products

In general, determination of product quality/performance is through systematic conformity assessments using the relevant standards on the product. In the case of Made-In-Nigeria products, the conformity assessments are carried out with the relevant Nigeria Industrial Standards and/or quality management system standards. In Pursuance of this, the Standards organization of Nigeria has published in the various product fields, relevant Nigerian industrial standards and adopted in the form of )NIS) and ISO 9000 as the various ISO 9000 series of quality management system standards for use by manufacturers and services organizations.

Three types of quality assessments for products and quality systems are distinguished, namely:

- First party conformity audit (self assessments);
- Second party conformity audit (interested party assessment);
- Third party conformity audit (independent party assessment).

Standards Organization of Nigeria (SON) is a third party conformity assessment body, statutorily. The organization has thus established the necessary infrastructure for product and quality system assessments. These infrastructure are for the following:

- Standards development;
- Laboratory services;
- Routine product assessments through factory inspections;
- Third party certification (Voluntary);

- Perinorm services;
- Library services;
- Quality assurance training;
- Workshops/seminars;
- Surveillance and quality complaint investigations;
- Port operation
- Market survey and product registration etc.

Through these services Standards Organization of Nigeria (SON) has been able to discharge its statutory responsibilities which include the assurance to stakeholders that the performance of made-in-Nigeria products is continuously improving in added-value or quality. The incidence of product adulteration is being curbed and the consumers have become more quality conscious. Most of our local markets have also become consumers' markets rather than suppliers' markets. No doubt economic de-regulation with its inherent market/business competitiveness has contributed to this but the increase in patronage of made-in-Nigeria products relative to imported goods, by consumers is a positive indication of the gradual phasing out of the age long "preference for foreign goods mentality" by most Nigerian consumers. With increased application by manufacturers and services organizations for third party certification of products an quality systems the performance of various businesses in Nigeria will continue to compete effectively with imported goods.

As we are aware, quality is a relative term and the basis for comparism of made-in-Nigeria goods with imported goods should be, therefore, in relation to the degree of conformity of either goods with the relevant Nigerian industrial standards/Nigerian quality benchmarks. There is no denying the fact that in the recent past, ignorance and ego contributed to preference of imported goods to made-in-Nigeria goods by Nigerian consumers. During this era, most Nigerian importers colluded with some foreign exporters and flooded our markets with substandard goods to the detriment of the economy. Besides this, Standards Organization of Nigeria (SON) and other regulatory agencies were then, not fully involved in port operations. However, the situation is different. Quality awareness and bringing order or sanity in the importation business are assured today. Our economy should be better for this.

With the increasing awareness on quality issues by consumers coupled with the curbing of activities of the economic cankerworms, the stage is set for Nigerian business to effectively implement quality tools for better performance of their products in relation to imported goods. Better performance of goods is synonymous with acquiring competitive advantages.

### 2.5.8 The concept of "made-in-Nigeria Goods"

"Made-in-Nigeria" goods can be said to be goods manufactured in Nigeria by manufacturing companies based in Nigeria using mainly locally sourced materials.

From inception there have been goods locally processed or manufactured in Nigeria. However, these goods were given recognition in the early 60s when Aba based local entrepreneurs started imitating and producing shoes that could be compared with imported ones. It is also on record that prior to this breakthrough in entrepreneurship there has been resounding success in local art work e.g. the bronze work of the ancient Benin Kingdom, the fire works of the Awka craftsmen, the carvings of the ancient Oyo Empire etc.

Agriculture has been our main stay as a nation but proceeds from farm are primarily unprocessed staple food such as cassava, cocoa, palm products, etc. From the above, it can be said that the earliest effort of Nigerians on Micro industries was that of "made-in-Aba" products in early60s; little wonder then inferior and substandard goods of the 60s were tapped. "Aba-made goods". It was so until the 70s when the indigenization/ enterprises promotion decree of 1972 was promulgated. This decree saw Nigerians at the helm of affairs controlling multinational companies. These companies were producing goods that cannot be compared with that of their parent companies.

Consumers now saw the needs to differentiate products, thus the name "made-in-Nigeria" goods' came into being. As at today, all goods manufactured or processed in Nigeria are classified as "made-in-Nigeria" goods.

## 2.6 Export Market Problems and Prospect

Michelin has recorded success in the export of tyres made in Nigeria. When they began to explore the idea of exporting "made in Nigeria tyres" to other countries, they met with skeptical reactions from quarters where it is believed that "made in Nigeria" goods will not be acceptable on the international market.

However, they have succeeded because of the quality of their tyres. Currently they export truck tyres from Port Harcourt to South Africa, Morocco, Algeria, Egypt, and Lebanon, and Tanzania to name a few countries.

The Michelin's experience brings to light some important facts that the Nigerian business community must recognize:

1. To be truly competitive in today's business world a company must establish and/or maintain international standards. This is very important in the areas of
   a. Quality of products and services.
   b. Quality of men and materials.

2. A direct off-shoot of the first point is that a good quality product no matter where it is made will appeal to customers wherever they are. "Made in Nigeria" goods will sell anywhere, if they meet the quality standards and needs of the target customers.

However, in going forward, we must not fail to point out some areas of difficulty:

**b. Cumbersome Administrative Processes**

The logistics of actually getting the products to the country of export can be very cumbersome, because of the rigor, and the complex administration at our Nigerian Ports. This leads to failure in meeting the customers' delivery deadlines, which is unacceptable in international trade.

**c. Theft**

There are recorded cases of theft where the containers arrive the port of destination with fewer exported commodities.

**d. Multiple levies, high duties & tariffs.**

One major problem for manufacturers is the issue of multiple taxation and hidden costs of doing business. There are many levies/tariffs/indirect and direct taxes, all of which cumulatively place a heavy burden on manufacturers as they result in increased cost.

**e. Problem of Price Elasticity**

In reality, price elasticities vary according to the direction of price changes, a brand's price position, and the magnitude of the price change. Buyers, in general, are more sensitive to perceive price increases than to perceive price decreases. In practical terms, the difference in relative price elasticity between price increases and price decreases means its easier to lose sales from current buyers by increasing price than it is to win sales from new buyers by reducing price.

### f. Problems of Promotion

Researchers have made important advances in understanding both consumer and competitive response to advertising and promotion. Researchers have also quantified consumer response to promotion in terms of brand switching, repeat purchase, stock piling and consumption. (Ailawadi, and Neslin 1998pp.390-398; Bell, Chiana and Padmanabham 1999) and investigated the extent to which advertising attracts new users and retains loyal customers (Deighton, Henderson, and Neslin 1994).

A major problem inherent in marketing local products is inadequate advertisement. Alego, S. O. (1992pp.11-14) Review of related literatures suggest that most local footwear manufacturers depend on an advertisement and publicity to bring their products to the knowledge of consumers and to create the desire for their products. Empirical findings also suggest that personal selling and sales promotion are less common in marketing locally made products.

### g. Problem of product

Previous studies have shown that Nigerians have unfavourable attitude towards home made goods because of the perception that local made goods are inferior in quality to imported substitutes (Aire 1973pp.46-62, Kelegha et al 1983(unpublished)) Researches have also shown that poor product packaging negatively affects marketing home made goods. Sobowale, D. (1997pp.55-58). Simonson, I. (1993pp.68-84) Postulates that enhancing a product with a feature or premium that is of little or no value to many customers even without raising the price may actually decrease the popularity of that product.

It has however been confirmed that there is no correlation between income, age and education on one hand and the desire to buy home made goods, (Okechukwu et al 1983(unpublished)).

Product is defined as a set of tangible and intangible attributes including packaging, colour, price manufacturers' prestige, which the buyer may accept as offering want satisfaction, Stanton (1994).

**h. Problem of Distribution**

In recent years, distribution channels traditionally seen as "the economics dark continent and the neglected side of marketing" have received increased attention. According to one well-published study, wholesaler-distributor sales are expected to grow in real terms at faster than the economy through the mid 1990s, Author Anderson & Company (1993). Another empirical study found that only 24% of industrial marketers sell solely direct to end users, while 76% use some types of intermediary channels, McGraw-Hill Study (1985).

Researches have also shown that because most local firms in footwear industry are either small or medium scale enterprises, they lack the ability to effectively distribute their products, hence rely on agents and middlemen (Sobowale, D. 1997pp.55-58 and Saha, A.

K. 1983pp.13-17), both of them agree that a major problem facing local manufacturers is logistic problem. Indeed, studies have repeatedly found distinct absence of planning and evaluation procedures for channels decision, as a result, marketers responding to their organizations' internal structures and performance measurements, also tend to make distribution decisions on an incremental product-by-product basis, McVey, P. (1961).

Report on the sixth Nigerian Economic Summit (1999) also included logistics and transportation problems as factors that militate against the growth of marketing in Nigeria.

Distribution channel is the route taken by the title to the product as it moves from the producer to the ultimate consumer or industrial users, Stanton (1994pp.19-33).

## 2.7 Country of Origin Effects.

The literature in the field of international marketing supports the notion that information on the country-of-origin of products affects the decision-making process of both final consumers and industrial customers alike. Decision-makers may exhibit biases in that they either favour domestic products over imports or view imported products as better/worse than domestic ones simply based on their origin. Empirical studies indicate there are a number of underlying reasons for the impact of country-of-origin information, ranging from country stereotypes (positive and negative) playing a role in consumer product evaluation process to individuals' outright rejection of foreign-made goods because of their concern for the well-being of the local economy (Bilkey and Nes, 1982pp.80-99: Shimp and Sharma, 1987pp.280-289).

Research also showed that when consumers are asked directly how they feel about products from a specific country they may express very positive views, yet in the context of actual purchasing decision process they do not act consistently with these positions. Empirical studies from various international markets indicate that under normal supply/demand conditions in the market (when a wide range of domestic and foreign-mode brands are available in any given product category), consumers will generally prefer domestic products. Primarily due to their patriotic feelings (Hon and Terpstra, 1988pp.235-256). Consequently, it is not only important how consumers perceive products of a specific country of origin (e.g. England) per se, but how domestic products are perceived relative to parallel imports within the same product category.

Although, national reputations for technological superiority, product quality, design and value naturally vary from country to country, consumers tend to generalise their attitudes and opinions across a wide range of products from a given country. This stereotyping may also result from the attitudes of the consumers towards the people of that country, familiarity with the country and its products, and the background of the consumers, such as their demographic characteristics and their cultural characteristics. Mass media, personal experiences and the views of national opinion leaders may also shape the reputation of a country as a producer.

Research has shown that in the developing countries for example, there exists a particularly strong bias against locally manufactured goods (Aire, 1973pp.46-62: Kalegha et al 1983(unpublished)). Other researches postulate that the degree of bias towards a range of products from the same country may be vastly different depending on the product under consideration (Hooley, Shipley & Krieger, 1988pp.67-76: Schooler, 1971pp.71-80: Wall & Heslop, 1986pp.27-36), or perceived quality (Okechukwu, 1994pp.5-19). Country of origin is usually communicated by the term “Made in (name of country)’.

## 2.8 Country of Origin Effects on Nigerian Consumer Choice

Buy domestic promotions in various countries often urge the citizens to help domestic workers whose jobs are threatened by imports. Federal government of Nigeria has made several moves towards ensuring that made-in Nigeria goods are promoted. Some of these moves paved way for the Nigerian Enterprises Promotion decree. This decree was mainly promulgated to ensure that foreign control over Nigerian economy was reduced. One of the plans was to encourage the purchase of domestic or locally made goods or the import - substitution strategy. The import -substitution strategy is a means of replacing imported goods with domestic alternatives. Instead of taking to importation, small-scale businesses were encouraged to produce goods locally, which can be used as replacement for the imported product. Import substitution may also include importation of component Parts and assembling them locally. Examples of import substitution industries in Nigeria include Volkswagen Assembly plant, Peugeot Automobile of Nigeria etc.

In the late 1970s, the apathy of local consumers towards products produced locally for the market knew no bounds with consumers preferring foreign products over and above the locally produced ones (Aire, 1973pp.46-62). The deregulation policies of the federal government following the Structural Adjustment Programme in the late 1980 ushered in the collapse of several local industries that could not face the onslaught from the deluge of imported products. Consequently, Nigeria became a trading rather than a production based economy. By 1995 with the tight economic situation experienced under Abacha regime, it became a little more difficult for the importation of finished goods into Nigeria as exchange rate hit the roof. ‘Elite consumers’ that had developed tasty appetite for foreign products suddenly became the leaders of the local ones. Nigeria once again unconsciously started shifting towards local production. Cottage industries started springing up in the areas of pure water packaging, food processing, cosmetics, textiles, shoes, etc., but now they are being discouraged and many are folding up. The advent of civilian administration caused national boarders to be wide open as free trade is embraced and products like peppermint, toothpaste, soaps, detergents are now being imported form Malaysia, Indonesia and India. The implication of this is that the attitude of Nigerians toward locally made goods will again be lowered.

As noted earlier, past studies (Aire, 1973pp.46-62;Kalegha et al 1983(unpublished): Okechukwu and Onyema, (1999pp.611-622) had revealed that the Nigerian consumers possessed a negative attitude towards made-in-Nigeria goods. Okechukwu and Onyema (1999pp.611-622) showed that Nigerian made goods (cars and TV.) were rated lowest by Nigerians when compared with alternatives from overseas (Germany, Japan and South Korea). Following this finding, there have been serious moves by the government to reverse the situation, It mounted buy domestic campaigns aimed at persuading the citizenry to look inwards to solve their problems and buy domestic goods. They stressed that buying foreign goods will endanger the livelihood of domestic workers. Many other cues are being employed to motivate purchasers to select domestic in place of imports.

### 2.9 Inward-Looking In Nigerian Consumer Choice

Buy domestic goods campaigns are attempts to persuade consumers to prefer goods that are produced in their own country. In this study, we analysed the tendency for individuals to look inward for the solution of their basic economic problems within the framework of "Consumer Ethnocentrism."

### 2.10 The Consumer Ethnocentrism Concept

The term "ethnocentrism" stems from a more general concept developed by Sumner in 1906. In the beginning, ethnocentrism was a purely sociological construct, describing in-group vs. out-group conflicts. Sumner defines ethnocentrism as: "The view of things in which one's group is the center of everything, and others are scaled and rated with reference to it. Each group nourishes its own pride and vanity, boasts itself superiority, exalts its own divinities and looks with contempt on outsiders" (Sumner, 1906).

Later studies dealt with ethnocentrism as a psychological construct, describing the tendency of an individual to identify strongly with her own in-group and culture, the tendency to reject out-group or the tendency to view any economic, political, or social event only from the point of the in-group. Psychologist Donald Campbell and his associates (Brewer & Campbell, 1976; Campbell & LeVine, 1968] have shown that all people have tendencies to:

- Define what goes on in their own cultures as “natural” and “correct” and what goes on in other cultures as “unnatural” and incorrect”:
- Perceive in-group customs as universally valid; that is, what is good for us is good for everybody: think that in-group norms, roles, and values are
- obviously correct:
- Believe that it is natural to help and cooperate with members of one’s in-group;
- Act in ways that favor the in-group;
- Feel proud of the in-group: and
- Feel hostile toward out-groups.

Lately, much emphasis has been placed on the investigation of “consumer ethnocentrism,” the first attempt to transfer and use the socio-psychological concept of ethnocentrism in a business context. Based on the individual point of view of supporting the domestic economy by favoring domestic products over foreign products, consumer ethnocentrism expresses the wish to contribute to economic growth, and thus the domestic political, social, and economic welfare. Shimp, Sharma, Shin (1995pp.280-289) state the characteristics of consumer ethnocentrism as follows:

- Consumer ethnocentrism results from the love and concern for one's own country and the fear of loosing control of one's economic interest as the result of the harmful effects that imports may have on one and countrymen.

- It contains the intention of willingness not to purchase foreign products. For ethnocentric consumers, buying foreign products is not only an economic issue but also a moral problem. This moral aspect causes consumers to purchase domestic products even though, in extreme cases, the quality is below that of imports. Not buying foreign imports is good, appropriate, desirable, and patriotic; buying them is bad, inappropriate, undesirable, and irresponsible.

- It refers to a personal level of prejudices against imports, although it may be assumed that the overall level of consumer ethnocentricity in a social system is the aggregation of individual tendencies.

Up to now consumer ethnocentrism is the only extension of the general ethnocentrism concept. The focus is on patterns of attitudes that might hamper the marketing and acceptance of home-made goods from a consumer's point of view. As with the consumer ethnocentrism concept, it should be possible to develop specific concepts of ethnocentrism for different consumer profiles. Using such specific ethnocentrism concepts, more refined insights for marketing strategy formulation to promote buy domestic products may be gained.

We therefore propose that, in order to capture the full frame of restrictions, which undermine favourable dispositions towards local businesses, other special ethnocentrism concepts should also be investigated. The concepts include:

### 2.11 Nationalism, Salience, Cost, and State of Economy.

Exploration of the concepts associated with consumer ethnocentricity and the impact of the country-of-origin dynamics in consumer evaluation appears meaningful in Nigerian development at this point in time. It is believed, however, that the intensity of foreign competition may cause a concern on the part of the citizens with respect to the overall quality of their lives, threats to their job security, the welfare of domestic industries, inflation, etc.

Furthermore, one’s attitudes towards his country are more complex than early analyses of ethnocentrism have suggested; different types of favourable attitudes towards one’s country are not necessarily associated with negative ones towards other countries. Similarly, it appears plausible that a favourable bias towards domestic products may not necessarily imply a negative one for imported products.

Based on the conceptual background described above, the reported profile of made-in-Nigeria goods, and knowledge of the existing socio-economic realities of the country, we expantiate on the following constructs and propose accordingly that.

- T*here is no significant difference between the past and present profile of made-in-Nigeria textiles.*

*Consumer Ethnocentrism* The construct of consumer ethnocentrism was developed as an economic form of ethnocentrism and encompasses issues such as:
Ones fear of economically harming his/her beloved country by buying foreign products: the morality of buying imported products: and a personal prejudice against imports (Sharma et al. 1995). Shimp and Sharma (1987pp.280-289) developed a multi-item scale to capture consumer ethnocentric tendencies (the CET5CALE) and showed that consumer ethnocentrism explains why consumers prefer domestic over imported products (even when the latter are cheaper and their quality is evidently better); such ethnocentric tendencies also make consumers overrate domestic products and underrate imported ones. Herche (1992pp.261-264) showed that consumer ethnocentrism can predict (with varying precision across product-categories) consumers' preferences to buy or own domestic as opposed to foreign products. Importantly, he demonstrated that ethnocentric tendencies are better predictors of import purchase behaviour than demographic and marketing mix variables (Herche, 1992pp.261-264, 1994pp.4-16). We therefore propose that:

- *The more ethnocentric the individual, the higher his/her satisfaction with made-in-Nigeria textiles.*

*Nationalism* is a deep-seated, prejudicial belief. It is a value that views the home nation as distinct and superior to other nations (Granzin & Painter, 2001pp.73-96). It places the home country and its status first. Feshbach, (1990pp.183-198) showed that nationalism is associated with a competitive militaristic view of the world. It is reasonable, thus, to anticipate that consumers who are overwhelmed by feelings of national superiority are likely to see imported products as inferior to the domestic ones. Furthermore, nationalists' obsession with national dominance and, subsequently, economic dominance [Kosterman and Feshbach, 1989pp.257-274] is likely to lead them to buy domestic products (in order to strengthen local industry) and/or boycott buying imported products (to avert possible economic dominance by a foreign country)'. Thus, it is expected that:

- *The more nationalistic the individual, the higher his/her satisfaction with made-in-Nigeria textiles.*

*Salience* was defined as purchasers' perception that imports injure the domestic economy and its workers (Granzin & Painter, 2001pp.73-96). They noted the positions of Bar-Tal (1979pp.73-96) and Schwarz (1977pp.73-96) that helpers' (inward-looking citizens) arousal increases when the victims' (local manufacturers and workers) needs are clearer more prominent in the environment. They therefore maintained that the helpers' arousal should be greater to the extent that they identify with the victims who clearly need their help. Therefore:

- *The greater the salience in the individual, the higher his/her satisfaction with made-in-Nigeria textiles.*

*Costs* represent buyers' expected losses from buying domestic goods. These costs includes: i) the out-of-pocket and opportunity costs that helpers incure because of time, money, and effort they spend: ii) their psychological distress:

and iii) the social sanctions they suffer. Drawing from the country of origin literature, Granzin and Painter (2001pp.73-96) conceived costs as buyers expected loss of quality from purchasing domestic rather than foreign products. Previous studies show that high perceived costs of buying domestic goods discourage people from assisting the local manufacturers and workers (Bleda et al. 1976pp.73-96: Swartz and Howard 1981pp.73-96). Consequently, it is proposed that:

- *The lower the perceived cost of buying by an individual the higher his/her satisfaction with made-in-Nigeria textiles.*

*State of the economy* is the tendency for the consumers to buy domestic products due to economic reasons. Such reasons include: i) non availability of the foreign substitutes, and/or ii) lack of funds due to a general recession in the economy. Extant Coo (country-of-Origin) literature has shown that consumers in developed countries tend to prefer products from their own country first and then in other developed countries than those from the developing countries (Jaffe and Martinez 1995pp.7-27: Okechukwu 1994pp.5-19: Wang and Lamb 1983). Specifically, Gruskin Report (1985) and Gallup (1985) showed that Americans prefer American-made goods to foreign goods. Wang and Lamb (1983pp.71-94) proposed a hierarchy of countries based on their level of economic development and showed that product from countries higher in the hierarchy. Okechukwu

(1994pp.5-19) found out that American, Canadian, German, and the Dutch consumers showed preference for goods produced in their own countries first, followed by brands from developed countries and lastly brands produced in less developed countries like Mexico and South Korea.

Further studies revealed that the preference for domestic products tend to be weaker in the economically underdeveloped countries. Levin (1993p.3) reported that Mexicans are crazy with American goods. Jaffe and Martinez (1995pp.7-27) found out that Mexicans have a poor perception of domestic products, rating American and Japanese household electronics products above Mexican brands. Back home, Nigerians has been found to have poor perception of domestic goods (Aire, 1973pp.46-62;Kalegha et al 1983,(unpublished) : Okechukwu and Onyema, 1999pp.611-622).

Given the state of the Nigerian economy, which had suffered recession over the years, we believe that consumers can be forced to make-do with the available domestic alternatives as a result of a non-availability of the foreign substitutes, and/or lack of funds due to the general recession in the economy.

Consequently, to find out the influence of non-availability of the foreign substitutes, and/or lack of funds due to a general recession in the economy on the Nigerian consumer choice, the following proposition is put forward:

- *The harder the individual/perceives the state of the economy, the higher his/her satisfaction with made-in-Nigeria textiles.*

2.12. **The State and Size of the Nigerian Textile Clothing Industry.**

Nigeria is the largest country in black Africa with a population forecast 150 million people broken into 36 states with Abuja as the capital. With this population and clothing being a basic need of life, it is evidently clear that Nigeria constitutes a very large market for clothing items – Textile Materials.

The Gross National Product (GNP) or GDP of Nigeria and the per capita income can without question sustain a vibrant textile industry to satisfy the domestic market and export if possible. Ironically, this is not the case.

In 1990, there were 175 textile factories operating in Nigeria but today we have 42 epileptic operators. Only 12 of these can boast of operating at 30% capacity. Among these, 4 textile factories produce embroidery lace materials as part of their product brands. This further establishes the inadequacy of the local supply of textile products in Nigeria.

For instance, over $760 million worth of embroidered lace materials/textiles exported from South-East Asian countries to sub-Saharan Africa annually, at least 75% pf this export is consumed in Nigeria. In other wards, Nigeria imports over $540 million worth of lace fabrics yearly. The Nigerian embroidery lace Co. Ltd. AF print Group Ltd., Bhojsons, Empec Industries Ltd and Kaduna Textile Mills, which are the major local producers of these products can not meet the demand, with an average annual output of

$281 million, when Nigeria annual demand estimate for embroidery lace alone totals $821.5 million. (Textile Watch, 6th Edition, May 2004).

In 1990, the Nigeria textile industry was the largest in Africa after Egypt and South Africa. The industry which currently accounts for less than 25% of manufacturing value added has gone through various phases of growth. In 1960s, the investment and savings policies induced steady growth which gave rise to an average of 12.5% growth rate in the 1970s. The recession of the early to mid 1980 dealt with the industry and took its toll. The cumulative Textile Production indeed (1972 – 2000) declined from 4271 to 171.1 in 1984 and 112.8 in 2003. The industry recovered in the late 1980's achieving an annual growth rate of about 67% between 1985 and 1991, with the embroidery lace alone accounting for about 20% of the recorded growth.

The industry was the largest employee of labour in the manufacturing sector within these periods. Capacity utilization integration programme embarked upon by many firms in the industry in compliance with the government policy issued on that in the mid 1980's was a positive contributing factor. Thus the level of domestic sourcing of raw materials witnessed a steady improvement from 52% in 1987, 57% in 1998 to 64% in 1991.

However, this improved performance was not universal among the firms in the industry. The embroidered lace Fabrics or textile had the reverse experiences. The few producers of lace textiles who were producing less than 20% of the total textile output in 1980 dropped to 12% in 1994 and less than 8% in 2003. This decline could be traced to the quality and quantity of the type of cotton used. For other types of textile production the level of local raw materials usage increased because they can be obtained locally while that of the lace material can only be imported.

As at May, 29th, 2003, the 42 Textile firms in Nigeria were operating 1,020345 spindles and 57,451 learns. This marginal output can only meet 32.5% of the annual domestic demand which still confirms that then is a large market for textile products in Nigeria. The textile exports constitutes less than 17 of Nigeria total exports despite the fact that Nigeria has a cotton based textile industry.

The Nigeria Textile Industry represents:

- A strategic non oil industry for Nigeria, though under developed but a potential investment and industrialization in sub-Saharan /African, size and population.
- The 3rd largest textile industry, in Africa after Egypt and South Africa.
- The world largest but singular consumer of lace products of annual demand of about 32.8% of the global output
- On replacement basis, the present installed textile manufacturing capacity in Nigeria, represents & 3 billion investment.
- Although operating at about 25% capacity in 2003 the current production output is approximately $281.25 million.

In the year 2000, Nigeria Textile Industry produced about 500 million meters of all types of fabrics. In 2002 they produced 72% of the West African, production, with the embroidered lace contributing only 12% (World Trade Organization Annual Bulletin 2003).

The breakdown of the brand, annual domestic demand and market share index are illustrated below:

**Table 1: Breakdown of the annual domestic demand and market share etc**

| Brand Name | Estimated annual o\domestic supply ₦ Million | Estimated Annual Domestic DD ₦ Million | % | Market Potential |
|---|---|---|---|---|
| Linen | 2,534,000 | 4,345,00 | 58.3 | 41.7 |
| Bed sheet | 5,568,025 | 12,788235 | 43.5 | 56..5 |
| Tavefarvoile lace | 6,342,098 | 35,263,137 | 17.9 | 82.1 |
| Printed & voile-babyba | 14,357,043 | 44,865,759 | 32.0 | 68.0 |
| Other laces | 10,234,643 | 46,651,270 | 22.9 | 77.0 |
| After textiles | 9,975,437 | 35,626,561 | 28.0 | 72.0 |
| After Textiles | 11,737,234 | 34,491,864 | 34.0 | 66.0 |

**Source: ELDAs, NTMA (Periodic Review of 1999 – 2004.**

The state of Nigeria Textile clothing market can further be appreciated from the export/import statistics of the major brands as illustrated below:

**Table 2: The State of Nigerian Textile clothing market from the export/import statistics view**

| Brand Category | Export/Import % | Marketing Movement Index From 1998 - 2002 |
|---|---|---|
| African Prints | -40 | Export Dropped |
| Suiting and shirting | -42 | Export Dropped |
| Cotton yarn | -20 | Export Dropped |
| All textile | +100 | Import rose From 416mn meters to 800 mn meters. |
| African prints | +840 | Import rose From 16mn meters to 150 mn meters. |

Source: (Secretariat of Manufacturers Association of Nigeria).

Despite the fact, that Nigeria has favourable trade agreements, its exports declined whilst imports increased dramatically leading to a situation that the Nigerian textile industry has a market share study about 34% in the home market, a market share of only 34.2% of the domestic market, it is evidently clear that Nigeria textile product market constitutes a promising potential market. However, it is imperative to identity these factors that are responsible for the low acceptance of Nigeria locally or domestic manufacturer textile products.

Definitely, Nigeria has many of the prerequisites, needed for developing a successful textile and clothing industry. It has a huge growing domestic demand, availability of well priced raw material, huge population of young and relatively skilled labour force and a well established tradition in textiles. The evidence of this is provided by the existence, in every textile sub-sector, of companies that market the highest world standards. Unfortunately, these companies are strained by a number of factors.

**2.13 Table 3: The Nigerian Textile Industry in a Nutshell.**

This is what Nigerian textile industry looks like in a nutshell.

Installed capacities

| | | | |
|---|---|---|---|
| Spinning | | Weaving | |
| Ring spinning | 810,000 | Shuttle less looms: | 2,640 |
| OE rotous: | 26,000 | Shuttle looms: | 16,840 |

Mills in Operations 50 mills

**Mills in Operation:** Equity ownership and management varies from 100% Nigerian owned and managed to 100% foreign owned and managed (by Asian and Lebanese owners). The majority of the mills have been created through direct foreign investment.

**Employment:** At present, the sector employs directly about 57,000 persons.

**Size of the Industry in the Sub-Saharan Context:** Nigeria's installed short stapling spinning capacity has a share of 24%, open and spinning of 31% of the sub-Saharan installed capacity. In shuttleless loom, Nigerian's share is 35%, in shuttle looms, it is 29%.

**Production:** In the year 2000, Nigeria produced about 500mn 1m of al types of fabrics. Nigerian fabric production in the year 2002, represented 72% of the African production.

**Production Focus:** the textile industry primarily produces African prints both in real wax and imitation wax prints. The sector is characterized by little product differentiation in as much that one cotton substrate in a standard construction is printed.

**Product: "**Traditional African Prints, colour ways and designs do not show big variation between companies. The background colours are in deep and bright shades. The finished width of the fabric is for all prints is 46." The sewing operation by local tailor shops.

**Competition:** The competitive intensity is high, since Nigerian companies produce a product which allows little product diversification.

**Product Presentation:** Prints are offered in 6 or 12 yard prices which are labeled or sellophaise wrapped for the clients, brands and names are printed on the sehedge of the price. Some description are misleading such as super wax, made as wax, London wax.

**Specific Product Requirements:** The product can only be offered with a real sehedge which can be produced only by the outdated, low speed shuttle technology or with a ticket in sehedge as produced by the sulzer projectile looms.

**Markets:** Prints are namely sold in the domestic markets, some of the companies export also to the ECOWAS and CEMAC countries. Some companies have wholesale distributors and others sell directly to the final point of sale.

**Export:** Direct exports to the EU are namely in the form of yarn. Some suiting and shirting materials are also exported. It is however estimated that more than 50% of the APS and way production are exported to ECOWAS and CEMAC countries.

**Size and Degree of Integration:** Almost all the Nigerian companies which are in operation have a size which offers economy of scale. There are only a few stand alone opining operations. Most of the companies are integrated with spinning weaving – processing.

**Cotton:** Nigerian cotton has a medium staple of length which is not only suited for printed fabrics but also for many fabrics which could be made into garments if the cotton is not contaminated.

**Polyester:** Fabric and filaments are produced at about a rate of 25,000 toms/year (50% of capacity).

**Major Cost Drivers for the Sector:** The major cost drivers in a textile industry include:

- The cost of cotton
- The cost of power
- The cost of labour
- The cost of dye stuffs and chemicals
- The cost of capital

These major cost drivers will be compared with what obtained in other countries later.

**Spread of Textile Activities in Nigeria**

Textile activities are widespread in Nigeria. Nigeria has the most important printing industry in West Africa. Nigeria dominates the market with more them 75% production. The printed fabrics products in West Africa is concentrated in ten countries and is estimated to have a volume of approximately 700 million linear meters per year.

**Table 4: Fabric Production in West Africa in 2002**

| Type of Products | Super Prints | Wax Prints | others Textiles | Total | % |
|---|---|---|---|---|---|
| Nigeria | 160 | 180 | 160 | 500 | 71.4% |
| Benin | 4 | 0 | 16 | 20 | 2.9% |
| Togo | 6 | 0 | 0 | 6 | 0.9% |
| Ghana | 20 | 20 | 15 | 55 | 7.9% |
| Ivory Coast | 15 | 20 | 25 | 60 | 8.6% |
| Mali | 10 | 0 | 5 | 15 | 2.1% |
| Burkina | 6 | 0 | 0 | 6 | 0.9% |
| Cameroon | 10 | 0 | 2 | 12 | 1.75 |
| Senegal | 12 | 0 | 8 | 20 | 2.9% |
| Total | 249 | 220 | 231 | 700 | |

**Source:** Gharzi Research 2003

### 2.14 The Inhibiting Factors to Industry Growth

The uncertainty in the home markets of the Nigerian textile industry can also be illustrated by the fact that the industry has not participated in the recent global trends, which all the successful textile countries follow. The global trends to show that major textile producing countries offer a wide range of fabrics, which on the other hand gives a certain degree of protection to the industry. Production facilitates are relocated to selected low cost locations to remain competitive.

There is increased recognition of the importance of garments in the textile value chain as well as the importance of technical textiles. There is also huge world export markets for cotton yarn, gray fabric, processes fabric and made ups to the extent that total export market in US dollars is about $31 billion per year.

Constantly, Nigeria products is almost a mono-product industry which can easily be attacked with the import of one product only (African prints). Nigeria does not participate in world production allocation, even after the opportunity offered by AGOA. There is particularly no garment industry, therefore there is no demand for fabrics from Nigerian textile industry other than African Prints. Nigerian exports for cotton yarn has dropped to 4000 matres. (US dollars 10million).

- Gray fabric No
- Processed fabric – ECOWAS
- Made ups – No
- Garments – No
- Polyester – 800M + (Us dollars 6 million)

It is evidently clear that practically no dyed fabrics other than African prints are exported by Nigeria to other African countries while such high value added products as made ups and garments are missing in Nigerian exports.

**Nigerians Competitive Position**

When we bench mark a number of Nigerian input cost factors with a number of other countries of the same status with which Nigeria competitors such as Indian, South Africa, Indonesian, China, Pakistan and Kenya, it becomes evident that Nigeria has very high costs for the most important inputs as power, water, stream and labour.

**Labour:** Despite Nigeria's teaming population and high level of unemployment, the average hourly cost of wages including the social change are very much above the level paid in other reference countries. When coupled with the relatively low labour productivity, it becomes clear that Nigerian labour costs in addition to the other input costs adversely affect the competitive positioning of Nigerian textile industry.

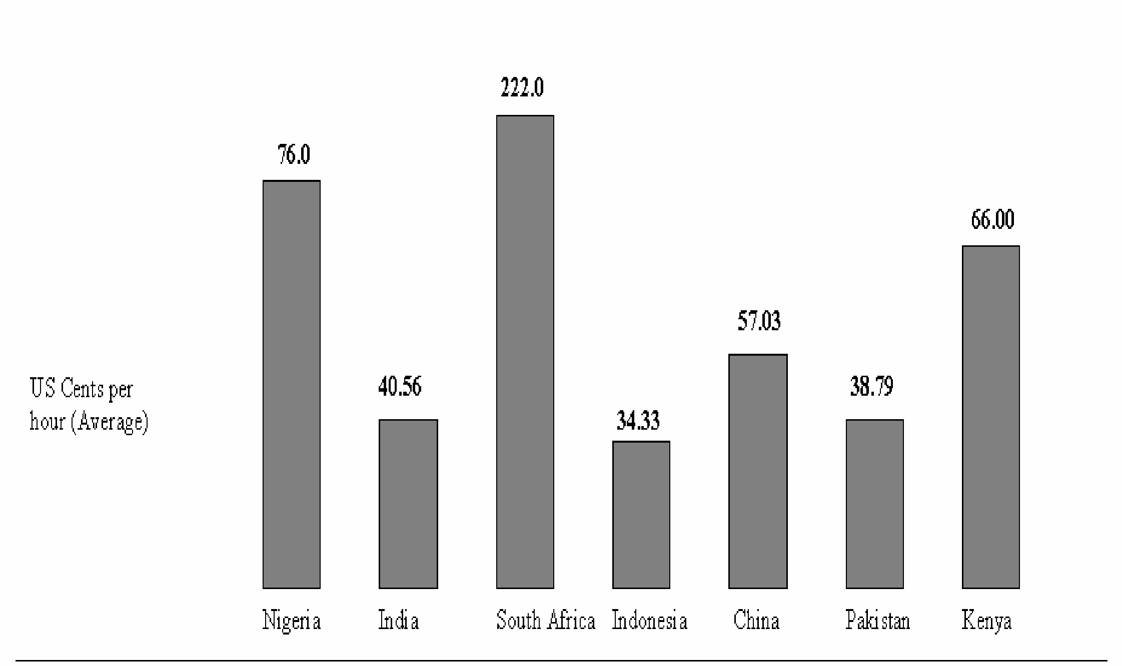
Several factors surround but labour cost and productivity which need to be highlighted.

- Cost of labour has risen strongly in recent year and the textile industry is now bound by national union agreements on textile workers remuneration and conditions. These conditions limit operatives working hours to 40 per week with hefty overtime premiums for additional Saturday and Sunday working. These conditions mean in effect that almost all textile companies only work a 3-shift system for 5 days per week (Monday – Friday). Overtime pay is used to cover additional hours on Saturday and Sunday. The Sunday take-up is usually low at around 50% - 60% turnout. This is quite unique for a developing country. in all major textile producing countries employees work for 7 days a week on a 4 shift basis without overtime payment.
- The average hourly cost of a textile worker in Nigeria, including overtime premiums is around 0.76 US $/h. This cost is already above the level paid by many textile-producing regions, and when coupled with the relatively low levels Currency of Technology.

- of local labour productivity, means that labour unit costs in Nigeria are internationally uncompetitive.

**Table 5: Factor Cost – Labour (US Cents / hour) (2002)**

| Cost parameter | Nigeria | India | South Africa | Indonesia | China | Pakistan | Kenya |
|---|---|---|---|---|---|---|---|
| Labour wages including all benefits (Range) US Cents per hour | 64.0 – 88.0 | 28.2 – 53.89 | 222.0 | 30.08-42.67 | 43.85-75.87 | 38.79 | 62.2-70.0 |

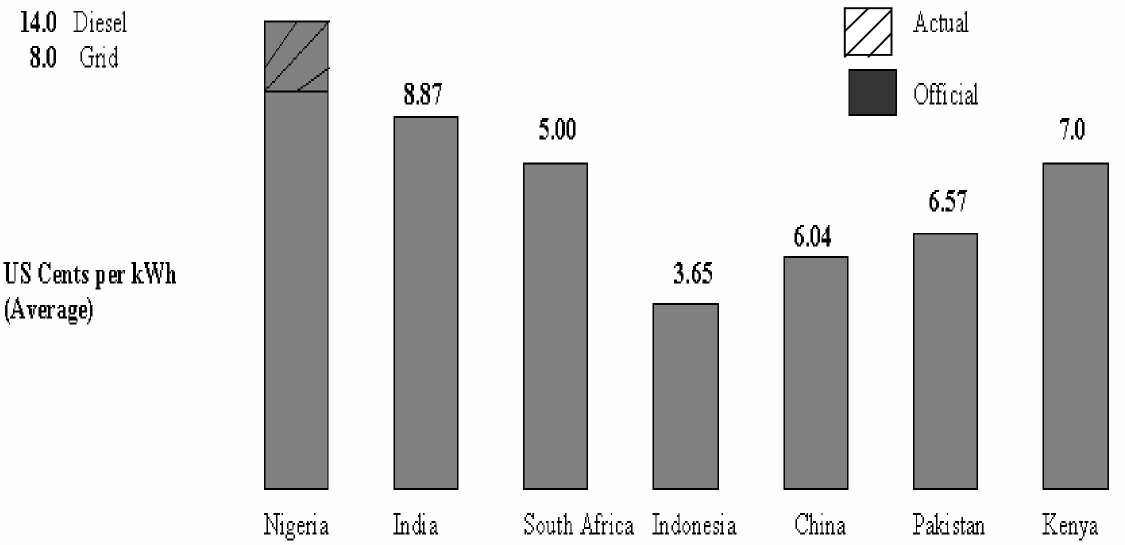



**Source:** gharza research 2003

**Factor Cost Power:** In Nigeria, grid electricity is available only through the state monopoly provider NEPA and it costs around N9.5 to N10.5 per kWh on an average. Companies usually have partially or completely to rely on their own power generators. With the current incessant high prices, diesel generating electricity costs more than 14 US cents per kWh. It can be seen that Nigeria has the highest power cost in comparison with the other reference countries. For an oil producing country, this is an aberration and an intolerable situation.

**Table 6: Factor Cost – Power (US Cents Per kWh) (2000)**

| Cost parameter | Nigeria | India | South Africa | Indonesia | China | Pakistan | Kenya |
|---|---|---|---|---|---|---|---|
| Power cost (Range) | 8 (grid) | 5.83 – 10.42 | 4.0 – 5.2 | 3.00 – 4.00 | 4.66 – 7.96 | 6.50 – 6.75 | 6.0 – 8.0 |
| (Source of power) | 14 – Diesel | (Grid) | (Grid) | (Grid) | (Grid) | (Grid) | (Grid) |

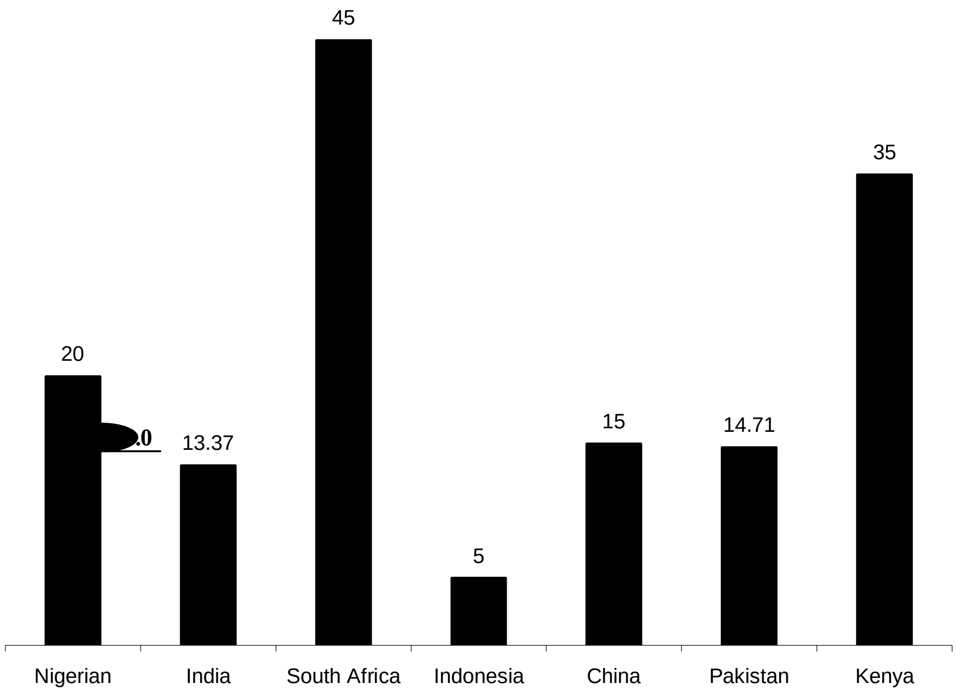



**Source**: gharza research 2003

**Water:** There is water everywhere in Nigeria, yet water is not available to the industry at attractive rates especially in the North where raw water has to be supplied by tankers to some of t he mills and can cost as much as 20 cents $1m^3$

**Table 7: Factor Cost – Raw Water (US Cents Per m3) (2002)**

| Cost parameter | Nigeria | India | South Africa | Indonesia | China | Pakistan | Kenya |
|---|---|---|---|---|---|---|---|
| Raw Water US Cents per $m^3$ | 15.0 from wells 20.0 from Tanker | 13.37 | 45.00 | Ground water 5.0 | 15.00 | 14.71 | 35.0 |

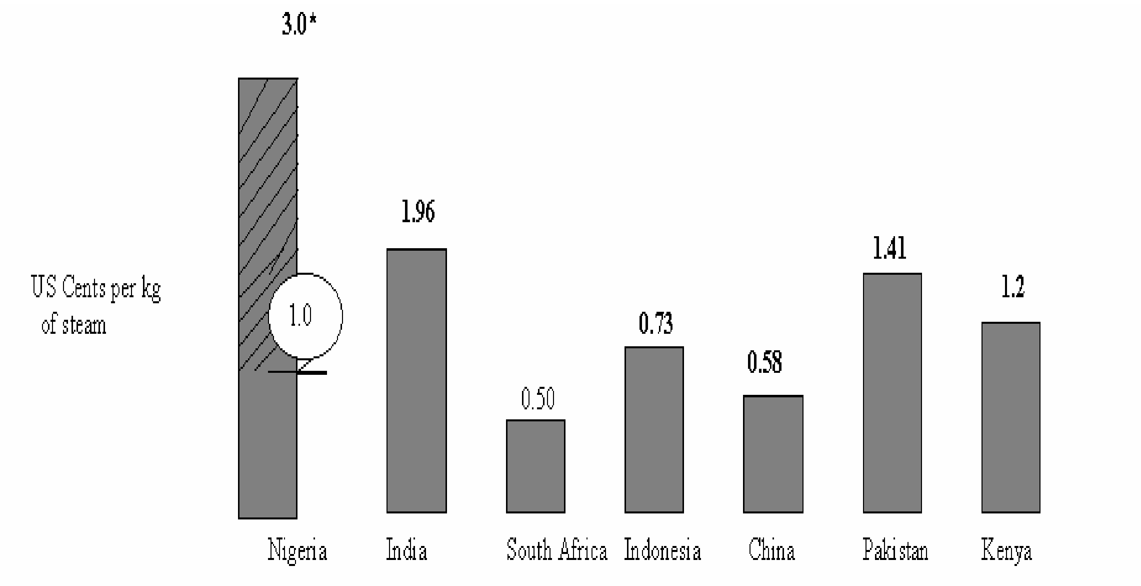



Source: gharza research 2003

**Steam:** At the local official fuel oil price of N12 – N13 per litre, Nigerian steam costs around 1.0 cents 1kg. In Kano, at fuel oil price of N40 per litre, the price as around 3.0 cents 1kg. Again the cost compares unfavourably with other reference countries like South Africa (0.50 cent) Indonesia (0.70 cent) China (0.58 cent).

**Table 8: Factor Cost – Steam (US Cents Per kg of Steam) (2002)**

| Cost parameter | Nigeria | India | South Africa | Indonesia | China | Pakistan | Kenya |
|---|---|---|---|---|---|---|---|
| Us Cents per kg of steam | 1.0 – 3.0 | 1.96 | 0.50 | 0.73 | 0.58 | 1.41 | 1.2 |
| Fuel | Furnace Oil | Furnace oil | Furnace oil | Furnace oil | Coal | Furnace oil | Furnace oil |




**Source**: gharza research 2003

**Currency of Technology**

Going by the level of technology which is indicated by the age of technology which is installed in a country, that of Nigeria is very low. When that of India and China range from 38, 29 to 74, 69% respectively for spindle and shuttles looms. For spindles and shuttles looms, Nigeria scores miserable 3.8 and 8%.

When other countries have from 3% to 18% special funds available for technology up gradations, Nigeria has no such funds.

See table 9: for the level of technology, which is indicated by the age of the machinery. For Nigerian it is very low compared with other countries

## Table 9: Age of Machinery Installed 10 years and less than 10 years

| Cost parameter | Nigeria | India | South Africa | Indonesia | China | Pakistan | Kenya |
|---|---|---|---|---|---|---|---|
| Ring Spinning Spindles < 10 years | 3.6% | 29% | 17% | 39% | 38% | 16% | 14% |
| OE Rotor < 10 Years | 28% | 35% | 34% | 91% | 28% | 6% | 0% |
| % of shuttleless looms in total loom populations | 15.6% | 0.62% | 10.42% | 80% | 9.30% | 6.15% | 15.2% |
| Shuttleless looms <10 years | 8% | 69% | 36% | 93% | 7.4% | 29% | 16% |

Source Gharza research 2003

**Cost Fuel of Oils:**

- Heavy furnace oil is used by most companies as the primary fuel for steam generation. At the local official oil price of 12 – 13 Naira/litre local steam costs are around 10US $ per ton of steam.
- However, in the Lagos area at the time of the field visits the market price for furnace oil was around 25 Naira/litre meaning the actual cost of steam generation was around 20 US $ per ton of steam, which is high by international standards.
- In Kano, where there was an acute shortage of this fuel, the price had risen to 39 – 40 Naira/litre giving a very high international steam cost of almost 39 US $/ton.
- These prices have changed since 2003

**Cost of Cotton:**

- Cotton prices in Nigeria, in common with the international situation, have risen sharply over the last year.
- Prices paid in 2003 for ungraded Nigerian cotton bought in the local market ranged from 140 – 155 Naira per KG of cotton lint. (50 – 55 cents/LBS).
- At these levels and taking account of the ungraded nature of the available cotton textile manufacturers do not enjoy any local cotton price advantage anymore.

**Dyes and Chemicals:**

- Reactive dyes attract at present a 20% duty, which is very high. To bring it to a level of 5% would make it be globally competitive.

**Working Capital:**

- In textiles production generally the working capital cycle can be quite long. In Nigeria however, the cycle is much longer than elsewhere.
- Firstly producers have to buy the cotton crop for cash usually before it is even harvested in order to ensure supplies. Since there is only one crop per season (November – February) producers also have to buy up the entire years supply during this period and hold stocks for up to 7 months.
- When selling the yarns and fabrics, producers also have to extend credit to their customers of around 45 days. This means that working capital is turned-over only between 1.5 – 2.0 times per year.
- In other countries cotton is often bought on generous credit terms and supplies can be secured in the local Spot Market significantly reducing working capital needs.

**Cost of Finance:**

- The problem of a long working capital cycle is made much worse in Nigeria by the cost of short-term financing. This costs from 20.5% per year and upwards.
- This adds very significantly to producer costs and places Nigeria at a competitive disadvantage against textile producers elsewhere in the world who enjoy much lower working capital needs and cheap finance to fulfill their needs.
- Many companies also stated that banks impose many additional handling and bank charges, which significantly increases the cost of capital even further.

**Long Term Loans:**

- A curious feature of the banking system in Nigeria is the fact that there is a total absence of Long-Term funding available to manufacturers from local banks.
- Most loans available are for less than 12 months, with only the top companies occasionally being offered loan facilities for up to 3 years.
- Most textile machinery has a service life of at least 10 years and internationally is usually financed with loans of more than 5 years duration.
- Such loans as are available in Nigeria are again offered at interest rates of 20.5% and upwards making it prohibitively expensive to invest other than by using ones own equity.
- This is a key factor for the long-term under-investment that is evident in many companies. The very poor local market environment coupled with prohibitively expensive bank financing has deterred many companies from making critical investments, which would improve their productivity and costs as a result, such companies are becoming progressively less competitive.

**Cost of Capital:** The cost of short-term borrowing in Nigeria at the present rate of 28 to 30% is a major international cost disadvantage for the Nigerian textile industry.

## Table 10: Financial Cost – Interest, Depreciation and Inflation (2002)

| Cost parameter | Nigeria | India | South Africa | Indonesia | China | Pakistan | Kenya |
|---|---|---|---|---|---|---|---|
| Rate of interest on foreign currency long term loan | LIBOR + 2.5% | LIBOR + 2.5 – 3.0% | LIBOR + 3% | LIBOR +2.5% | 6% | 5 – 6% | LIBOR + 2.5 – 3% |
| Rate of interest on Local currency Long term loan | 12% long term 30% short term | 13 – 16% | 13.5% | 16 – 18% | 5.5% | 13 – 14% | 22% |
| Rate for Technology Upgradation | No special fund available | 7% | No special fund available | 16 – 18% | 3% | 13 – 14% | - |

Source Gharza research 2003

a. **Export Expansion Ground (EEG):** Apart under ECOWAS the exports have declined considerably over the year, the EEG is the most significant among the export incentive introduced by the federal government to encourage non oil exports and dramatically revise the situations.

Under the EEG financial assistant is provided to exporters of semi manufactured and manufactured products to enable them increase exports.

Nigeria should therefore leverage the forty percent EEG for export led new capacity building in the textile and garment sectors. The EEG should be a major attraction for new foreign investment.

To be meaningful and to build confidence with investors, the EEG should be available for a reasonable period and "set in stone" by means of legislation so that it can not changed by short term policy changing under any regime.

This approach will impress export credit agencies all over the world who enjoy support by way of interest subsidies which can be passed on to exporters to promote national exports.

Such subsidized interest rate will neutral competition between the home country of the exporters and the government sponsored competitor from another country who has an export credit at better than global market conditions.

Nigeria at present pays high rate for their export finance while compared with leading textile exporting countries.

**Rate of Export Finance in Leading Textile Exporting Countries.**

| Countries | Nigeria | China | India |
|---|---|---|---|
| Pre-shipment Financing 180 days (in local currency) | 17 – 18% | 5.5% | 7.5% |
| Post-shipment (in local currency) | 17 – 18% | 5.5% | 7.5% |

**Banking Sector Participation:**

- From discussions and experience, it is clear, that the banking sector in Nigeria is more focused on lending to traders and to certain preferred industrial sectors such as oil, telecommunications and food & drinks, than to textiles.
- Banks are certainly reducing their lending exposure to textile companies generally in Nigeria, and where they are lending preference is given to the larger textile producers who are seen by the banks as being the more secure investment.
- Smaller companies find it increasingly more difficult to secure adequate lending facilities from commercial banks, and probably have to pay a further risk premium on top of the already high lending rates quoted.
- Financial institutions should make credits available to industry at competitive rates for working capacity and long term financing.

## 2.15 Relevant Treaties to the Promotion of Textiles in Nigeria.

Nigeria is a party to many agreements and treaties which are designed to promote trade among the signatories. Amongst them are the Lome convention

This convention dates back to years of protracted negotiation on international trade which led to the signing of Lome I in 1975. Lome II in 1979 and Lome III in 1984. Treaty of Rome, set up the (EEC) European Economic Community in 1988 with six original members. The treaty states that "countries maintaining special/relationships with the community should become associated with the EEC".

This led to the signing of the convention of Yaounde, between the EEC and some African countries. When Britain joined the EEC in 1973, it was decided that it was necessary to enlarge the association to accommodate the common wealth nations. The convention of the new enlargement, gave use to the Lome convention. The convention therefore is the establishment of a trade agreement and an aid pact between 69 African, Caribbean, and Pacific countries (ACP) and the EEC (EU). The number of the ACP countries has riser to 77 which are mainly third world or developing countries.

The purpose of the treaty, is to provide the framework for cooperation between the EU & ACP states. It offers the ACP countries, a unique trade package through a jointly managed institution. By these, all ACP states will enjoy free access to EU markets for their manufactured and processed exports which include textiles and garments amongst others.

Consequently, all ACP exports will have a cost advantage over their competitors also have to pay common duties to enter the European markets. The Lome trade regime therefore, offers unique opportunities in the EEC for ACP exports and also offers export promotion assistance directed towards markets of particular interest to ACP farms.

The Lome convention can be used for the following:

- Stimulate processing of traditional communities in ACP states
- Create conditions of increased investment in ACP industries
- Promote joint ventures between EU and ACP partners
- Help ACP entrepreneurs to develop new exportable products
- Expand export-oriented manufacturing ventures
- Encourage ACP business to export to new markets
- Increase ACP exports, especially to other ACP and EU countries.

**The Centre for Development of Imports**

The centre for development of imports (CDI) is a practical operational instrument designed to establish and strengthen individual enterprise of ACP states which Nigeria is one.

It is expected that, in each country, CDI should appoint local representatives called Antenna who should assist in

- Finding a joint venture partner
- Advice on marketing and product development and also
- Arrange industrial training.

These services are offered free of charge.  The CDI is committed to promoting joint ventures between ACP and EU enterprises.  It seeks out EU industries which need to be restructured because of high costs in Europe or which may acquire some assembling or semi-finished products from some ACP countries. (Isemede 2003)

**Other Agreements**

Nigeria has three important trade agreements with the EU 15, the US and West Africa on which it could leverage its exports and prosper thereby important trading blocks which otherwise tends to resist trade imports.

1. **Cotonou Agreement:** The cotonou agreement was signed in June 2000and it replaced the EU ACP agreement (African, Carrbean and Pacific Lome convention).  This agreement provides textile and garment companies in sub-Saharan Africa with preferential quota free and tariff free access to the European union for textiles and garments.

2. **AGOA:** Agoa provides for garments made in accredited sub-Saharan African countries with preferential duty free and quota free to access US markets.  Sub-Saharan African countries classified as less developed beneficiary countries. (LDBC) many export garments made from yarns and fabrics from anywhere in the world without losing AGOA benefits.

AGOA has been the key driver for the development of garment industries in Africa in the recent years. The five best performing countries under AGOA exports in 2002 in Africa were:

- Lesothe with AGOA exports in 2002 of US dollars 322 million
- Mauritus with AGOA exports in 2002 of $252million
- South African with AGOA exports in 2002 of $188 million
- Kenya with AGOA exports in 2002 of $121 million
- Madagscar with AGOA exports in 2002 of $90 million

It is not certain whether Nigeria has so far passed the AGOA legislation. The foreign direct investment in AGOA countries has been mainly the creation of Asian foreign investors. These investors brought not only the capital out provided the training, the know-how and the knowledge of marketing mechanisms to the countries. Nigeria needs to attract a few foreign investors, which would have a pull effect for other investors to follow. AGOA will be discussed in details in the subsequent chapter.

3. **ECOWAS:** The ECOWAS agreement under the trade liberalization scheme (ETLS) gives privileged access to West Africa countries to regional free trade.

Despite the fact that Nigeria has favourable trade agreements, the exports declined while imports increased.

## 2.16 Nigerian Export Marketing Promotions – Opportunities And Drawbacks

In an attempt to assist Nigerian Manufacturers promote and market their products including textile materials. The Nigeria Export Promotion Council (NEPC) was established through the Nigerian Export Promotion Decree No. 26 of 1976, and was formally inaugurated in March, 1977. This Decree was amended by Decree No. 72 of 1979 which introduced some slight changes in the membership of the Governing Council and made formal provision for the establishment of the Secretariat of the Council. This was amended by the Nigerian Export Promotion Act CAP 306 and Decree No. 41 of 1988 which resulted in the redefinition of its functional responsibilities, thus strengthening it for properly spearheading and sustaining a dynamic export development programme and implementing the various – incentives contained in the Export (Incentives and Miscellaneous Provisions) Decree No. 18 of 1986. Both Decrees (Nos. 41 of 1988 and 18 of 1986) were further amended by Decrees Nos. 64 and 65 of November 1992 respectively in order to enhance the quality of services rendered by the Council to the exporting community.

**Functions of the Nigerian Export Promotion Council**

The mission of the NEPC is clearly stated by the following overriding objectives, namely;

(a) To promote the development and diversification of Nigeria's export trade;
(b) To assist in promoting the development of export related industries in Nigeria
(c) To spearhead the creation of appropriate export incentives; and
(d) To actively articulate and promote the implementation of export policies and programmes of the Nigerian Government.

Other day-to-day operating objectives to be pursued by the Council are as follows:

i. To coordinate and monitor export promotion activities in Nigeria
ii. To collect and disseminate information on products available for export;
iii. Collect and disseminate to local manufacturers and exporters information on foreign marketers;

iv. Provide technical assistance to local exporters in such areas as export procedure and documentation, transportation, financing, marketing techniques, quality control, export packaging, costing and pricing, publicity and other similar areas;

v. Maintain adequate and effective representation in other countries;

vi. Provide, directly or jointly, with training institutions, training for its staff and assist with the manpower development of the export community in Nigeria.

vii. Organize and plan the participation of Nigeria in trade fairs and exhibitions in other countries;

viii. Administer grants and other benefits related to export promotion and development;

ix. Undertake studies of the current economic condition, with special attention to the export sector with the aim of advising government on necessary polices and measures;

x. Co-operate with other institutions on matters relating to export financing, export incentives and specialized services to exporters;

xi. Establish specific trade promotion facilities in Nigeria and in other countries including the establishment of permanent showrooms at important commercial centers in other countries;

xii. Engage in export promotion publicity;

xiii. Purse the simplification and streamlining of export procedures and documentation on continuous basis;

xiv. Assist in finding appropriate solutions to practical problems encountered by exporters in the process of exportation;

xv. Plan and organize outward trade missions and provide support from Nigeria.

xvi. Services to in-ward missions from other countries.

xvii. Perform such other functions as may be conducive to the achievement of the objective of the Export Decrees.

The Council is expected to carries out the following core activities:

**A. Trade Information Service:**

The Council endeavours to satisfy the information needs of exporters in the following areas:

(a) Dissemination of both domestic and worldwide commodities prices.

(b) Publication and servicing of trade enquires and opportunities from abroad.

(c) Publication of information briefs on countries, degree of market access and market structures and procedures for specific Nigerian products in target markets.

(d) Publication of products beliefs, Exporters Directory, Export Information Digest, Servexport and other subject specific publications aimed at educating and enlightening the community of exporters.

**Export Development Activities**

The focus is to diversify the basket of exportable products from Nigeria. In doing so, the Council should undertake supply base studies to identify potential products for development for export. Other activities include:

(a) Advising manufacturers on packaging, product design and adaptation;

(b) Advising companies on quality standards.

(c) Advising exporters on appropriate strategy to adopt to penetrate target markets;

(d) Advising on pricing and costing for export

(e) Assisting companies to undertake adequate publicity in target markets;

(f) Assisting companies financially to undertake market research and other export-related activities.

(g) Planning and organization of Nigeria’s participation in international fairs and exhibitions.

**Export Incentives Administer**

The main activity is to ensure the effective administration and prompt payment of incentives to qualified exporters. It is also the responsibility of the Council to review existing incentives and articulate new ones in the light of prevailing circumstances.

## Available Export Incentives In Nigeria

A key element of the Structural Adjustment Program, SAP, introduced in 1986 by the Federal Government was the determination to enhance the contributions of the non-oil export sub-sector to the national economy.

To achieve this policy objective, government articulated some incentives aimed at encouraging and assisting the Nigerian exporters to increase and diversify the total value and volume of non-oil exports from Nigeria.

The (Export Incentives and Miscellaneous Provision) Decree No. 18 of 1986 and as amended by Decree No. 65 of 1992 provides for a package of incentives aimed at encouraging Nigerian exporters, stimulating the foreign exchange earning capacity of the export sector and diversifying the productive base of the economy. The incentives are also designed to address the major problems of supply, demand and price competitiveness of Nigeria's export. They include, provisions of foreign exchange to alleviate the foreign exchange requirements of the exporters, direct cash grant on export performance, tax relief inducements and other forms of assistance geared towards improving production, marketing, packaging, quality and price competitiveness of Nigerian products. The various components of the New Manufacture-In-Bond Scheme i.e. Manufacture-In-Bond Scheme, Duty Drawback Scheme, Export Expansion Grant Scheme and Export Development Fund Scheme have been enumerated in the subsequent pages of this write up.

In addition to the new MIBS, the Government in recent years, to stimulate production in the real sectors for export, has provided other Export Incentives and Financial Schemes. These measures are also discussed.

Similarly, Government through the establishment of the Nigerian Export- Import Bank had approved the operation of some financial instruments and risk bearing facilities to aid the growth of non-oil exports. These facilities are briefly discussed here. Detailed analysis of all financial and risk bearing facilities in Nigeria is, however, beyond the scope of this publication.

### The New Manufacture–In–Bond Scheme Component

The Manufacture-In-Bond Scheme is designed to encourage manufacturers to import, duty – free, raw material inputs and other intermediate products whether prohibited or not for the production of exportable goods, backed by a Bond issued by any recognized Commercial Bank, Merchant Bank, Insurance Company or NEXIM. The Bond will be discharged after evidence of exportation and repatriation of foreign exchange has been produced. This scheme is broken into three component parts viz manufacturing-in-Bond, Duty Draw Back and Export Expansion Grant.

**Guidelines:**

i. The Manufacture-In-Bond Scheme (MIBS) is applicable to export manufacturers only.

ii. Interested manufacturers apply to the Federal Ministry of Finance using the prescribed forms.

iii. For a manufacturer to enjoy the scheme, the Nigeria Customs Service must approve the factory premises for that purpose.

iv. Approval including the Import Requirement Certificate (IRS) should be obtained within a period of two months and transmitted to the Nigeria Customs Service for implementation.

v. The Nigeria Customs Service will determine acceptable guarantee Bond issued by Commercial or Merchant Bank or NEXIM or Insurance Companies covering not less than 110 per cent customs duty payable on each consignment.

vi. Under this scheme, manufactures of export commodities are entitled to import duty-free raw material inputs, CKDS and intermediate inputs whether prohibited or not for the manufacture of export commodities.

vii. The Manufacture-In-Bond Scheme operates on an annual (12 calendar months) importation basis as the exporter wishes for prohibited items however; the scheme operates on Import-by-Import basis.

viii. The Bond, which shall be effective from the date of its issuance by the Bank, shall be discharged when the conditions stipulated therein have been fulfilled.

ix. The Nigeria Customs Service periodically monitor the utilizations of raw materials imported under this Scheme until the Bond is fully executed.

x. In the event of inability of any manufacturer to fulfill the conditions stipulated in the Bond, the manufacturer applies to the Nigeria Customs Service through its approved dealer Bank, for an extension of the Bond particularly when the life of the Bond has expired. The extension of the Bond does not exceed three months.

xi. The Central Bank of Nigeria confirms repatriation of the foreign exchange realized from the transaction before the Bond is discharged.

xii. Bill of entry marked “Manufacture-In-Bond Scheme” is used for the clearance of goods under the Scheme.

xiii. A committee comprising the Ministry of Finance, representatives of the Nigeria Customs Service, Nigerian Export Promotion Council, Standards Organization of Nigeria and the Central Bank of Nigeria monitors the Scheme. The Monitoring body renders a quarterly report to the NMIBS Committee.

xiv. In the event of default by the Manufacturer, the Nigeria Customs Service shall redeems the Bond by calling on the guarantor to pay up the appropriate customs duties and other associated charges.

xv. In case of “force Majeure” the Company may be allowed to sell the goods in the local market with the approval of the Honourable Minister of Finance on condition that the appropriate customs duty and other associated charges have been paid.

xvi. A manufacturer participating in the Manufacture-In-Bond Scheme is expected to designate a warehouse or store in his factory premises for the storage of inputs and finished goods; and

xvii. Import Duty Report (IDR), Clean Report of Findings (CRF), Form ‘M’ and other relevant documents for this scheme are clearly marked “MIB Scheme”.

xviii. As a way of providing adequate support and improving liquidity for exporters, companies are no longer required to dedicate separate production lines and warehouses for specific items but are to keep separate registers which would be regularly checked by officials of Nigeria Customs Service. This policy came into force in January, 2001.

**The Duty Drawback Scheme Component**

The Duty Drawback Scheme component provides for refunds of duties/sur-charges on raw materials including packing and packaging materials used for the manufacture of products upon effective exportation of the final product. The new Duty Drawback Scheme gives automatic refunds (60 per cent) on initial screening by the Duty Drawback committee and upon the presentation of a Bond from a recognized Bank, Insurance Company or any other financial institution. The Bond will cover 60 per cent of the refund to be made to the exporter and will only be discharged after the final processing of the application has been made. At the end of the processing of exporters claims, the Duty Drawback Committee grants any balance where applicable or request for refunds for any over payment made.

**i. Duty Drawback Facilities:**

The Scheme provides for fixed drawback and individual drawback facilities. The fixed Drawback facility is for those Exporters/Producers whose export products are listed in the Fixed Drawback Schedule to be issued form time to time by the Committee. When the import content of the export products is more or less constant, and import prices (including exchange rate), tariff rates and technology used are relatively stable or “fixed”, it is possible to calculate a standard Input-Output Co-efficient Schedule (ICS) for these category of products on the basis of which a fixed drawback rate can be computed to be rebated per unit of export product.

Whereas the individual drawback is for producers/exporters who do not qualify under the fixed drawback facilities, it is therefore a straightforward traditional drawback mechanism under which duty is paid on all imported inputs. The duties are subsequently, rebated on inputs used for export production. As a general case the final exporter/producer can apply for the Scheme.

**ii. Eligibility:**

A trading company which collects industrial products from one or more manufacturers as well as a trading Company which imports raw material inputs including packing and packaging materials used for the production of goods expected by him could also apply for the Scheme. Such a trading company must have entered into a contract with the final producer of the product in such a way that the Duty Drawback Comm9ttee can obtain necessary information and documents to enable the committee act appropriately.
Applicants must be companies incorporated in Nigeria.

**iii. Time Limit:**

Duty Drawback application must be filled within a maximum of two years from the date of exportation. In order to qualify for the drawback payment (both individual and fixed drawback) exportation of the product which was produced with imported inputs must be completed within 18 months after the importation of the inputs.

**iv. Application Procedures:**

Applicants for either Fixed or Individual Drawback Facilities should file the following documents to the Duty Drawback committee:

1. Completed new application forms for Duty Drawback Rate/Refund obtained from the Duty Drawback Secretariat and all Zonal Offices of the Nigeria Export Promotion Council.
2. Attach clear photocopies of the following documents in triplicates.
   i. Import Bill of Entry for Home use (Customs and Excise Form C 188) for the respective raw material inputs used for the export production.
   ii. Import Bill of Lading for the raw material inputs used for the export production
   iii. Letter of Contract agreement between the Trading Company and producer in cases where the Trading Company is applying for the facility.
   iv. Current Registration Certificate with NEPC.
3. In addition to the above documents, all applications for refunds are filed with the following in triplicates.

i. Export Bill of Entry for Non-Domestic Goods (Customs and Excise Form Sale 98).

ii. Form NXP

4. Completed applications are accompanied with a Bank Draft of N5000.00 only payable to Nigeria Export Promotion Council Abuja.

5. Bank Bond to be issued by a recognized Bank or Insurance Company to the tune of 60 per cent up front payment approved by the Committee as duty drawback refund and to guarantee the refund of any overpayment made to the exporter.

**v. Rules of Duty Drawback Application and Processing:**

The following rules have to be observed to simplify the processing procedures:

i. For the same export product defined in an export entry document, all inputs used to produce a given export article are treated as part of a single application and therefore cannot be divided into separate duty drawback applications.

ii. If imported inputs, registered in a single import entry document are sub-divided and used for production of more than one export consignment, the import entry document should include information on the production of inputs and the balance remaining to be used.

**Export Expansion Grant Scheme Component**

The Export Expansion Grant Scheme hitherto provided cash inducement to exporters who have exported a minimum of five hundred thousand Naira (N500,000) worth of processed products. With the introduction of the new Manufacture-In-Bond Scheme the incentive inducement now takes the form of Negotiable Tax Credit Certificate (NTCC).

**i. Objective:**

The objective of the Scheme is to stimulate exporters to expand the volume of their exports and diversity export product and market coverage.

**ii. Eligibility:**

Exporters of duly processed products are entitled to 4 per cent grant on their total annual export turnover subject to the receipt of confirmation of repatriation of export proceeds from the Central Bank of Nigeria and subject to the presentation of a performance Bond from any of the recognized Banks, Insurance Company, NEXIM or Financial institution.

**iii. Procedure:**

i. Application Forms for the Scheme could be obtained from the Headquarters of the Nigeria Export Promotion Council (NEPC) or any of its Zonal Officers at Lagos, Port Harcourt, Enugu, Jos, Kano, Minna, Yola, Benin and Akure. All (each) applications should be accompanied with a non-refundable form fee of N5,000.00 (five thousand Naira) only, in bank draft payable at the Nigerian Export Promotion Council Headquarters, Abuja.

ii. The NEPC Committee on Export Expansion Grant reserves the right to approve or reject an application and could subject a Company to inspection to confirm the status of the export products(s).

iii. Under the 2001 fiscal year policy, government has increased the grant payable to exporters under the Export Expansion Grant Scheme from10% to 20%.

**Export Development Fund Scheme Component**

Export Development Fund (EDF) is a scheme set up by the Federal Government of Nigeria to provide financial assistance to private sector exporting companies to cover part of their initial expenses in respect of the following export promotion activities:

a. Participation in training courses, symposia, seminars and workshops in all aspects of export promotion.

b. Advertising and publicity campaigns in foreign markets.

c. Export market research and studies.

d. Product design and consultancy.

e. Participation in trade missions, buyer-oriented activities, overseas trade fairs, exhibitions and sales promotion.

f. Cost of collecting trade information, and

g. Banking up the development of export oriented industries.

**A. Conditions for Financial Assistance:**

For any exporting company to benefit from the scheme, the following conditions must be satisfied:

i. The company must be registered as an exporter with the NEPC

ii. It must be an exporter of any product of Nigerian Origin or services e.g. Engineering, Consultancy, Shipping, Communications, etc.

iii. Its status must be satisfactory

iv. It must have its marketing control in Nigeria

v. All applications for EDF assistance must be made in the prescribed application forms and must be accompanied with a detailed work plan of the project and a project document.

vi. The committee on EDF shall communicate to the exporter the amount of assistance that has been approved for the company out of which 50 per cent shall be paid on presentation of a Bond covering that amount by the company

vii. Exporters should submit a detailed report of their undertaken activities, which should contain among other things evidence of expenditure related to the export activities for which the initial funds have been provided.

viii. The committee shall then consider the payment of the balance (or otherwise) to the company and arrange for the discharge of the Bond.

**B. Export Promotion Activities Covered by EDF Assistance**

1. Participation in training Courses, Symposia, seminars and workshops in all aspects of export promotion. All local and overseas courses, study tours, including symposia, seminars, workshops, conference, etc. in all aspects of export promotion organized by NEPC for the benefit of government agencies who have bearing with export promotion as well as exporting companies will be sponsored from the fund.

2. Advertising and publicity campaigns in foreign markets including Press, Radio/Television, Catalogues, Brochures, etc. Grants may be made to

exporting firms in the context of the total marketing plans towards the cost of new advertising/promotional campaigns in overseas market, brand promotion, joint export market group promotion, point of sale materials and in store demonstration subject to the general conditions set out above and the regulations below:

i. The Scheme applies only to promotional campaigns.

ii. The scheme applies to markets in which the branded products have not previously been advertised and promoted.

iii. A draft of the proposed advertisement must be submitted to NEPC in advance for approval and also the report on the results of the campaign must be submitted as soon as the project is completed.

iv. The maximum grant to any company will be 60% of the total direct costs approved subject to a maximum of N200,000.00 (Two hundred thousand Naira).

**C. Export Market Research and Studies**

Grants may be made to exporting firms towards the cost of undertaking market research studies in foreign markets and other studies related to export promotion subject to the general conditions set out above, and the regulations below:

i. The research proposal must be approved well in advance by NEPC

ii. A copy of the report of the research must be submitted to NEPC on return.

iii. Grants up to 50% of the approved direct costs incurred or a maximum of N200,000.00 (Two hundred thousand Naira).

iv. Where NEPC carried out the research/studies on behalf of the company/groups of companies, the total cost of such research will be met from the fund.

**D. Products Design and Consultancy Grants:**

Grants may be for exporters towards the cost of engaging experts for product adaptation and designing. (Size weight, composition, packaging, labeling) of the products depending on the demand of the export market. Apart form the general conditions listed earlier on, the exporter must:

i. Submit to NEPC the project proposal well in advance for approval.
ii. Submit to NEPC a copy of the consultants' report of the project.
iii. Grants payable will be 50% of the approved consultant's fees and expenses subject to a maximum grant of N200,000 (Two Hundred Thousand Naira).

**E. Participation in Trade Missions, Buyer/Seller Oriented Activities, Overseas Trade Fairs, Exhibitions and Store Promotion:**

Grants to the maximum of N200,000 (Two hundred thousand Naira) may be made to exporting companies towards the cost of undertaking approved fairs or exhibition, etc. subject to the general conditions set out earlier on and the regulations below:

i. The activities must be manned by officials or agents of the company
ii. All products to be exhibited and promoted must be the approved exportable products.

The cost of NEPC participation in any of these activities will be borne by the fund. In case of buyer-oriented activities the cost of sponsoring buyer form overseas to participate in local buyer-oriented activities will be borne by NEPC.

**F. Backing up the Development of Export-Oriented Industries:**

The cost of undertaking studies in respect of setting up export-oriented industries will be covered from the fund. If NEPC is carrying out the studies, grant of 50% of the approved cost of studies or N200,00 (Two hundred thousand Naira) will be paid to exporting companies for the purpose of the studies.

## Other Export Incentives And Financing Schemes

### Currency Retention Scheme

This scheme allows exporters to retain 100 per cent of their foreign exchange earnings in their domiciliary accounts in any authorized bank of their choice. The objective is to enable exporters have foreign exchange at their disposal which can be utilized for export-related activities. Exporters are free to convert their foreign exchange earnings to Naira equivalent at prevailing rate of exchange. The scheme is operated by banks. Exporters wishing to utilize this facility should directly contact their bankers.

**Tax Relief on Interest Income**

The scheme grants a tax exemption on interest accruing to banks for loans extended to export activities. This is subject to table 1 of schedule 3 to the companies income tax Act of 1979 which stipulates the percentage of tax exemption on interest on foreign loans as follows:

| | Payment Period Including Moratorium | Grace Period | Tax Exemption |
|---|---|---|---|
| i. | Above 7 years | Not less than 2 years | 100% |
| ii. | 5 – 7 years | Not less than 18 months | 70% |
| iii. | 2-4 years | Not less than 12 months | 40% |
| iv. | Below 2 years | Nil | Nil |

The objective of this scheme is to stimulate and encourage banks to grant credit facilities to Nigerian exporters. The facility is extended to all banks granting loans for export activities and covers interest accruing form such loans.

**Pioneer Status Scheme**

This is an incentive that grants tax holidays on corporate income to manufacturing exporters who export at least 50 per cent of their turnover. The scheme is designed to encourage the establishment export-oriented industries in Nigeria. The status could be granted to a public or private sector limited liability company. It extends over a period of five years which can be consecutive or broken, depending on annual evaluation of the company by NEPC and the Nigerian Investment Promotion Commission (NIPC).

**How to benefit from Pioneer Status Scheme**

An applicant to this incentive must be a manufacturing company that exports at least 50 per cent of its turnover. Applications should be directed to the Nigerian Export promotion council along with information on the total volumes/values of production and exports over a period of three years. The annual statement of accounts of the company and copies of Form NXP are also required.

**Export Processing Zones**

The promulgation of Decree No 34 of 1991 provides for the establishment of geographical enclaves within Nigeria in which normal customs regimes do not apply. The objective is to attract foreign investments and stimulate industrial production for export. Participants in the scheme will, among other things enjoy duty free export product, elimination of all forms of bureaucracy, employment of foreign managers, 100 per cent ownership of business and the following additional incentives:

(a) Legislative provisions pertaining to taxes, levies, duties and foreign exchange obligations shall not apply within the zone;

(b) Repatriation of foreign capital investment allowed in the zones at any time, with capital appreciation on the investments;

(c) Remittance of profits, and dividend earned by foreign investors in the zones;

(d) No import or export licenses shall be required;

(e) Up to 50 per cent of the products may be sold in the customers territory against a valid permit and on payment of appropriate duties; and

(f) Rent free land at construction state, thereafter rent shall be as determined by the Authority.

**How to benefit from the Incentive**

Applications for the scheme should be directed to the Nigerian Export Processing Zones Authority (NEPZA), a parastatal under the Federal Ministry of Commerce.

**Export Processing Factories**

To further encourage manufacturing for export. Government has approved the setting up to export processing factories in any part of the country. All the incentives applicable to Export Processing Zones shall also apply to such factories.

**Ecowas trade liberalization Scheme**

An export liberalization scheme that focuses on the ECOWAS sub-region has been put in place. The scheme known as ECOWAS Trade Liberalization Scheme (TLS) is an incentive primarily geared towards export activities within the ECOWAS sub-region. The objective is to significantly expand the volume of intra-community trade in the sub-region via the removal of both tariff and non-tariff barriers to trade on goods originating from ECOWAS countries. The scheme is implemented in stages viz:

The consolidation of customs duties and charges of equivalent effect and non-tariff barriers, immediate liberalization of unprocessed goods and traditional handicrafts, gradual liberalization of industrial products originating from members states and gradual establishment of common external tariff. Unprocessed goods and handicrafts can now move freely within the sub-region. Liberalization of industrial products started in 1990.

**How to Participate**

To participate in the scheme, the product of an exporting company must meet the rules of origin of at least 40 pert cent of local raw materials content or 35 per cent value-added and some level of participation by Nigerians. Application forms are obtainable from the Nigerian export Promotion Council. Other complementing agencies are ECOWAS Secretariat and the National Planning Commission.

**Buyback Arrangements**

This scheme allows for the importation of foreign plants/machinery and inputs which when used for export production could be paid for with the output of the plant. The objective is to ease the problems associated with sourcing foreign exchange needed for importation and improve export production.

The arrangement covers manufacturing activities for which the needed plants/machinery have to be imported and the output exported.

It may also apply to the import of inputs that are nor available within the country or those that are considerably cheaper elsewhere, especially within the ECOWAS sub-region.

**Application Procedure:**

Applications for buyback arrangement should be directed to the Federal Ministry of Finance.

**Capital Asset Depreciation Allowance**

The Companies Income Tax Act 1979 as amended by the Finance/Miscellaneous Provisions Decree, 1985 and further amended by the Export Incentives Decree No. 18 of 1986, provides for an additional annual depreciation allowances of 5% on plants and machinery to manufacturing exporters who export at least 50% of their annual turnover. The objectives are to encourage production for export, enhance both forward and backward linkages and increase the export earning of Nigeria, the incentive covers all manufactured products provided that 50 per cent of the company's turnover is exported.

**How to benefit from the Incentive**

Applications for this incentive should be directed to the Nigerian Export Promotion council, which makes recommendation for qualified exporters to the Federal Inland Revenue Service. Applications should be accompanied with detailed information on the annual volumes/values of production and export (Annual Statement of Accounts may be required) and copies of Form NXP in respect of each export transaction.

**Financial Facilities For Exports**

The Nigerian Export-Import Bank (NEXIM) has been set up to provide foreign currency to exporters either directly or through commercial and merchant banks in support of exports. The following financial facilities are currently being offered by Nigerian Export-Import bank in support of non-oil exports.

**Re-discounting and Refinancing Facility for Export (RRF)**

This facility is designed to assist banks to provide pre-and post shipment finance in local currency in support of non-oil exports. The facility (RRF) enables exporters to have access to the expanded export portfolio of banks at preferential rate.

To qualify for the RRF facility, a bank must have extended credit to an export at a concessionary rate. Under the re-financing scheme, a bank is provided longer term credit (of up to one year) while the re-discounting scheme provides short term pre-shipment credit with a maximum duration of 120 days and post shipment credit with a maximum of 60 days. The incentive is implemented by CBN and NEXIM bank.

**Export Credit Guarantee Facility**

This facility is similar to the agricultural credit guarantee scheme. With the facility, NEXIM will provide guarantees to banks for credit granted for export transactions. The objective of the facility is to raise the supply of credit by Banks for export transaction.

**Export Credit Insurance Facility**

This facility insures exporters against risk of non-payment by buyers in as much as cause of default is not political. Payment defaults due to political reasons are to be covered separately by NEXIM for the account of Federal Government.

**Industrial Export Stimulation Facility**

This facility provides manufacturers of export products the needed foreign exchange for the importation of capital equipment packaging and raw materials for the production of finished or semi-finished export products. The loan is repaid in foreign exchange. The decree establishing NEXIM provides for the bank to source foreign exchange from multinational and bilateral institutions as well as from Nigeria's external reserves. The first set of loan and resources for operating this scheme was obtained form the African Development Bank (ADB).

The Export Stimulation Loan granted under the above facility is made to benefit small and medium scale enterprises whose assets including land do not exceed US$6 million. To benefit form this facility, an enterprise, which falls within the above categorization should apply to an enterprise, which falls within the above categorization, should apply to its banks. The banks in turn appraise the project proposal and if satisfied apply to NEXIM on behalf of the manufacturing exporter. Although it is the exporter's bank that has the obligation of repaying the loan to NEXIM, while the exporter pays back to his bank, NEXIM nevertheless ensures that the objective of the facility is not compromised.

**Achievements Recorded in the Administration of some Incentives**

Over the years, the Duty Drawback Scheme and the Export Expansion Grant Fund-has been seen as the most active of all the incentives in terms of participation and the total sums paid out to beneficiaries. A few companies have applied for participation in the MIBS and the Pioneer Status during the period under review.

**Duty Drawback Scheme**

A total of one hundred and thirty four (134) companies have benefited under this scheme since its inception. Cumulatively, a total sum of N695,051.74 has been paid out as at Dec. 2000. (Please seethe tables below for details)

**Actual Total Duty Drawback Refunds Granted from 1988 – 2000**

| Year | No. of Application | No. of Beneficiaries (Companies) | Amount of Refund |
|---|---|---|---|
| 1988 | 5 | 5 | 645,009,78 |
| 1989 | 3 | 3 | 1,421,866.40 |
| 1990 | 15 | 8 | 2,799,185.76 |
| 1991 | 37 | 18 | 22,200,451.29 |
| 1992 | 41 | 17 | 36,440,849.30 |
| 1993 | 18 | 13 | 31,128,003.98 |
| 1994 | 5 | 5 | 7,311,725.16 |
| 1995 | 9 | 18 | 38,076,894.85 |

| | | | |
|---|---|---|---|
| 1996 | 10 | 6 | 51,399,172,34 |
| 1997 | 30 | 20 | 152,673,109.79 |
| 1998 | 21 | 21 | 89,159,115,43 |
| 1999 | 5 | 4 | 19,884,925.15 |
| 2000 | 22 | 22 | 241,885,742.42 |
| **TOTAL** | **=** | | **695,026,051.74** |

**Export Expansion Grant Fund:**

A total sum of N2,291,030,024.30 as been paid to companies to encourage them to increase the total volume of their exports and to diversify their export products and the markets. (See the table below).

| **Year** | **No. of Beneficiaries (Companies)** | **Total Grant (N)** |
|---|---|---|
| 1989 | 8 | 1,742,789.70 |
| 1990 | 27 | 4,363,577.33 |
| 1991 | 33 | 3,659,984.02 |
| 1992 | 122 | 35,659,984.02 |
| 1993 | 97 | 67,469,628.81 |
| 1994 | 62 | 27,627,581.96 |
| 1995 | 24 | 18,813,237.62 |
| 1996 | 93 | 79,782,774.91 |
| 1997 | 83 | 325,093,608.29 |
| 1998 | 72 | 468,155,098 |
| 1999 | 65 | 395,863,518.36 |
| 2000 | 136 | 863,448,569.60 |
| **TOTAL** | **=** | **2,291,030,024.30** |

Source: **Nigerian Export Promotion Council**

(Nigerian Export Promotion Publication Reviewed in 2001)

## 2.17 The Dawn of a New Nigerian Export Promotion Council

Perhaps there has been no time in the history of the Nigerian Export Promotion Council (NEPC) that has lived up to its billing prior to now, the agency was one obscure organization. No exporter benefited from its services, so to say. Though it has offices spread all over the country exporters, from all indications were just on their own, doing their own thing, with little or no help form the government.

The reason is not far fetched. Since the discovery of oil Oloibiri, Beyels State, non-oil exports from Nigeria were greeted with apathy. All attention has been concentrated on the oil industry. Government as it were never cared any less. No efforts were made to break into the global trade with the country's non-oil export. Nigerian market was rather dominated by assorted foreign goods. While Nigeria basks in the glory of being the 6$^{th}$ largest producer of oil, its non0oil exports continued to suffer neglect. The primary crops as cocoa, groundout, cotton and rubber, which used to be main-stay of the economy were neglected to the background. While the groundnut pyramids in the North and the timber in the South-South became extinct.

The NEPC had already been established in March 1976 by decree 26 of the same year while all these are happening operating for well over two decades, it is expected that the council would have strengthened the country's non-oil exports. Unfortunately, this has not been the case. Rather, the organization had remained a lame-duck. The government on the other hand did not help matters.

In the last one-year, things have taken a turn for the better. The first noticeable change is the sensitization campaign that the agency had embarked on. New strategic focus had been introduced. The new strategic focus involves the establishment of Export production Villages (EPVs) in the case of agricultural products and clusters development with respect to manufacturers.
The following sectors and selected products have been selected for intervention to boost production in the next three years:

a. Horticulture

b. Leather and Leather Products

c. Textiles and Garments

d. Coffee

e. Cassava and

f. Noll Wood (Nigeria films industry

g. Pharmaceutical

h. Ginger, Cashew, Fish and Fish Products (Boyede and Madu 2004).

With an intervention amount of about N80 million in 2 years, Nigeria is expected to earn US$500 million in foreign exchange over 5 years from the Horticulture Export Production Scheme. In Lagos alone more than 300 farmers had been provided employment through the scheme.

In the recent past, several activities had been organized for textile and garments sector. Training programmes had been organized both locally and international in order to develop skilled manpower specifically for export production. In 2003 Mr. president approved the training of some 100 entrepreneurs by NEPC in Bangladesh in textiles and garment production. Presently, another set of 40 people are undergoing training at Industrial Development Training Centre (IDC) in Shirt Production for Export. This team will compliment the previous of 60 earlier trained by the Federal Ministry of Industry to form a Cluster in garments production.

The NEPC is paying for the cost of training which was expected to cost about N10 million for a four-month training for the 40 people. At the end of the training a Common Facility Centre to be provided by the Lagos State Government shall jointly be equipped by both NEPC and Lagos State for garments production for export.

Export turnover from the Garments Common Facility Centre (CFC) which is to belong to the cooperatives is estimated at N120 million in 2004, N210 in 2005 and N500 million in 2006. (Adebayo 2004).

There is no doubt about it that in the recent times, the agency has continued to rivet its attention on companies that produce goods for exports. Media campaign has taken a frenetic turn as one can hardly watch the television in a day without having to contend with "grow in Nigeria, sell abroad" slogan of the NEPC.

The campaign has also been taken to the doorsteps of manufacturing. "The NEPC has been pushing into the Nigerian psyche, the need to promote non-oil export. All over the country, the agency has become visible. In addition a plethora of incentives have been given to exporters" claims Adelugba.

While noting that the council was created to promote made-in-Nigeria goods to be sold abroad, "what is done is to look at the product of companies around the country to see those that are good enough for the international market. Entrepreneurs are advised on market availability and entry strategies products adaptation, pricing and packaging" he further said.

The organization has since adopted many tools to promote made-in-Nigeria goods. Some of the instruments include the use of international trade fares, trade missions, contact promotion programmes, and also exhibitions. Supply base studies are also prepared to assist exporters.

Exporters can now enjoy some incentives. This is cheering news for exporters. The NEPC has gone further to nudity the export incentives. The New manufacturer-in-Bond Scheme a merger of many schemes into one has ushered in the use of Negotiable Duty certificate (NDCC) as an alternative mode of payment of incentive claims.

According to available reports between January and June 2003, the agency gave out duty certificates worth over N5.5 billion. State committees on export promotion in all the states of the federation have been set up in an effort to bring exporting closer to the people. The government gave approval for the participation of NEPC in six international trade fares in 2003. The same 2003 witnessed a trade mission to four states in the U.S.

The trade mission offered Nigerian exporters the opportunity to compare then products in terms of pricing, quality and packaging. For free flow of information NEPC libraries are all over the country and are equipped with materials relevant to trade all over the world. The organization is in the process of setting up digital libraries in its zonal offices and international organizations. Pressure is put on the government to open their commercial offices abroad to facilitate personal touch of the services they render when they travel abroad.

According to Boyede and Madu (2004) The Nigerian Export Promotion Council is pursuing the establishment of Export houses. A memorandum of understanding has already been signed with Sudan in Khartoum since three years ago.

The management of NEPC foresees a situation "where the NEPC becomes an instrument that government will use to turn the Nigerian economy around, a tool of poverty alleviation, capacity building and wealth creation not only for the teeming youth but also for the rural folks".

With all these facilities and incentives in place, it is hoped that Nigerian exporters are bound to smile. But it will be a great regret if genuine exporters are not having access to the incentives. It will be a disaster when some people who are not genuine exporters, cook up papers and provide false information to benefit from the incentives that NEPC is administering.

A memorandum of understanding has been sent to Kenya and Mozambique while some negotiation is going on with South Africa.

## 2.18 A Summary of the African Growth and Opportunity Act (AGOA)

The African Growth and Opportunity Act/Trade and Development Act of 2000 authorizes a new U.S. trade and investment policy toward Africa. It promotes increased trade and economic cooperation between the United States and eligible sub-Saharan African countries. This legislation represents a solid, meaningful and significant opportunity, which could result in billions of dollars in new trade and investment flows between the U.S. and Africa.

**Key Elements of the Act and Benefits for Africa:**

**General Trade Benefits**

The Act:

- Institutionalizes a process for strengthening U,.S. relations with African countries and provides incentives for African countries to achieve political and economic reform and growth.
- Offers beneficiary sub-Saharan countries duty-free and quota-free U.S. market access for essentially all products through the Generalized System of Preferences (GSP) program.
- Provides additional security for investors and traders in African countries by ensuring GSP benefits for eight years.
- Eliminates the GSP competitive need limitation for African countries.
- Establishes a U.S. sub-Saharan African Trade and Economic Cooperation Forum to facilitate regular trade and investment policy discussions.
- Promotes the use of technical assistance to strengthen economic reforms and development, including assistance to strengthen relationships between U.S. firms in sub-Saharan Africa.

**Apparel and Textile Preferences:**

The Act:

- Lifts all existing quotas on textiles and apparel products form sub-Saharan Africa (within 30-days of a U.S. Government determination that Kenya and Mauritius have adopted effective visa systems).

- Extends duty/quota free U.S. market access for sub-Saharan African apparel made from yarns and fabrics not available in the United States.
- Extends duty/quota free treatment for apparel made in Africa from U.S. yarn and fabric and for knit-to-shape sweaters made in African from cashmere and some merino wools as well as apparel produced in Africa from silk, velvet, linen, and other fabrics not produced in commercial quantities in the United States.
- Extends duty/free and quota free U.S. market access for apparel made in Africa with African/regional fabric and yarn. Such imports, however, are subject to a cap(limit) ranging from 1.5 to 3.5% of the multibillion dollar U.S. apparel import market over an 8 year period. African apparel imports made with African fabric/yarns currently total about $250 million. Normal MFN duties would be levied on apparel (regional fabric) imports over the cap.
- Provides an average 17.5% duty advantage on apparel imports in the U.S. market and promotes economics development and diversification in Africa's poorest countries through a special provision in the cap which allows African countries with an annual GNP of under $1,500 ("lesser developed beneficiary countries") to use third country fabric inputs for four years. This special investment incentive for the poorest African countries is aimed at providing a market stimulus to economic development for areas with little existing industry.

**An Eligible sub-Saharan African (SSA) country**

The eligibility requirements contained in the African Growth and Opportunity Act (AGOA) were developed in consultation with African countries. The criteria reflect an understanding that the trade benefits and market access accorded in the Act will only generate sustainable economic growth and development if countries have appropriate domestic policies. The criteria constitute "best practice" policies that will ultimately attract trade and investment and foster widely shared prosperity. They include: establishment of market-based economies; development of political pluralism and the rule of law; elimination of barriers to U.S. trade and investment; protection of intellectual property; efforts to combat corruption; policies to reduce poverty and increase availability of health care and educational opportunities; protection of human rights and worker rights, and elimination of certain practices of child labour. AGOA states that eligible sub-Saharan African countries must implement their obligations to combat the worst forms of child labor. The phrases "eligible sub-Saharan African country" and "beneficiary sub-Saharan African country" are used in this summary interchangeably.

**Products that are Eligible for Duty-Free Treatment**

Essentially all products will be eligible, as long as they meet AGOA's rule of origin requirements and are imported directly form a beneficiary sub-Saharan African country. Exceptions include fabrics and yarns not imported as part of a finished apparel product, and products determined by the U.S. Government to be import sensitive. A final list of additional products that will be eligible for duty-free treatment under AGOA was expected to have been published in the Federal Register by the end of 2000 and would be available at the Internet web site www.agoa.gov. The African Growth and Opportunity Act also permit duty-free entry for certain apparel products.

**The Main Benefits Available To Exporters From Eligible Sub-Saharan African Countries**

First, as detailed above, zero duties apply to U.S. imports of eligible products from eligible countries in sub-Saharan African. "Eligible products" are those currently receiving duty-free treatment under the U.S. GSP program, plus an expanded list of products (excluding textiles and apparel) not otherwise eligible for duty-free treatment under GSP.

Second, a guarantee of GSP benefits for eligible sub-Saharan African countries through September 30, 2008 (the GSP program is scheduled to expire) for non sub-Saharan Africa countries addition, the GSP program's "competitive needs" limitation which prohibits the importation of GSP eligible products above a certain level is waived for eligible sub-Saharan African countries under the AGOA.

Third, duty-free treatment for imports of sub-Saharan African apparel, some of which may be made with sub-Saharan Africa textiles and yarn. This benefit will give exporters in eligible sub-Saharan African apparel that meet AGOA's criteria will continue to be duty-free through September 30,2008, U.S. imports of apparel from all other suppliers with which the United States does not have free trade agreements will continue to be assessed regular tariff duties, which average 17.5% of the value of the apparel product. However, apparel products made with sub-Saharan African fabrics or yarns or their-country fabrics or yarns may lose duty-free benefits if the U.S. Secretary for Commerce determines that imports into the United States of those products are "surging" – in other words, being imported in such increased quantities as to cause the U.S. industry producing the same or a similar product serious damage or threat thereof.

Fourth, establishment of an U.S. sub-Saharan Africa Trade and Economic Cooperation Forum which institutionalizes a Presidential and Cabinet-level dialogue between the U.S. and the countries of sub-Saharan Africa.

Fifth, expanded support from the overseas private Investment Corporation and the U.S. Export-Import Bank that will increase the interest of American exporters and investors in undertaking projects in sub-Saharan Africa.

**Specific Requirements That Must Be Met To Import Merchandise Under AGOA**

The imported merchandise must be eligible for AGOA benefits; produced in a designated beneficiary sub-Saharan African country; meet the value-added requirements for non-textile/apparel products, and the various specific requirements for different apparel products; be imported directly into the United States from a beneficiary sub-Saharan African country; be accompanied by import documentation that claims AGOA benefits on the appropriate shipping documents.

**The Rule Of Origin Requirements For Qualifying AGOA Apparel Products**

The rules vary with the product. The U.S. Customs Services has issued interim Customs Regulations on the African Growth and Opportunity Act. These interim regulations are available at www.agoa.gov. In general, apparel qualifying for duty-free benefits may be made with U.S. fabric in turn made with U.S. yarn sub-Saharan African fabric in turn made with sub-Saharan African yarn (subject to quantitative limit) or, in the case of least developed sub-Saharan Africa countries, third-country fabric (subject to quantitative limits). Certain third country fabrics and yarn may also be used by sub-Saharan African apparel producers provided such fabrics are on a short supply list – maintained by the Department of Commerce. Third-country yarn and fiber may also be used to produce cashmere or certain wool knit-to-shape sweaters.

**Countries Considered To Be "Lesser Developed Beneficiary" Countries Under The AGOA**

The majority of countries in sub-Saharan Africa would be considered lesser developed countries under the AGOA. The criterion requires that a country's per capital GNP as measured by the World Bank in 1998 be under$1,500. The table below includes a list of lesser-developed AGOA beneficiary countries.

Sub-Saharan African Countries Designated as Eligible for the Benefits of AGOA as of October 2, 2000

Republic of Benin
Republic of Botswana
Republic of Cape Verde
Republic of Cameroon
Central African Republic
Republic of Chard
Republic of Congo
Republic of Djibouti
State of Eritrea
Ethiopia
Gabonese Republic
Republic of Ghana
Republic of Guinea
Republic of Guinea-Bissau
Republic of Kenya

Kingdom of Lesotho

Republic of Madagascar

Republic of Malawi

Republic of Mali

Islamic Republic of Mauritania

Republic of Mauritius

Republic of Namibia

Republic of Niger

Federal Republic of Nigeria

Republic of Rwanda

Democratic Republic of Sao Tome and Principle

Republic of Senegal

Republic of Seychelles

Republic of Sierra Leone

Republic of South Africa

United Republic of Tanzania

Republic of Uganda

Republic of Zambia

**Trade Benefits (Non-Apparel/Textile)**

AGOA builds on existing U.S. programs designed to increase trade and investment between the United States and developing countries. AGOA expands benefits available under the Generalized products from specific beneficiary countries. Duty-free treatment for a broader range of products is provided for import from least developed beneficiary developing countries. The GSP program must be renewed by Congress each time it expires; it is currently scheduled to expire September 30, 2001. Detailed information about the program, including the products and countries eligible for duty-free benefits, can be found on the Internet at: http://www.ustr.gov/reports/gsp/index.html, or under the links button on the www.agoa.gov Internet site.

**Duty-Free Treatment for Products**

U.S. imports from most sub-Saharan Africa countries are already eligible to receive duty-free access for some 4.650 products under the U.S GSP program. Another 1,783 products imported from least-developed sub-Saharan African countries are also eligible to receive duty-free treatment. A list from this extensive list of products duty-free treatment for textiles, apparel, watches, footwear, handbags, luggage, flat goods, work gloves and leather wearing apparel, and certain electronic, steel and glass products as well as other products that are deemed import-sensitive. In addition, under GSP, benefits may be lost when imports from a beneficiary country reach prescribed thresholds. Finally, GSP benefits for all products imported from all beneficiary countries expire on September 30, 201 unless renewed by Congress.

AGOA provides three important benefits to eligible sub-Saharan African exporters. First, it extends the duty treatment under the GSP program for eligible sub-Saharan African countries through September 30, 2008. Second, the AGOA eliminates most of the limitations of the GSP program for eligible sub-Saharan African countries. Third, AGOA expands the product coverage of the GSP program but only for products of sub-Saharan Africa.

AGOA permits the President to extend duty-free treatment to imports of essentially all products, except textiles and apparel, if they are the "growth, product or manufacture" of a beneficiary products are not import-sensitive in the context of imports from beneficiary sub-Saharan Africa countries. Textile and apparel benefits are treated separately from GSP under AGO. The U.S. GSP Subcommittee is currently conducting a review of these products and it was expected that the President would announce the final list of products eligible for duty-free treatment under AGOA before the end of the year 2000. The list was published in the U.S. Federal Register and was made available on the Internet at www.agoa.gov.

This provision of AGOA gives sub-Saharan African suppliers a competitive edge over suppliers in other countries with which the United States does not have a free trade agreement. The tariff rates on many of these products can be quite high, and reducing them to zero for sub-Saharan Africa exporters in eligible sub-Saharan African countries will enable those suppliers to compete more effectively with suppliers elsewhere.

**More Certainty for Duty-Free Benefits**

Regular and expanded GSP duty-free benefits will remain in place for sub-Saharan African exporters through September 30, 2008, irrespective of whether or not the GSP program applicable to other developing countries is extended past September 30, 2001. This benefit provides more certainty for both sub-Saharan African exporters and their U.S. customers, each of whom will likely incorporate sub-Saharan African suppliers more securely into their international sourcing plans as a result of the assurance that duty-free treatment will not lapse for some time.

**End of Competitive Need Limits for Sub-Saharan African**

AGOA also exempts eligible sub-Saharan African countries from normal GSP program limitations on value and percentage of trade in a specific product, known as "competitive need limitations". Normally, a GSP participant loses benefits for a certain product if imports of that product into the United States account for more than 50 percent of total U.S. imports of that product, or if imports reach a certain value ($90 million in 1999). AGOA amends the GSP statute to exempt sub-Saharan Africa beneficiary countries from these competitive need limitations. This benefit will also contribute to a more secure long-term sourcing relationship between sub-Saharan African exporters and U.S. customers.

**GSP Rule of Origin for Imports from Sub-Saharan Africa**

A product must meet the GSP program rules of origin to qualify for duty-free access to the U.S. under the GSP program. The GSP rules of origin require that a product be the "growth, product or manufacture" of a beneficiary sub-Saharan African country and that:

- The article must be imported directly from the beneficiary country into the United States; and

- The sum of the cost or value of materials produced in the beneficiary country plus the direct processing costs must equal at least 35 percent of the appraised value of the product at the time of entry into the United States.

Imported materials may be counted toward the 35 percent but only if the materials are "substantially transformed" into new and different constituent materials of which the eligible article is composed. If an imported article has been produced in part in several countries that are members of an association of countries contributing to the regional economic integration of its members, the articles will be accorded duty-free entry if the value of their collective production of the article accounts for at least 35 percent of the appraised value of the article. The level of value added is the same as would be required for a product imported from a single country. The U.S. Customs Service is charged with determining whether an article meets the GSP rule-of-origin requirement. Members of the West African Economic and Monetary Union (WAEMU), the Southern African Development Community (SADC), and the Tripartite Commission on East African Cooperation (EAC) are potentially eligible for this cumulating benefit. The President has delegated to the U.S. Trade Representative the responsibility for determining which members of these organizations qualify for the cumulating benefit under the GSP program.

**AGOA Rule of Origin for Imports from Sub-Saharan Africa**

A product must meet the AGOA program rules of origin to qualify for duty-free access to the U.S. AGOA. The AGOA rules of origin require that a product be the "growth, product or manufacture" of a beneficiary sub-Saharan Africa country and that:

- The article must be imported directly from the beneficiary country into the United States; and
- The sum of (a) the cost or value of materials produced in a one or more beneficiary countries plus (b) the direct cost of processing performed in those countries is not less than 35 percent of the appraised value of the product when it enters the United States. Up to 15 percentage points of that 35 percent may be

derived from U.S. parts or materials used to produce the product in a beneficiary sub-Saharan Africa country or countries.

**General Rule of Origin Guidelines**

In most cases, U.S. Customs will appraise the merchandise at the transaction value, that is, the price actually paid or payable for the merchandise when sold for export to the United States. This value would include the following elements:

1. The packing costs incurred by the buyer
2. The selling commission incurred by the buyer
3. The value of any assistance provided to the producer free of charge by the buyer
4. The royalty or license fee that the buyer is required to pay as a condition of the sale
5. The proceeds accruing to the seller of any subsequent resale, disposal, or use of the imported merchandise.

In general, shipping and other costs related to transporting the GSP articles from the post of export to the United States are included neither in the value of the article nor in the value-added calculation.

The direct costs of processing include all costs, whether directly incurred in or those that can be reasonably allocated to the growth, production, manufacture, or assembly of the merchandise in question. These include the following:

- Actual labor, fringe benefits, and on-the-job training costs
- Engineering, supervisor, quality control, and similar personnel costs
- Dies, molds, and tooling costs, as well as depreciation on machinery and equipment
- Research, development, design, blueprints and engineering, and inspection and testing costs.

The costs that may not be included in the direct costs of processing are those that are not directly attributable to the merchandise being considered or are not "costs" of manufacturing. These casualty and liability insurance, advertising, and sales representative's salaries, commissions, or expenses.

AGOA extends duty-free and quota-free benefits to imports of a number of apparel items, and textile products used to make those goods, produced in eligible sub-Saharan African countries. In most instances, these benefits are available without limits on the total volume of apparel exported from eligible sub-Saharan African countries to the United States. In two specific instances, however, the volume of U.S. imports of particular types of apparel exported from eligible sub-Saharan Africa countries is subject to a cap.

In order for apparel/textile products of a country to be eligible for duty-free treatment, the AGOA beneficiary country must be designated as eligible for apparel/textile benefits. Such a designation requires that the United States determine that the country has an effective visa system to prevent the unlawful transshipment of apparel/textile articles and the use of counterfeit documents relating to the importation of the articles into the United states. USTR will publish a federal register notice when it designates a country (ies) as eligible for AGOA apparel/textile benefits. This information is available at www.ustr.gov and at www.agoa.gov

**Duty-Free, Quota-Free Treatment**

AGOA provides that the following five type of textile and apparel products imported from eligible sub-Saharan African countries which can enter the United States duty-free and quota-free. It should be recognized that many complicated factors may be involved in customs issues and that this information is for general information purposes only. Customs regulations pertaining to AGOA are available at www.agoa.gov under product eligibility. For answers to specific questions or to request a ruling, direct enquires to: Director, National Commodity Specialist Division, U.S. Customs Service, 6 World Trade Center, New York, New York 10048.

- Apparel assembled in sub-Saharan Africa from fabrics wholly formed and cut in the United Sates, from yarns wholly formed in the United States.

- Apparel cut and assembled in sub-Saharan Africa, using U.S. thread, from fabrics wholly formed in the United States from yarns wholly formed in the United States.
- Sweaters knit to shape from cashmere or certain wool. The sweaters must be in chief weight of cashmere, or 50 percent or more by weight of merino wool measuring 18.5 microns in diameter. Fiber and yarn can come from any country, including counties outside sub-Saharan Africa.
- Apparel cut or knit to shape and assembled in sub-Saharan Africa from third-country yarn or fabric in short supply. The yarns and fabrics considered in "short supply" is derived form the North American Free Trade Agreement (see Annex 401 of the NAFTA). Briefly, they currently include, among others, silk, linen, fine-count cotton circular knit fabrics for certain apparel, cotton velveteen, fine wale cotton corduroy, Harris Tweed, batiste fabrics, and nine types of lightweight high-thread count broad woven fabrics for men's and boy's shirts. (A list of "short supply" yarns and fabrics is provided at Annex 5. Additional yarns and fabrics may be added in the future through procedures detailed in the AGOA).
- Handloomed, handmade and folklore articles. Products covered under this category will be determined through U.S. consultations with the beneficiary country or countries) and must also be certified by the competent authority of the beneficiary country (or countries) as a handloomed, handmade, or folklore article.
- Certain other apparel products will be duty-free and quota-free up to a specified cap (aggregate level of imports of these products from all beneficiary sub-Saharan African countries) that is based on U.S. total apparel imports in a previous 12-month period. The specific products covered under the cap are:
- Apparel assembled in sub-Saharan Africa from non-U.S., sub-Saharan African fabric ("third country" fabric). Only lesser-developed sub-Saharan Africa African countries, defined as those with a per capita gross national product of less than $1,500 a year in 1998 as measured by the World Bank, may export apparel wholly assembled in their countries, regardless of the origin of the fabric, through September 30, 2004. According to the World bank's 1999/2000 World Development Report, which gives 1998 data, all sub-Saharan African countries

except Botswana, Equatorial Guinea, Gabon, Mauritius, Namibia, Seychelles, and South Africa fall below this per capita threshold and are eligible to use third-country fabric in their duty-free apparel exports to the United States through September 30. 2004.

The single cap on preferential treatment for these two categories of apparel is as follows: Share of Total U.S. Apparel Imports, Measured In Square Meter Equivalents, In Previous 12-Month Period for Which Data Are Available.

| | |
|---|---|
| October 1,2000- September 30, 2001 | 1.50% |
| October 1,2001- September 30, 2002 | 1.78% |
| October 1,2002- September 30, 2003 | 2.06% |
| October 1,2003- September 30, 2004 | 2.34% |
| October 1,2004- September 30, 2005 | 2.62% |
| October 1,2005- September 30, 2006 | 2.90% |
| October 1,2006- September 30, 2007 | 3.18% |
| October 1,2007- September 30, 2008 | 3.50% |

The duty-free cap is not allocated among countries. It will be filled on a "first-come first-served" basis. In any year that the cap is met, subject apparel products from sub-Saharan Africa may still enter the United States; however, they will be assessed the prevailing normal trade relations duty rate (Column 1 rates detailed in the Harmonized Tariff System of the United States) at the time of entry. For the first year, two-thirds of the cap was made available on October 2,2000. The remaining one-third of the cap, plus any quantity remaining unfilled from the earlier two-thirds of the cap, was to be made available on January 1,2001.

In addition to the cap on these imports, AGOA includes protection for U.S. industries from surges in apparel imports wholly assembled in sub-Saharan Africa countries from regional and third-country fabric and yarn. The Secretary of Commerce will monitor these apparel imports on a monthly basis. If the Secretary determines that there has been a surge of imports in such increased quantities as to cause serious damage, or threat thereof, to U.S. producers, then the President must suspend benefits for that particular product from the sub-Saharan African country or countries that are exporting it. The Secretary will only make a determination after a notice has been published in the Federal Register and a thorough investigation has been concluded.

**Country Eligibility Requirements**

The benefits established by AGOA are targeted towards the 48 countries of sub-Saharan Africa. However, sub-Saharan African countries do not automatically receive all of the benefits of AGOA. Certain AGOA trade benefits will be extended only to those countries that meet specific eligibility criteria. These criteria were developed in consultation with sub-Saharan African countries and reflect an understanding that additional U.S. market access provided under AGOA will only generate sustainable economic growth and development if countries have appropriate domestic policies. The criteria constitute "best practice" policies that will ultimately attract trade and investment and foster widely shared prosperity.

Sub-Saharan African countries designated as eligible or beneficiary countries must undergo an annual review of their status. Countries may be added or withdrawn from the list of eligible or beneficiary countries during this annual review. The President will monitor, review, and report annually to Congress each country's progress towards meeting the criteria. The President must terminate the designation of a country as a beneficiary sub-Saharan African country if he determines that the country is no longer making continual progress towards meeting the eligibility criteria. If the President terminates a country's designation, it will be effective January 1 of the year following the year in which the determination is made:

In considering the eligibility of sub-Saharan African countries for AGOA beneficiary status, the AGOA required the President to consider the countries based on the existing criteria under the Generalized System of Preferences program as well as new AGOA criteria and a new GSP criterion. These new criteria include whether these countries have established or are making continual progress toward establishing, a market-based economy, the rule of law, the elimination of barriers to U.S. trade and investment, economic policies to reduce poverty, the protection of internationally recognized worker rights, and a system to combat corruption. Additionally, countries (1) cannot engage in activities that undermine U.S. national security or foreign policy interests, (2) cannot engage in gross violations of internationally-recognized human rights, (3) cannot provide support for acts of international terrorism, and (4) must have implemented their commitments to eliminate the worst forms of child labor.

Eligibility to receive certain benefits under AGOA derives from Section 104(a) of the AGOA, section 502(b) of the Trade Act of 1974, as amended (containing the GSP eligibility criteria), and section 506A of the Trade Act of 1974. Section 104(a) is provided below in its entirety. A summary of relevant parts f Section 502(b) is also included below.

**"SEC 104 Eligibility Requirements**

(a) In General – The President is authorized to designate a sub-Saharan African country as an eligible sub-Saharan African country if the President determines that the country.

(1) Has established, or is making continual progress toward establishing

(A) A market-based economy that protects private property rights, incorporates an open rules-based trading system and minimizes government interference in the economy through measures such as price controls, subsidies, and government ownership of economic assets;

(B) The rule of law, political pluralism, and the right to due process, a fair trial, and equal protection under the law;

(C) The elimination of barriers to United States trade and investment, including by:

(i) The provision of national treatment and measures to create an environment conducive domestic and foreign investment

(ii) The protection of intellectual property; and

(iii)The resolution of bilateral trade and investment disputes;

(D) Economic policies to reduce poverty, increase the availability of health care and educational opportunities, expand physical infrastructure, promote the development of private enterprise, and encourage the formation of capital markets through micro-credit or other programs;

(E) A system to combat corruption and bribery, such as signing and implementing the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions; and

(F) Protection of internationally recognized worker rights, including the right of association, the right to organize and bargain collectively, a prohibition on the use of any form of forced or compulsory labor, a minimum age for the employment of children, and acceptable conditions of work with respect to minimum wages, hours of work, and occupational safety and health;

(2) Does not engage in activities that undermine United States national security or foreign policy interests; and

(3) Does not engage in gross violations of internationally recognized human rights or provide support for acts of international terrorism and cooperates in international efforts to eliminate human rights violations and terrorist activities.

(b) Continuing compliance: If the President determines that an eligible sub-Saharan African country is not making continual progress in meeting the requirements described in subsection (a) (1), the President shall terminate the designation of the country made pursuant to subsection (1)".

**To Be Eligible For The Gap Benefits, A Country Must:**

1. Not be a Communist country unless its products receive normal trade relations treatment, it is a member of the World Trade Organization and International Monetary Fund or is not dominated or controlled by international communism (Sex. 502 (b) (2) (A));
2. Not be a party to an arrangement or participates in any action that withholds or has the effect of withholding vital commodity resources or raises their prices to

unreasonable levels, causing serious disruption of the world economy (Sec 502(b) (2) (B));

3. Not afford preferential treatment to products of a developed country which has or is likely to have a significant adverse effect on U.S. commerce (Sec. 502(b)(2)(C));
4. Not have nationalized, expropriated or otherwise seized property, including trademarks, patents, or copyrights owned by a U.S. citizen without compensation (Sec. 502(b)(2)(D));
5. Recognize or enforce arbitral awards to U.S. citizens or corporations (Sec. 502(b)(2)(E));
6. Not aid or abet, by granting sanctuary from prosecution, any individual or group which has committed international terrorism (Sec. 502 (b)(2)(F));
7. Take steps to afford internationally-recognized worker rights, including the right of association, the right to organize and bargain collectively, freedom from compulsory labor, a minimum age for the employment of children, and acceptable conditions of work with respect to minimum wages, hours of work and occupational safety and health (Sec. 502(b)(2)(G)).
8. Implement its commitments to eliminate the worst forms of child labor, as defined by the International Labour Organization’s Convention 182 (Sec. (b)(2)(H); this provision was added by the Trade and Development Act of 2000 in Section 412). To determine whether a country is complying with this provision, the President should consider (1) whether the country has adequate laws and regulations proscribing the worst forms of child labour; (2) whether the country has adequate laws and regulations for the implementation and enforcement of such measures; (3) whether the country has established formal institutional mechanisms to investigate and address complaints relating to allegations of the worst forms of child labour; (4) whether social programs exist in the country to prevent the engagement of children in the worst forms of child labour; (5) whether the country has a comprehensive policy for the elimination of the worst forms of child labour and (6) whether the country is making continual progress toward eliminating the worst forms of child labour.

Failure to meet criteria 4 through 7 may not prevent the granting of GSP eligibility if the president determines that such a designation would be in the national economic interest of the United States.

In addition, the President must take into account:

1. A country's expressed desire to be designated a beneficiary country (Sec.502(c)(1));
2. The country's level of economic development (Sec. 502(c)(2));
3. Whether other major developed countries extend GSP to the country (Sec. 502(c)(3));
4. The extent to which the country provides "equitable and reasonable access" to its markets and basic commodity resources and refrains from unreasonable export practices (Sec. 502(c)(4));
5. The extent to which the country provides adequate and effective protection of intellectual property rights (Sec. 502(c)(5));
6. The extent to which the country has taken action to reduce trade-distorting investment practices and policies and reduce or eliminate barriers to trade in services (Sec. 502 (c)(6)) and
7. Whether the country has taken or is taking steps to afford internationally recognized worker rights, as defined above in item 7 (Sec. 502(c)(7)). (www.agoa.giv and www.ustr.gov)

2.19 **AGOA As The Answer Myth or Reality?**

Nigeria was among the initial set of 34 eligible countries under the AGOA programme which came into effect on 1st January 2001. As part of the requirements, Nigeria also applied for and has been enlisted as a beneficiary country under the Generalized System of Preferences (GSP) Programme of the Limited States of America.

With the introduction of AGOA, the business climate in the African region seems to have taken a novel turn. The Act which was designed to promote bilateral trade between

Africa and the U.S. has certainly lived up to its billing. Since its introduction, trade between the U.S. and Africa has been experiencing a boost.

## 2.20 **AGOA As New Opportunities or Threats?**

In the first three quarters of 2003, US/Africa trade under AGOA has grown by 59 percent over the same period in 2002, amounting to more than $10.2 billion. Lesotho is now exporting more than $300 million of goods under AGOA annually. More than 21,000 AGOA related jobs have been created in Kenya and Mercedes Benz automobiles made in South Africa are now being imported into the United States under AGOA (Olems 2004).

There is every indication that there will be a noticeable increase in Nigerian Exports to the United States of America as time goes on under the African Growth and Opportunities Act. These follows a drop in the volume and value of goods exported to the U.S. by other sub-Saharan African beneficiary of AGOA.

According to Yemi Adedeji (2004) the situation is caused by the steady slide in the value of the US dollar and exchange rate gains by the national currencies of the major beneficiary countries such as Gabon, Kenya, South Africa and Mauritania. The ability of Nigeria to take advantage of this development will, however, depend largely on the readiness of the Nigerian business community to conduct successful export trade with the US, under AGOA. Nigeria is the leading sub-Saharan trade partner of the US, but this trade has been dominated by petroleum products, rather than non-oil exports.

Trade data released for November 2003 shows a decline in US imports, a trend attributed to a weak dollar, which has begun to curb import demand. This trend has not only raised doubt about the sustainability of the strong import growth recorded in trade with sub-Saharan Africa last year, but has also led to strong predictions that the gains of AGOA might begin a downward trend this year for some sub-Saharan African countries.

Should the dollar waken further against major currencies this year a prerequisite for the US economy to address its budget and current account deficits it may affect imports from sub-Saharan Africa (including AGOA imports) negatively, which US trade experts predict to the advantage of countries like Nigeria whose national currencies still remain weaker than the dollar.

The impact might be two-fold. Lower demand from the US brought about by the weaker dollar may result in a slowdown in imports from sub-Saharan Africa. A weaker dollar may also see further appreciation in the currencies of some of the main AGOA beneficiary countries, which could render the products from those countries less competitive globally. This may again cause a slowdown in imports from these countries. Among the main AGOA beneficiaries, exchange rate effect is concerned, as Gabon, whose currency has strengthened significantly in recent years.
However, Gabon's export to the US mainly consist of crude oil and product that may be less price sensitive. The South African rand, and to a lesser extent the Mauritian rupee and Kenyan shilling, have also appreciated against the dollar, which exposes these countries' products to the exchange rate effect.

In contrast, the Angolan kwanza and the Nigerian Naira have depreciated against the dollar over the outlook period, which may have protected their competitiveness. It is therefore clear that the pace of US economic recovery and developments in the dollar exchange rate will dictate the benefits qualifying African countries will enjoy under AGOA this year.
President George W. Bush recently included Angola on the list of countries eligible for trade preferences under AGOA in 2004. Angola also qualified for "lesser-developed beneficiary sub-Saharan African country" status, which gives it more benefits and greater freedom. Angola's inclusion in AGOA means that it will be the second largest beneficiary after Nigeria, replacing South Africa, which will move to third position.

As is the case with Nigeria and Gabon, Angola's exports to the US largely consist of energy-related products. This means that energy related products, which before Angola's inclusion already accounted for more than 80 per cent of AGOA exports, will grow in importance. The Central African Republic and Eritrea were removed from the eligible list due to non-compliance with eligibility requirements. The eligibility of countries is based on criteria that include progress toward a market-based economy, reforms, and their embrace of democratic principles, Nigeria is rated to have passed these criteria.

Sub-Saharan Africa became a major trading partner of the US in 2000 after the introduction of AGOA. That year, while total US imports grew by 10 per cent, trade with this region grew by more than 60 per cent. Since then growing imports from sub-Saharan Africa has been a major component of US trade.

Meanwhile, five more years to the termination of the African Growth and Opportunity Act (AGOA) of the United States of America, Nigeria is yet to make any substantial gain from the liberal trade opportunity. This is because Nigerian manufacturers and exporters seem not to have braced up to the challenges and see the Act as a great window of opportunity, not only toe port at liberal tariff regimes to the US but also to develop their competitive skills in the global economy.

The poor perception of the US offer by Nigerian is largely responsible for Nigeria's low performance in taking advantage of AGOA. Other African countries, which saw the Act in more positive terms, have taken measures to grow their economies through it. "AGOA is a window of opportunity of limited duration for Nigerian firms to develop survival skills in what is an increasingly globalized world economy and because it is time-bound, there is no gainsaying the fact that it can be lost, if not utilized.
Already, AGOA has generated over 87,000 new direct jobs in six African countries while US$360.8 million foreign direct investments (FDI) have gone into four sub-Saharan African countries, courtesy of AGOA. Ghana, Kenya, Mauritius, South Africa, Madagascar, Botswana, Malawi and Swaziland have tremendously improved their foreign exchange earnings using AGOA.

In 2001, Ghana exported US$42.9 million worth of free-duty goods to the US using AGOA. This represents 23 per cent of Ghana's total exports to the US. Also, many Ghanaian investors are already establishing partnerships with US investors in the areas of textiles and apparel. In 2001, Kenya made duty-free exports to the US worth US$58.9

million through AGOA. About 90 percent of this was composed of wearing apparel. Also, three closed garment industries have been revived and six new ones set up on account of partnerships and businesses generated under AGOA.

About US$13 million worth of investments and 20,000 direct new jobs have been created in Kenya through AGOA driven businesses. Nine old factories and several new ones are now running well using AGOA exports as pillars of their business.
In Lesotho, 11 new factories and expansion on eight existing others have been created taking advantage of AGOA.

This has also resulted in the creation of some 15,000 new direct employments. This placed private sector above the government sector in terms of employments, a rare situation in Africa. In Malawai 4,350 new jobs have been created through AGOA related undertaking. Namibia hopes to create 8,000 jobs in ten years taking the AGOA advantage.

New investments in Namibia's textile and apparel sector has reached US#250 million while Mauritius has generated over US$78 million FDI through AGOA-led joint ventures with US investors. The opening of at least either new factories in Swaziland to service AGOA exports has created 11,000 new jobs in that country while a planned investment in a Ugandan mill that will employ 500 people and benefit agricultural producers is also an offshoot of AGOA driven business.

Nigeria has no functioning apparel factory, a prominent item on the AGOA list. Other products have not equally done well. The country's US$200 million non0oil export revenue annually falls far below her projected capacity within the AGOA market.
AGOA extends free duty access to the US market for over 5,000 products from sub-Saharan Africa, over 500 of which are agricultural products.

The products cover such wide areas as dairy and livestock, grains fruits and other agricultural products, gifts and handicrafts, energy related products, not petroleum, textiles and apparel. Textile and apparel market in the US is put at US$10 million and sub-Saharan African countries are allowed to tap into this huge market under AGOA's quota and duty free regime. As at April 30, 2002, 85 percent of the US apparel import market was supplied by less developed countries.

AGOA also confers on African exporters some advantages over suppliers from other parts of the world using tariff concessions, which last for a period of eight years. While filling supply gaps in the US market, AGOA offers African firms the opportunity to become world-class competitors by signing the US market to learn international standards. To do this, alliances and partnerships, which will enable willing African companies, exploit the machines, experience and expertise of US organizations to improve their standards and business outlook are imperative.

This will also assist sub-Saharan Africa increase private sector investment. This is on the assumption that African business people know fully well what needs to be learned to become successful traders said.

**Impediments**

There is the fear that the gains of the Act may not tarry for too long arisen. This time the problem lies with the modalities to the free market trading system. This conflict if not erased could stifle the supposed gains of AGOA. According to Mwencha (2003) "we all agreed on the mission" of AGOA to realize a free and equitable global free trade regime. We also agreed on the fact that globalization is here to stay and that the Word Trade Organization (WTO) is the most ideal and viable system to global trade liberalization and development but what might not be agreed upon is how to get their. Mwencha further said that "US must strife to prove those who don't believe in AGOA wrong by adopting a more friendly approach to its implementation". "At that time we met many skeptics who felt that AGOA was doomed to fail and that AGOA was a new form of colonialism". Today as we sit here, we can all be proud that we confounded them and proved them wrong, especially when one reviews the trader figures in some African countries" he said.

These gains have not been general because many countries in the continent cannot meet the conditions for export into US as observed by Alhaji S. Halilu, chairman of the International Trade Committee of the Kano Chamber of Commerce and Industry, Kano, most people in the country are not able to benefit from the opportunities engendered by AGOA because they have not been allowed to export their products to the American market to allow the market test itself because of the stipulation of standards which are unknown to them.

Mwencha comparing the present global trade regime to the game of golf observed, “one of the most important rules of golf is recognizing someone’s handicap”. Under the handicap system he explained, “it is possible for one to play a game with the professional and one could even have a chance of winning. And that is how the (Africans) think the global trade regime should be designed” (Olems 2004).
Therefore the first factor that must be recognized, is that developing countries have handicaps such as poor infrastructure, a lack of available credit and a host of other factors. It is for these reasons that Africa and other developing countries have been asking for “special and differential treatment”. It is believed that the introduction of GATT and WTO trading systems have not improved African trading chances.

In the 1950s, Africa’s share of global trade was around six percent. Today it is barely two percent in spite of the fact that six or seven rounds of GATT and WTO have taken place. (Olems 2004). Assuming United States could gain as much as $10 billion from increased WTO trade liberalization, this could be a great contribution to African countries if they could only secure just one – fourth of that amount. Countries of Africa that are members of COMESA enjoyed “significant growth” and even greater trade between COMESA and third world countries. This was because of stability, predictability and combination of elements that support free trade. This view is supported with experience in COMESA member countries, which include Angola, Burundi, Comoros, Democratic Republic of Congo, Djibouti and Egypt. Other countries are Eritrea, Ethiopia, Madagascar, Malawi Mauritus, Namibia, Rwanda, Seychelles Sudam, Swosiland, Uganda, Zambia and Zimbabwe.

It is believed that there are cases where trade has grown from less than one billion to four billion dollars within a very short time because certain factors like stability and the fact that the environment is predictable.

In view of these developments and achievements, the breakdown of the WTO talks at the Cancun Ministerial Conference in September 2003, signifies that “the message has not been understood with regard to what Africa is asking for. “African s are only asking that they should be able to participate in global trade and especially in those areas in which they have comparative advantage.
Worthwhile systems must offer African countries opportunities to develop capacity and participate in global trade. Maintaining the status quo under the WTO is hurting Africa the most.

“There should be no illusion that Africa celebrated or is satisfied with that happened in Cancun. Rather Africa is call for the resumption of those talks and praying that there will be flexibility for us to find solutions very challenging problems”. Mwencha observed. “Africa needs grater human resource training and development and a greater familiarity of U.S. sanitary and semi-sanitary standards so that African farmers can export their products to the United States, “he further observed.

It is therefore suggested that for AGOA to be fully useful to African countries and other developing nations, it should be expanded to promote more regional trade integration all across the continent. It is only through such regional integration hat long term sustainable development can be achieved among the participating nations.

Furthermore effective resource centre should be established such AGOA resource centre must ensure that the systems, processes and procedures employed are not base solely on the traditional approach that sometimes constrain users accessibility to information and support.

The Nigeria AGOA Resource Centre must aim to take advantage of recent technological advances in Nigeria and the constantly evolving methods in delivering similar services facilitated by global trends in technology. In addition to this, users of the centre will have access to other network services such as information sharing on specific topics, electronic notice boards, printing as well as media based information such as CD-ROMs

This electronic approach to the provision and access of information does not negate the need for hard copy materials such as brochures, fliers, newsletters, periodicals etc but strongly complements it.

## 2.21 The Experiences of other Countries

The garment industry occupies a strong position in Bangladesh. It is one of the largest industries but unfortunately it does not indicate that the country in general has a lot of excellent fashion or textile designers. Buyers from developed countries usually bring their own designs as well as their own materials to the Bangladesh garments industry. The buyers focus on price and quality, not on contributing to creating a thriving design profession in Bangladesh or elsewhere.

In the jute industry, which is another important and source of export income, the Bangladesh employees copy not design. In general, the manufacturing industry in Bangladesh seems to be very good in copying but lacking in the understanding of how their competitiveness can be measured by using design by their strategic tool in reaching existing markets. The main feature of design situation of Bangladesh seems to be a great capacity copying as well as being able to produce cheap products that are designed elsewhere. Even if this strategy of copying and producing cheaply seems to function at this present level, it would certainly not sustain Bangladesh exports in the future. Such an approach is however understandable for a poor country but its unfortunately doomed in the long run. If you are not winning market shares, you are loosing them.

**Design Policy**

Contrary to what has happened in some nations, Bangladesh has not developed a conscious design policy. For instance, Japan which has been forming its design policy since late 1950s with the aim of improving the level of design strength to prevent the imitation of foreign products. One reason perhaps for the lack of initiative on the part of Bangladesh could be the level of industrialization – Bangladesh is still largely rural .

To compete on global markets, Bangladesh has engaged the services of Design without Borders (dwb) a development programme founded on the belief that design and designs can make significant contribution towards a better and more sustainable society. This is because in Bangladesh, the design profession is small and loosely organized. It needs strengthening if export oriented production was going to succeed in competition on international markets.

In view of the above, the Bangladesh garments manufacturers association (BGMEA) opened fashion and technology institute in 2000, while the Shantomarian University of creative technology started in 2003.

India recognized in 1950, that to be an industrial force of any stature in the world market they would need designers. This soon resulted in the National institute of Designer institutions, which have since consistently educated design talents. Some Bangladesh designers also have attended (NID) and some Indians with degrees from NID work in Bangladesh.

In Bangladesh, 25% of the population (30 – 35million people) is directly affected by Jute profession and many more in the industry. Jute profession is one of the most important industries as important as ready made garments, sea food processing and pharmaceuticals. India is the world's largest producer of Jute, selling 80% of the production on the home market. Bangladesh is the only other major producer of Jute exporting 50% of the yearly output. Bangladesh jute is supposed to hold a high quality,. Jute has however a low price image in the local market. The Bangladesh jute research institute claims that jute can be a substitute for cotton. Bangladesh hardly produces cotton and silk for its textile production but has remained the major importer of yarn at least since 1947, all yarns are imported; warp silk from China, cotton from China and India.

The jute industry is unfortunately a so-called sunset industry. This is because declining in source and production volumes, have been a fact for many years now. Synthetic substitute plays a great role in the downfall of the jute industry, as many of the traditional jute products such as packaging and carpets now have been substituted by synthetics. The government policy of subsiding the government owned mills has not helped matters. It has given the private owned mills, a difficult, competitive situation. Although some jute diversification have been claimed by the research and development unit and several private mills in Bangladesh have already to some extent, diversified their production.

Their main challenge at present remains with commercializing the results of the already existing research from R & D a process complex and filled with trials and errors.

The textile industry in Bangladesh, is seriously struggling to survive. The focus of the jute and cotton mills presently seems to be on value adding, of finding ways to add value to the products that can be made with more or less existing technology. The mills are today interested in providing new markets for trade and weave and in diversifying and adding value within the framework of their production of trade and weave than starting on a radical diversification process involving great economic risk. From the above it could be seen that Bangladesh has taken advantage of its relationship with say India, and Norway to overcome its textile industry problems. Just like Nigeria, the resources are available but undeveloped. Hence, the Norwegian Development Agency (NORAD) has expressed a need for closer interest and cooperation with Bangladesh. (Corlett 1995, Islam 2001 and Lafit 1997 Norsk 2003).

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# CHAPTER THREE

## 3.0 METHODOLOGY

### Research Setting and Participants

The semantic differential method was used to collect the information needed. This method as applied to marketing problem was described by Mindak (1961pp.28-31).

Questionnaires were administered to 200 respondents. To increase respondent discrimination, positive and negative description of concepts were randomly distributed in the questionnaire. A seven point scale weighted from 1 to 7 was used.

Polar adjectives as recommended by Osgood et al (1969pp.56-82) were used to describe the concept. A sample of the questionnaire used is attached at the end of this paper. Respondents were asked to complete the questionnaire according to their first impression.

Justification for Using the Semantic Differential

1. It is a quick efficient means of getting in readily quantifiable data from large samples not only the direction but intensity of opinions and attributes towards a concept.
2. It provides a comprehensive picture of the 'image' of a product.
3. It represents a standardized technique for getting at the multitude of factors which go to make up a product e.g. Price. Availability, Shape, etc.
4. It is easily repeatable and quite reliable.
5. It allows for individuals frames of reference.

This research was conducted at selected areas in Lagos. The data collection sites were: (a) the university of Lagos: (b) selected textile and dressing salons around Akoka, Bariga, and Shomolu areas, and (c) some selected shops at the BBA International Centre for Commerce at the International Trade fair Complex along Lagos -Badagry Expressway. The participants were (i) undergraduate and postgraduate students (ii) textile and dressing salon operators/customers and (iii) traders dealing in textiles (iv) textile manufacturers. These participants were chosen because we felt that they are in the best position to evaluate the product of choice since they use, sell and/or promote the product.

The product - textile - was chosen because of its widespread availability, use, and production in Nigeria. It is a product that has many substitutes (both local and foreign) and thus can easily be evaluated or compared by an average Nigerian.

### 3.1 **Data Collection Procedure**

The marketability of Nigerian textiles questionnaires were developed and administered by the researcher between July and September 2003. A convenience sampling method was employed to select the sample. This is to enable me access all the respondent at the time of any data collection exercise. To make the sample selection approximate probability sampling, every 3rd entrant to the open market/shopping complex was approached and inquire if he/she ever used made in Nigeria textiles, if he/she has, a questionnaire is administered on him/her immediately; if he/she is not a user, I apologise for the delay and waited for the next entrant. Thus I interviewed every 3rd consumer that entered the market on the days of the interview: with the understanding that they randomly enter the market and that the rate of entry is normally distributed. For the fashion shop subjects, I visited any ten shops within the selected areas and interviewed at least one subject (the shop-owner, the worker and/or patrons) there. Thus thirty shops were visited; 10 each at Akoka/Abule Oja/Abule Ijesha; Shomolu, and Bariga areas.

At the BBA complex, Ojo, 10 Clusters were conveniently chosen and questionnaires administered to the inmates of any three shops that are at least 10 shops apart in terms of distance. The information collected from this sample will augment that generated from personal interviews of selected manufacturers and marketers of locally made textiles within Lagos State.

The same questionnaires were applied in all three locations and the data were gathered over a three-month period.

### 3.2 Restatement of the Research Hypotheses

i. There is a positive and significant relationship between product quality and the desire to buy made in Nigeria textiles.
ii. The more ethnocentric the individual, the higher his/her satisfaction with made in Nigeria textiles.
iii. The more nationalistic the individual, the higher his/her satisfaction with made in Nigeria textiles.
iv. The greater the salience in the individual, the higher his/her satisfaction with made in Nigeria textiles.

v. The lower the perceived cost of buying by an individual, the higher his/her satisfaction with made in Nigeria textiles.

vi. Ethnocentric tendencies do not differ across various demographic groups.

## 3.3 Measures.

### 3.3.1 Consumer Attitudes

A marketing evaluation scale was developed to measure consumer attitudes towards made-in-Nigeria textiles. The dimensions were based on Aire (1973pp.46-62) and Kalegha et al (1983(unpublished)), as well as the general concept of marketing. These sources provided the reference for selection of items along seven dimensions of Price and Value, Distribution, Advertising and Publicity, Reputation, Quality, Product Presentation and Market Orientation. The respondents rated the items on seven-point semantic differential scales (contrasting statements). The items are:

1. Price/Value was measured by means of three items – Cheapness, Reasonableness of Pricing and Good Value for Money - “Are cheap, are reasonably priced..., and Are good value for money....”

2. The distribution of made-in-Nigeria textiles was measured in terms of Local Availability and National Availability, with the statements: “Available/Not available Locally, and “Available/Not available nationally...”

3. Advertising/Publicity was measured by three Statements: “Feature Honest/Dishonest Advertising Claims... Are Regularly/Rarely *Advertised*.., and Are Publicized/Not publicized by our Leaders...”

4. The Reputation of Nigerian made textiles was measured using two statements of: “Enjoy good/bad reputation... and proud/ashamed to own it..”

5. The Quality of mode-in-Nigeria textiles was measured by four items with statements as: “made-in-Nigeria textiles are effective/not effective.., are reliable/not reliable.., are of high/low quality.., and are safe/unsafe to use...”

6. The dimension of Market presentation of the product was measured through three items: “Adequacy/Inadequacy of product varieties... Neatly/indecently packaged... and the product is of old/modern design...”

7. The Marketing Orientation of made-in-Nigeria textiles was measured by two items: “produced/not produced to consumer taste.., and products are/not well marketed.”

To measure the general level of *consumer satisfaction* with made-in-Nigeria textiles, a universal satisfaction scale was used. It was coined as “all things considered, I’m satisfied with made-in-Nigeria textiles”. The respondents were asked to rate their degree of agreement on a five-point scale of (1) strongly agree...(5) strongly disagree.

### 3.4 Consumer Ethnocentrism

To measure the effects of the constructs of ethnocentrism, nationalism, Salience, Cost and state of economy on Consumer Attitudes towards Made-In-Nigeria textile products a scale was developed based on Granzin & Painter (2001), and Babalanis et a! (1997). The items were measured over a five point Likert Scale (5 strongly agree ... 1 = strongly disagree). Providing responses to the question: why do you buy made-in-Nigeria textiles? The items were coined to provide answer along the dimensions of the following constructs:

b) Ethnocentrism was measured in terms of three items: “Because Nigerians Can Produce All the textiles we want. Buying them will make our economy grow..., and Imported textiles are like foreign invasion...” A Principal Component Analysis (PCA) showed that the scale was unidimensional and reliable ( 0 .9747).

c) Nationalism was measured by three items including “to protect the interest of Nigerian Workers/Producers..., to protect our industries from closing up..., and to contribute my own share to Nigeria’s economic growth The scale was unidimensional (PCA) and reliable (0: .9810).

d) Salience was also measured by way of three statements: “to create job for Nigerians... to increase the profit of the Nigerian producers and manufacturers... and to ensure that the products continue to exist...” the scale was also unidimensional *(PCA)* and reliable (alpha: .9801).

e) Cost was measured by two statements. . Because I don't regret buying them...and because it is relatively cheap  The items were reverse scored. The scale is unidimensional and reliable (.9078).

f) The state of the economy scale was developed and measured by two statements..."Because I don't have enough money... and when the imported ones are not available...." Equally, these items were reverse scored. *A* factor analysis (PCA) performed showed that the scale was unidimensional and reliable (0 =.9744).

### 3.5 Data Acquisition and Analyses

*Questionnaire Design* The questionnaire consisted of four parts including a basic introduction to the study. The first part asked questions about the product experience of the respondent. Here we wanted to ascertain the product class as well as the brand from which the respondent has formed her attitude. In addition, it helped us to discover if the respondent was a user or not. Consequently, all the respondents interviewed were users. In the second part, the respondents were asked to evaluate the made-in-Nigeria textiles along the dimensions stated above using the semantic differential (3 2 1 0 1 2 3) format. The items were stated in form of contrasting statements and placed at different places in that part of the questionnaire. The factors that motivated the respondents' attitudes were explored at the third part of the questionnaire. The items were structured in form of completion of answers to a basic question: I buy made-in-Nigeria textiles… over a five point Likert scale. This part also contains the universal scale used to measure the respondents, overall attitude towards made-in Nigeria goods with particular reference to the textiles market. This was measured over a five point Likert scale. The fourth and final part consisted of questions concerning the respondents' demographics. Finally, the project supervisor approved the questionnaire.

### 3.6 Questionnaire Screening

A total of two hundred (200) interviews, where 138 of them were returned, and 121 were found usable for analyses. Some respondents failed to provide some of their bio data, especially, age and income per month and their responses were not included for the relevant classifications.

### 3.7 Data Analysis and Presentation

The data for individual cases were tabulated for the overall analysis. To find the influence of demographic factors on the construct of interest (ethnocentrism, nationalism, salience, cost and economy), the data were grouped according to demographic factors. The means, standard deviation, relative percentages and correlations among independent items were computed as preliminary analyses. A Profile analysis of made-in-Nigeria textile was done by computing the means of the various items used to evaluate the profile of made in Nigeria goods. $Chi^2$ tests were used to test for significant differences within groups while the z or t test was used to test for significant differences between two groups (male/female and single/married). A one-way analysis of variance was used to find out significant differences between three groups.

To find out the relationship between consumer satisfaction with made-in-Nigeria goods and the profile of goods; a simple multiple regression analysis was performed with consumer satisfaction as the criterion and the components of the profile as the predictors.

### 3.7.1 Response Rate

Two hundred interviews were attempted, 138 of them were returned, and 121 were found usable for analyses. Thus a response rate of 60.5% was achieved.

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# CHAPTER FOUR

## DATA PRESENTATION AND ANALYSIS

### 4.0 Introduction

In this chapter, an attempt is made to present the general characteristics of the population used in this study. The data for individual hypothesis and cases were tabulated for the overall analysis. To establish the influence of demographic factors or such constructs as ethnocentrism, nationalism, salience, cost and economy, the data were grouped according to demographic factors. The means, standard deviation, relative percentage and correlations among independent items were also computed. A profile analysis of made in Nigeria textile was also done by computing the means of the various items used in evaluating the profiles of such made in Nigeria goods. Chi-square tests were used to test for significant differences within groups, while Z-test or T-test was used to test for significant differences between two groups (e.g. Male & Female, Single & Married). A one way analysis of variance was used to find out significant differences between three groups.

To find out the relationship between consumer satisfaction with made in Nigeria textiles and the profile of the goods, a simple multiple regression analysis was performed with the consumer satisfaction as the criterion and the components of the profile as the predictors.

## 4.1 Results

### 4.1.1 Respondents' Characteristics

**Table 11:** Presents the Biographic data of the respondents. It shows that the respondents were well represented in terms of sex, age, education, employment, marital, and income rankings.

Table 11: Respondents' Characteristics

| # | Factors | Levels | Male | | Female | | Total | |
|---|---|---|---|---|---|---|---|---|
| | | | Absolute | %Age | Absolute | %Age | Absolute | %Age |
| | | | | | | | | |
| 1 | Sex | | 47 | 38.8 | 74 | 61.2 | 121 | 100.0 |
| 2 | Age | | | | | | | |
| | | A (<25yrs) | 14 | 29.8 | 44 | 59.5 | 58 | 47.9 |
| | | B (25-34yrs) | 24 | 51.1 | 22 | 29.7 | 46 | 38.0 |
| | | C (>34yrs) | 6 | 12.8 | 8 | 10.8 | 14 | 11.6 |
| | | Total | 44 | 93.6 | 74 | 100.0 | 118 | 97.5 |
| 3 | Educational Status | | | | | | | |
| | | A (GCE) | 20 | 42.6 | 27 | 36.5 | 47 | 38.8 |
| | | B (OND/NCE) | 9 | 19.1 | 16 | 21.6 | 25 | 20.7 |
| | | C (HND/BSc) | 17 | 36.2 | 31 | 41.9 | 48 | 39.7 |
| | | Total | 46 | 97.9 | 74 | 100.0 | 120 | 99.2 |
| 4 | Employment Status | | | | | | | |
| | | A Employed | 17 | 36.2 | 31 | 41.9 | 48 | 39.7 |
| | | B Self- Employed | 13 | 27.7 | 8 | 10.8 | 21 | 17.3 |
| | | C Unemployed | 17 | 36.2 | 35 | 47.3 | 52 | 43.0 |
| | | Total | 47 | 100 | 74 | 100.0 | 121 | 100.0 |
| 5 | Marital Status | | | | | | | |
| | | A (Single) | 37 | 80.43 | 56 | 75.7 | 93 | 77.50 |
| | | B (Married) | 9 | 19.56 | 18 | 24.3 | 27 | 22.50 |
| | | Total | 46 | 99.99 | 74 | 100.0 | 120 | 100 |
| 6 | Income Level | | | | | | | |
| | | A (<N15000) | 7 | 41.17 | 17 | 62.96 | 24 | 54.54 |
| | | B (N15000-N29999) | 8 | 47.05 | 7 | 25.92 | 15 | 34.09 |
| | | C (>N29999) | 2 | 11.76 | 3 | 11.11 | 5 | 11.36 |
| | | | 17 | 99.99 | 27 | 99.99 | 44 | 99.99 |
| 7 | Usage Rate | | | | | | | |
| | | A (Daily) | 28 | 59.6 | 34 | 48.57 | 62 | 52.99 |
| | | B (Weekly) | 11 | 23.4 | 18 | 25.11 | 29 | 24.78 |
| | | C (Monthly) | 8 | 17.0 | 18 | 25.11 | 26 | 22.22 |
| | | Total | 47 | 100.0 | 70 | 99.99 | 117 | 99.99 |
| 8 | Product Experience | | | | | | | |
| | | A (Ankara) | 24 | 47.28 | 35 | 53.03 | 59 | 49.57 |
| | | B (Tie & Dye) | 15 | 28.30 | 17 | 25.75 | 32 | 26.89 |
| | | C (Brocade) | 14 | 26.41 | 14 | 21.21 | 28 | 23.52 |
| | | | 53 | 99.99 | 66 | 99.99 | 119 | 99.99 |

Source Survey Questionnaire

From the table, the total responses obtained were 121, out of which 61.2% were females. Forty eight percent were below 25 years of age while 38% were between 25 and 34 years. Sixty one percent of the sample has an OND, NCE HND, or a B.Sc. Seventy-seven percent are single out of which 60% are females.

The table also showed that 43% of the samples are unemployed while just 11.40% earn N30, 000.00 above. Fifty – three percent of the respondents use made-in-Nigeria textiles regularly, out of which 54.84% were females. Twenty – one percent of the sample buys the product at least once monthly. All the respondents had used at least one of the local textile products.

### 4.2 Profile of Made-in-Nigeria Textile Products.

Table 2 depicts the profile of made-in-Nigeria textile products as evaluated by the consumers. Only the graphical view is presented here, the numerical table is presented in appendix 1.

From the table it will be seen that in terms of the dimensions of price/value and distribution, made-in-Nigeria textiles are considered to be significantly cheap ($x = 5.01$, $p < .000$), somewhat reasonably priced than imported ones ($x = 4.64$, $p < .000$), and considerably, a good value for money ($x = 5.07$, $p < .000$). They also rated the goods to be available to a significant extent locally ($x = 4.46$, $P = .05$) and nationally ($4.35$, $p = .05$).

Made-in-Nigeria textiles are rated as marginally featuring honest advertising claims (x = 4.38, p< .000), are somewhat regularly advertised (x = 4.30, p = 13), but are weakly publicized by our leaders (x = 314, p = .001). Though the regularity of advertisement was slightly positive, the result is not significant at the 0.05 level.

Made-in-Nigeria textiles seem to enjoy a fair reputation as the respondents evaluated them to enjoy a marginally good reputation (x = 4.22, p< .05) and a consideration price of ownership (x = 4.92, p< . 000).

The quality of made-in-Nigeria goods seemed to have improved as a significant number of the responses rated it fairly good along the dimensions of product effectiveness (x = 5.11, p< .000), reliability of the products (4.75, p<.000). The market presentation of made-in-Nigeria textiles was rated as somewhat neatly packaged (x = 4.72, p< .000), but not quite presented with adequate varieties (x = 3.61, p .000). The design of the product is neither old nor modern (x = 4.08, p .360). This response was however not significant at the 0.05 level.

**Table 12:** Profile of Made-in-Nigeria Textiles

**Made – in – Nigeria Textiles:**

| | | |
|---|---|---|
| Are Cheap | .____.____.____.____.____.____.____. | Are Expensive |
| Reasonably Priced Than Foreign Ones | .____.____.____.____.____.____.____. | Unreasonably Priced Than Imported Ones |
| Are Good Value For Money | .____.____.____.____.____.____.____. | Poor Value For Money |
| Always Available When Needed | .____.____.____.____.____.____.____. | Not Always Available When Needed |
| Available Nationwide | .____.____.____.____.____.____.____. | Not Available Nationwide |
| Feature Honest Advertising Claims | .____.____.____.____.____.____.____. | Feature Dishonest Advertising Claims |
| Are Regularly Advertised | .____.____.____.____.____.____.____. | Are Occasionally Advertised |
| Are Well Publicized By Our Leaders | .____.____.____.____.____.____.____. | Are Not Well Publicized By Our Leaders |
| Enjoy Good Reputation | .____.____.____.____.____.____.____. | Enjoy Poor Reputation |
| Owning it is A Pride | .____.____.____.____.____.____.____. | Ashamed Of Owning It |
| Are Effective | .____.____.____.____.____.____.____. | Are Ineffective |
| Are Reliable | .____.____.____.____.____.____.____. | Are Unreliable |
| Are Of High Quality | .____.____.____.____.____.____.____. | Are of Low Quality |
| Are Safe To Use | .____.____.____.____.____.____.____. | Are Unsafe to Use |
| Adequate Varieties At The Market | .____.____.____.____.____.____.____. | Have Too Few Varieties At The Market |
| Are Neatly And Decently Packaged | .____.____.____.____.____.____.____. | Are Untidily And Roughly Packaged |
| Are Of Modern Design | .____.____.____.____.____.____.____. | Are of Old Design |
| Are Produced To Customers' Taste | .____.____.____.____.____.____.____. | Are Not Produced To Customers' Taste |
| Are Not Well Marketed | .____.____.____.____.____.____.____. | Are Well Marketed |

Source: Survey Questionnaires

The respondents rated the market orientation of made-in-Nigeria textiles as poor since they were only slightly produced to consumer' taste (x = 4.10, p.01), and not quite well marketed (x = 3.69. p. = 02).

Examining the composite means, all the dimensions measured recorded more than half of the available scores for the dimensions. The dimensions of price/value and quality recorded the highest sources of 70%, while the other dimensions recorded moderate scores (55.64%). Therefore, price and value are the areas in which the rating of made-in-Nigeria goods is highest.

## 4.3 Comparative Analysis of Past and Present Profile of Made in Nigeria Goods

A comparative analysis of the present profile with previously reported profile indicates that there has been a significant favourable attitude by Nigerians towards home-made goods. Table 3 shows the present profile compared with the previously reported study (Aire, 1973pp.46-62;Kalegha et al 1983(unpublished); Okechukwu and Onyema, 1999pp.611-622).

**Table 13:** Present and Past Profile of made-in-Nigeria goods

| Variable | | Price and Value | | Distribution | | Advert & Publicity | | Repu t-ation | Quality | | | Presentation | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Items and Statistics | | Cheapness | Reasonable Pricing | Local Availability | National Availability | Honest Advert Claims | Regularity of Advertising | Pride Of Ownership | Product Reliability | General Lev-el of Quality | Safety of Use | Adequacy of Varieties | Neatness in Packaging |
| Prese nt | $x_1$ | 5.01 | 4.64 | 4.46 | 4.35 | 4.38 | 4.3 | 4.92 | 4.75 | 4.73 | 5.07 | 3.61 | 4.72 |
| | Scale (%) | 68.93 | | 62.93 | | 62.00 | | 70.29 | 69.29 | | | 59.50 | |
| Past | $x_2$ | 2.50 | 3.10 | 2.30 | 3.10 | 3.10 | 3.0 | 4.0 | 3.10 | 2.40 | 3.50 | 3.0 | 2.0 |
| | Scale (%) | 40.00 | | 38.57 | | 43.57 | | 28.57 | 42.86 | | | 35.71 | |
| Differ-Ences | $x_1 - x_2$ | 2.51 | 1.54 | 2.16 | 1.25 | 1.28 | 1.30 | 0.92 | 1.65 | 2.33 | 1.57 | 0.61 | 2.72 |
| | $z_{cal.}$ | 15.6* | 9.10* | 11.2* | 6.20* | 7.10* | 6.90* | 6.0* | 9.60* | 14.0* | 9.40* | 3.10* | 13.7* |

* $p < 0.005$ (two tailed). Z0.005/2 = 2.81.

Source: survey Questionnaires and Kalegha, E. A. U. Okechukwu, & V. A. S. Soyeye (1983). "Attitudes of Nigerians towards Made in Nigeria Goods" Journal of International Research in Marketing, Vol. 10, No. 2, Pp. 185 – 207.

From the table, it will be seen that all the six dimensions (price and value, distribution, advertising, reputation, quality, and product presentation) evaluated, all the items are significant at the 0.005 (two tailed) levels. Cheapness, local availability, general level of quality, and neatness in packaging has improved tremendously (p = 0.000, two tailed). Therefore, there had been significant (in fact positive) differences between the profile of made-in-Nigeria goods in the past and the present. This provides the basis for rejecting the null hypothesis, H1 and accepting the alternative that:

$H_1$: = There has been significant positive differences between the present and past profiles of made in Nigerian goods.

## 4.4 Consumer familiarity with Made-in-Nigeria Textiles.

The extent of this section is to determine whether consumers are actually familiar with made in Nigeria textiles. The extent of consumer familiarity with made-in-Nigeria textiles is depicted in table 4.

**Table 14:** Respondents' Familiarity with Made-in-Nigeria Textiles.

| PRODUCT EXPERIENCE | MALE | | FEMALE | | TOTAL | |
|---|---|---|---|---|---|---|
| | Absolute | %age | Absolute | %age | Absolute | %age |
| Ankara | 24 | 51.1 | 35 | 47.3 | 59 | 48.8 |
| Tie & Dye | 15 | 31.9 | 17 | 23.0 | 32 | 26.4 |
| Brocade | 14 | 29.8 | 14 | 18.9 | 28 | 23.1 |

Sources: Survey Questionnaires

The results show that 98.3% of the respondents had used made-in-Nigeria textiles. The most used product was Ankara (48.8%) followed by tie & dye (26.4%), and lastly, Brocade – (23.1%). Further analysis of the table shows that the female respondents appeared to use the products more (112.8%) than the males 89.2) relatively. This shows that the categories overlap, hence 112.8%. On the basis of this information, we say that the consumers are quite familiar with made-in-Nigeria textiles; thus Q3 is answered.

## 4.5 Effects of Constructs Ethnocentrism, Nationalism, Salience, Costs, and State of the Economy in Nigeria Consumer Choice.

This section attempt to establish the extent Nigeria are really satisfied with the made in Nigeria textiles. Table 6 depicts the test for goodness of it and inter-item correlation for ethnocentrism, nationalism, salience, costs, and state of the economy in Nigeria consumer choice.

**Table 15:** Test for goodness of fit, and inter-item correlations for the items of the construct of Ethnocentrism in Nigeria Consumer Choice

| | ITEMS | Mean | SD | STN | E1 | E2 | E3 | N1 | N2 | N3 | S1 | S2 | S3 | C1 | C2 | EC1 | EC2 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| STN | All things considered, I am satisfied …. | 3.53* | 1.15 | 1.00 | | | | | | | | | | | | | |
| E1 | Nigerians Can Produce All We Need | 3.8* | 1.10 | .759 | 1.00 | | | | | | | | | | | | |
| E2 | Buying It Will Make Our Economy Grow | 3.7* | 1.20 | .905 [b] | .941 | 1.00 | | | | | | | | | | | |
| E3 | Importation is Foreign Invasion | 3.4* | 1.30 | .935 [d] | .787 | .910 | 1.00 | | | | | | | | | | |
| N1 | Protection Of Nigerian Workers/Producers | 3.9* | 1.10 | .787 | .987 | .967 | .795 | 1.00 | | | | | | | | | |
| N2 | Protection of Our Industries | 3.8* | 1.00 | .942 [d] | .917 | .992 | .951 | .935 | 1.00 | | | | | | | | |
| N3 | To Ensure Nigeria's Economic Growth | 3.8* | 1.00 | .891 [b] | .950 | .952 | .914 | .929 | .967 | 1.00 | | | | | | | |
| S1 | Creation Of Job For Nigerians | 3.8* | 1.10 | .871 [b] | .966 | .972 | .824 | .979 | .956 | .953 | 1.00 | | | | | | |
| S2 | Profit For Nigerian Producers | 3.6* | 1.20 | .930 [b] | .933 | .976 | .873 | .949 | .975 | .960 | .991 | 1.00 | | | | | |
| S3 | To Ensure The Continued Existence Of The Product | 3.4* | 1.30 | .928 [b] | .905 | .995 | .914 | .944 | .989 | .929 | .960 | .973 | 1.00 | | | | |
| C1 | Feelings Of Post-Purchase Regrets | 3.7‡ | 1.10 | .947 [d] | .893 | .969 | .868 | .925 | .968 | .928 | .976 | .994 | .978 | 1.00 | | | |
| C2 | Due to Cheapness | 2.9* | 1.40 | .276 | .000 | .061 | -.082 | .045 | .061 | .040 | .210 | .244 | .114 | .299 | 1.00 | | |
| EC1 | Lack Of Money | 2.78 | 1.42 | .116 | -.484 | -.181 | -.056 | -.368 | -.147 | -.344 | -.264 | -.166 | -.080 | -.057 | .440 | 1.00 | |
| EC2 | Non-availability of Foreign Substitutes | 3.04 | 1.38 | .518 | .298 | .311 | .215 | .293 | .335 | .386 | .467 | .505 | .337 | .524 | .901 | .162 | 1.00 |

Chi-squared test (goodness of fit): p = 0.000; +p = 0.005; +p = .001.

r = Pearson product moment correlation, b p = 0.5 (one tailed0; = .01 (one tailed).

The means of the items of the constructs of choice show that the respondents are quite satisfied with made-in-Nigeria textiles (x = 3.53, p = .000). They believe that Nigerians can produce all we need (x = 3.68, p. = .000), and that importation is foreign invasion (x = 3.38, p = .000). Thus, hypotheses two is accepted;

$H_2$ = The more ethnocentric the individual, the higher his/her satisfaction with made-in-Nigeria textiles.

The existence of the construct of nationalism was determined as the respondents significantly agree that buying domestic textiles will protect Nigeria workers and producers (x = 3.88, p = .000). They also quite agreed that buying made-in-Nigeria goods will protect our industries (x = 3.83, p = .000) and ensure Nigeria's Economic Growth ( x = 3.80, p = .000). Thus hypothesis is accepted.

$H_3$ = The more nationalistic the individual, the higher his/her satisfaction with made-in-Nigeria textiles.

Salience was measured in terms of three items and the respondents reasonably agreed that buying home-made goods results in the creation of jobs for Nigerian (x = 3.80, p = .000), generate profit for Nigerian producers (x = 3.64, p. = .000) and somewhat ensure the continued existence of the products (x = 3.50, p= .000). Thus, hypothesis four is accepted.

Costs represent the ability to ensure shortfall in quality and the results show that the consumers don't quite feel post purchase regrets after the purchase of the goods (x = 3.74, p. = .000), but rather do not buy them without considering their cheapness (x = 2.92, p =. 003). Thus, hypothesis five is rejected.

$H^5$: = The lower the perceived cost of buying by an individual, the higher his/her satisfaction with made-in-Nigeria textiles.

The respondents were varied in their response concerning the influence of the state of the economy on their decision to purchase made-in-Nigeria textiles ($\sigma$ = > 1.38).

They seemed not to agree a bit that lack of money was a reason why they purchase the home-made goods (x = 2.78, p = .171). They also agreed marginally that non availability of some foreign substitute was a reason for their choice of the local goods (x = 3.04, p = .183). Since both items were not significant at the 0.05 level, we conclude that state of the economy was not a significant predictor of consumer preferences for made-in-Nigeria goods.

However, the factors of ethnocentrism, nationalism, salience and cost have all the means of their items above 3.0 and significant (at least) at 0.05 levels. Hence, they provide the basis for posting that there is an existence of consumer ethnocentrism in Nigerian consumer choice.

## 4.6 Demographic Effects on Nigerian Consumer Ethnocentrism

The results of the effects of demographic variables of sex, marital status, age, income level, educational level, employment status, frequency of product usage, and product experience are depicted on table 7. Only items significant at the 0.05 level are presented here;.

Table 7 shows that the demographic factor of sex appears to be the most discriminating among its levels; six out of the thirteen items, showed variation in the responses of the subjects. The males are more concerned with the general well-being of the economy (Nigerians can produce all we need, mean = 4.38; importation is foreign invasion mean, 3.91) but are more sensitive to costs (purchase irrespective of price, mean = 2.49; purchase irrespective of lack of money, mean = 2.85; purchase irrespective of non-availability of foreign substitutes, mean = 2.53).

**Table 16:** Demographic effects on the Constructs of Interest (Ethnocentrism, Nationalism, Salience, Cost, and State of Economy).

| Factors | | Sex | | | | | | Age | Employment status | | Income | Usage Rate | | | Product Experience | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Items | | Et1 | Et3 | Sa1 | Co2 | Ec1 | Ec2 | Ec1 | Sa2 | Ec2 | Sa1 | Sa1 | Co1 | Ec2 | Co1 | Ec2 |
| Statistics | $X_A$ | 3.4 | 3.0 | 3.99 | 3.19 | 3.46 | 3.23 | 3.68 | 3.72 | 2.93 | 4.21 | 4.10 | 3.98 | 3.35 | 3.76 | 3.34 |
| | $X_B$ | 4.38 | 3.91 | 3.51 | 2.49 | 2.85 | 2.53 | 3.72 | 2.95 | 4.00 | 3.33 | 3.93 | 3.67 | 3.81 | 4.18 | 3.93 |
| | $X_C$ | Nil | Nil | Nil | Nil | Nil | Nil | 2.75 | 3.78 | 3.27 | 4.00 | 3.15 | 3.12 | 2.79 | 3.25 | 2.89 |
| | Δ | .98 | 0.91 | 0.48 | 0.70 | 0.61 | 0.70 | .301 | .214 | .296 | .211 | .257 | .190 | .261 | .217 | .272 |
| | B | -5.43 | 4.72 | 2.43 | 3.19 | 2.82 | 3.23 | 3.38 | 4.35 | 4.62 | 3.73 | 7.238 | 7.037 | 3.76 | 6.6 | 3.97 |
| | P | .000 | .000 | .05 | .005 | .005 | .005 | .05 | .05 | .05 | .05 | .01 | .01 | .05 | .01 | .05 |

Source: Survey Questionnaire.

The females showed more concern with the conditions of the Nigerian workers and entrepreneurs (Purchasing to create job for Nigerians, mean = 3.99). They also appear to have made their purchases without considerations for cost (purchase irrespective of price, mean = 3.19); poverty (purchases irrespective of lack of money, mean = 3.46); and availability of foreign substitutes purchase irrespective of non-availability of foreign substitutes, mean = 3.23). The differences between these means are at least significant at the .05 level.

Lack of Money is the only item by which the different levels of age differ. The older respondents showed more concern with finance (purchases irrespective of lack of money, mean = 2.75); while the younger ones appear to be relatively not concerned with fiancé (purchases irrespective of lack of money, mean = 3.68/3.72 respectively for the two younger levels). The variance in their responses (0.301) is significant at the .05 level.

Salience and the state of the economy are the items by which the levels of employment differ. The self-employed respondents ($X_B$) appear less concerned with profit for Nigerian Producers (x = 2.95), while the employed and unemployed groups appear more concerned (x = 3.72; 3.78 respectively). In addition, the employed respondents show more concern with the economic circumstances (x = 2.93) than the self-employees and unemployed (x = 4.00, 3.27, resp). This can be accounted for by the level of disposable income available vis-à-vis the number of dependents.

Salience or precisely, the creation of job for Nigerians was the criterion by which the income groups differ. The median income group show little concern for the jobs of their people (x = 3.330 than the other income groups (x = 4.21, 4.00 resp). Thus they may feel that their individual helps may not be enough (Granzin and Painter 2001). The monthly buyers appear to be the odds in their respective groups, since they score lower (x

= 2.79 – 3.25) compared to other groups (x = 3.34 – 4.10). Thus they appear to be less concerned with the creation of job for Nigerians (S1 for the levels of product usage x = 3.15) but are more sensitive to cost and economic circumstances in relative terms (Col and Ec2). They scored lowest on both items and the variances between the means are significant ($p < 0.5$).

**Observation:** It is be observed that in terms of significant differences, the groups differ by (1) gender; the males more conservative but sensitive to the realities of the economy); (2) Age (the elderly were more sensitive to economic hardships); and (3) Employment status (the self-employed are less concerned with the welfare of workers but more interested on the economic realities). Other significantly differentiating factors include, (i) income in which the median income group (N15,000 – N29,000) appeared to be less interested in the creation of job for Nigerians; (ii) usage rate (the monthly users do not mind the availability of the foreign substitutes, are interested in the creation of job for Nigerians, and fairly unaffected by the state of the economy while the regular users were not interested in the creation of job for Nigerians, but somewhat sensitive to purchase risks and economic hardships); (iii) the Ankara users seemed to be more sensitive to post purchase risks and the state of the economy.

However, sex appeared to account for variation on more items (6 items) than other items but the construct of state of the economy accounted for variation among four demographic factors (sex, employment status, usage rate, and product experience). In addition, it seems that the respondents are more varied on their attitudes over the influence of state of the economy on their decision to buy domestic products. This is because it is the only item that has significant differences or variances between the means of the items of the construct over the entire six significant demographic variables presented.

On the whole, the males show more ethnocentric tendencies, being more conservative (along the dimensions of ethnocentrism) but sensitive to costs and economic hardships. Ethnocentric tendencies differ across various demographic groups. Thus, hypothesis six is rejected.

$H_6$: = Ethnocentric tendencies do not differ across various demographic groups.

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# CHAPTER FIVE

## SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

### 5.0 Summary of Findings

The objective of our study was to investigate the current attitudes of Nigerian consumers towards made-in-Nigeria goods with particular reference to the textiles market. It also includes the determination of the factors responsible for changes in their attitudes, if any. We found out that the overall attitude has relatively improved compared to the position of the previous studies (Aire, 1973pp.46-62;Kalegha et al 1983(unpublished); Okechukwu and Onyema, 1999pp.611-622).

We found that the profile of made-in-Nigeria textiles goods has improved significantly both in absolute and relative terms over the previous studies. Of much significance is reputation that has maintained consistently higher ratings.

Particular to the current studies, we discovered that three items – publicity by our leaders, adequacy of varieties, and the marketing orientation of the products – were very weakly correlated to the other items of the study. Despite the intensified campaign to buy domestic products by the government, the consumers felt that the leaders have not publicized the products significantly. Thus the publicity approach adopted by the government, which includes sponsored advertisements on pages of newspapers, billboards and prime-time television viewing, were considered inadequate (hence the low and insignificant means 3.14).

Adequacy of varieties and the marketing of the products are other areas the profile was weak. Since Nigeria is a country of free trade with a deluge of foreign goods; the apparent strong competition between foreign and domestic goods cannot condone market offerings with insufficient varieties nor improper blend of the marketing mix.

The overall attitudes of Nigerian consumers were summarized in the universal attitude scale of satisfaction with made-in-Nigeria textiles goods. The findings revealed that taken the evaluative dimensions together, the respondents were generally satisfied with made-in-Nigerian textiles (R2 = .996, p = .000). This finding was substantiated by the pattern of improvements between the current and past evaluations of home made products. The extent of consumer familiarity with the products (which in this case was 98.3%) laid credence to the quality of this finding.

Generally, Nigerians are becoming supportive of made-in-Nigeria (textiles) goods and appear to have an optimistic view of their quality.

We also investigated the motivational influences in the Nigerian consumer choice of made-in-Nigeria goods. The findings provided useful insights into the sources of consumer motivations to buy domestic products and most importantly help tact the effects of domestic campaigns (pursued by the federal government of Nigeria) on consumer choice. Indeed problem areas were revealed.

The constructs of ethnocentrism, nationalism and salience do indeed influence consumer satisfaction for domestic textiles. The effects of costs and state of the economy on consumer satisfaction with made-in-Nigeria textiles are somewhat disturbing ($x$ = 2.78, $p$ = . 171 & $x$ = 3.04, $p$ = .183, respectively). They seemed to seriously lower the positive effects of the constructs of ethnocentrism, nationalism and salience on buying domestic purchase decisions. They appeared to demonstrate the fact that cheapness as well as harsh economic condition force consumers to buy domestic products.

In the case of demographic influences on the buy domestic motivations, sex appeared to account for more variation among many items (96 items) than other items but the construct of state of the economy accounted for variation among four demographic factors (sex, employment status, usage rate, and product experience). In addition, it seems that the respondents are more varied on their attitudes over the influence of state of the economy on their decision to buy domestic products. This is because it is the only item that has significant differences or variances between the means of the items of the construct over the entire six significant demographic variables presented.

State of the economy accounted more for significant variations among the demographic factors than other dimensions. Though on the whole, the males show more ethnocentric tendencies, being more conservative (along the dimensions of ethnocentrism but sensitive to costs and economic hardships.

The findings also suggest many more specific implications for government authorities and marketers who seek to promote buy domestic behaviour.

## 5.1 Implications for Marketing Management, Public and Private Buy Domestic Campaigns

We now draw implications to assist managers and authorities by considering the significant total effect on satisfaction with home made products, which we conceived as consumers' support for threatened workers, love for ones country and the general well-being of the economy. Not withstanding the perceived inadequacy of the varieties of the domestic products, which the marketers should address for competitive advantage; the study took the position of Granzin and Painter (2001pp.73-96) that posited that the promotion element is the primary focus of buy domestic strategies. Consequently, in keeping with the objectives of this work, the following implications deal with buy domestic promotion.

First, the positive influence of ethnocentrism indicates that many consumers will psychologically categorize products of foreign origin as either acceptable or unacceptable because of their origin. Keeping his in mind, a buy domestic positioning could benefit from this social grouping. The message may stress that domestic workers are members of the citizenry, they are co-nationals. It also state that the citizens are fully capable of providing for the needs of their people; hence buyers have no need to buy from foreign suppliers. Better still, the campaign may stress that importation is foreign invasion. In addition, the positive influences of nationalism on satisfaction support this implication.

Second, the positive influences of salience indicates that a strategy might seek to inform the consumers who are unaware of the issue and persuade those who are already aware that importers pose a serious threat to the welfare of their fellow citizens.

Third, the low score of the impact of costs and perceived state of the economy indicate that their effects on satisfaction are non-dimensions. The buy domestic promoters need to stress that buying domestic textiles (goods) will lead to improvement in quality, reduction in costs and improve the state of the economy.

Fourth, the low score of the item of publicity by our leaders point to the fact that the leaders are expected to be involved in the campaign. This shows that interpersonal influences affect buyers' purchase decisions. Hence the campaign should capitalize on the flow of influence whereby word of mouth can be used to persuade purchasers. Similarly, the campaign may feature a national leader or respected celebrity, who picks the domestic alternative and urges the target audience to tell friends and family to do the same.

## 5.2 Recommendations

The recommendations are broken into two important sections. Section one is informed by the empirical finding generated specially by this study. The second part of the recommendations is based upon the generality of information in the critical focus areas which are equally imperative in the revitalization and restructuring of Nigerian Textile industry and particularly in the effective marketing of made in Nigeria Textile products in Nigerian markets and beyond.

**Section One**

The following recommendations are relevant for further research purposes. First, the present study took place in Lagos alone; hence the scope of the respondents should be expanded to include other states of the Federation for effective generalization of the findings.

Second, The Govt. should change its promotional approach, since the present approaches have been found to be grossly inappropriate. This supports the proposition of Norman (1994 p.19), who observed that Nigeria would be an economic force to be reckoned with in the global arena, if the trade zones are fully exploited. The government should pay serious attention to border effects as they affect the flow and availability of goods traded internationally and domestically as confirmed by Carolyn L. Evans. (2003p.1).

Thirdly, the insignificance of the effect of costs and state of economy on consumer attitudes towards made-in-Nigeria goods merits further equity. Specifically the impact perceived cost of buying made-in-Nigeria goods as well as the effect of the current economic hardships on consumers' buy domestic products motivations deserved serious investigations.

Fourthly, this type of study should be extended to other domestic products, to enhance their marketability as well as improve the export market of the country and reduce the over-reliance on oil products.

Fifthly, there is a need for the development of a nation, well coordinated, government led policy, which would impose extremely exacting conditions of organization, production, training, technology and management, which, in the long run would assure a viable processing sector with acceptable product standards, not only for exports but equally for the domestic and regional markets. (Ian Lambert 2003pp.1-6)

Finally, a longitudinal study is necessary to keep track of current attitudes of Nigerians towards made-in-Nigeria goods (textiles) to accomplish the desired behaviour modification.

**Section Two**

In addition to the empirical findings but based on the analyses of the critical focus areas, detailed recommendations should be made on the following:

1. **Local Market Environment and Governmental Policies:** Smuggling seems to be a major set back in this area. The government should implement imports of African prints initiated by the Federal Government on September 1st 2002.
    - A temporary task force should be set up to monitor imports and smuggling activities and arrange seizures. Periodic assessments should be made to assess the progress made in implementing the ban.
    - Thus the first move to stabilize the home market is by protecting it from damaging impact of smuggling. The need for protecting the home market cannot be over emphasized as:

- o Production and employment would again rise
- o Investors confidence would return
- o Mills would modernize and expand
- o New product lines would emerge
- o Capacity utilization will increase and
- o New jobs will be created in cotton farming and textiles, and the sector would bounce back.

As applicable in the worlds textile producing countries, a sizeable, strong home market will protect the textile industry against vagaries of international export markets. It will also lead to competitive advantage due to economies of scale for the industry.

The accompanying rapid growth of the domestic market will lead the nation's firms to invest faster, and build large, efficient facilities with the confidence that they will be fully utilized.

The quality levels in the home market will also set the benchmark for quality produced and exported by the country.

All these will finally lead to improved global competitiveness and resultant export performance for the nation.

2. **Import Duties and Tariffs:** Intended policy changes should be discussed before they are implemented to ensure a fair deal for everybody in the industry. Import duties should be fair and protect all members within the value chains. Import duties should be used as temporary protection measures aimed to revive and develop the local textile industry.

3. **Policy Frame Work:** Granting of duty concessions/wavers to individual companies should be discouraged. Policies should be consistent and predictable for the industry. The policy frame work of other successful textile and garment producing countries have clear visions, with defined export targets. Provide important inputs such as wages, power and financing at competitive rates and a functioning infrastructure as obtained in China, Indonesia, India, Pakistan, Tunisia and Brazil.

4. **Infrastructure:** To remain competitive, the industry should be supplied at the officially priced fuel and diesel oil on a priority basis, for power and steam generation. Power supply should be supplied to the textile industry with competitively priced power on a continuous basis with little or no voltage fluctuation. The system should be de-bottlenecked to provide the industry with competitively priced inputs.

5. **Cotton Supply:** The cotton sub-sector has been in turmoil over the past years. Therefore the following areas deserve immediate consideration:
    - The contamination problem should be addressed with top priority
    - A coordinated marketing system should be put in place.
    - A new seed system should be put in place to undertake all the commercial aspects while the federal government provides extension support services.
    - The public and the private sector should collaborate in policy and legal frame work development

- A reliable input supply and credit system should be put in place for the interest of the small holders.
- Cotton market system should be re-instituted with cotton marketing centres re-established along with quality control and certification resuscitated.
- There is a need for a standing body, which represents all the stakeholders to develop and agree on a national road map for the cotton sectors reviver.

6. **Export (EEG):** Export incentive to be established for a reasonable period of time and "set in stone"

   The 40% EEG should be made available to all textiles and garments and should be leveraged for export LED new capacity building.

**Banking Sector Participation:**

- Financial institutions should make credits available to industry at competitive rates for working capacity and long term financing.

**Technology Up Gradation Fund (TUF):**

- The Nigerian textile industry with its obsolete equipment will need considerable funds to upgrade its production base and to reduce costs.
- FGN should seriously consider to create a fund for low interest financing to mills willing to modernize or expand their plants.

**Dyes and Chemicals:**

Reduce input duty on reactive dyes to the barest minimum

**Monitoring and Restructuring:**

Along with the monitoring mechanism, a textile sector-restructuring unit should be established to manager the multiplicity of tax and problems related to the reviver of the textile sector including the cotton sector and the AGOA investment

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***ATTITUDE OF NIGERIANS TOWARDS MADE – IN – NIGERIA TEXTILES***

Dear Respondent,

I am conducting a study into the attitudes of Nigerian towards made-in-Nigeria Textiles. The textiles market has been selected and you have been chosen as one of the respondents. Kindly contribute by answering the questions that follow as honestly as possible. Your name is not required. **Thanks.**

**SECTION A**

1) Listed below are some Brands of Made-in-Nigeria Textiles. Encircle (()) the one or ones that you are currently using, had used, ever bought, ever sold or ever advised someone to use or buy.

Tie & dye Ankara, Procade, Asoke, Adire, Batik, Damask and Kente.

*NB: The products of Multinationals like Hollandis Entorica, George are not regarded as made in Nigeria goods.

**SECTION B**

On the basis of your experience of usage or how you generally feel about made-in-Nigeria Textiles, evaluate made-in-Nigeria Textiles by encircling the number that best represent your score. Select the first score that comes to your mind as fast as possible. There are no right or wrong answers. KEY: Select 3 for Extremely Much; 2 for Very Much; 1 for Fairly Much; 0 for Neither and 4 if you have no idea of the statement.

**Made-in-Nigeria Textiles:**

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Are cheap | 3 | 2 | 1 | 0 | 1 | 2 | 3 | Are Expensive | 4 |
| 2 | Reasonably priced than foreign ones | 3 | 2 | 1 | 0 | 1 | 2 | 3 | Unreasonably priced than imported ones | 4 |
| 3 | Not always available when needed | 3 | 2 | 1 | 0 | 1 | 2 | 3 | Always available when needed | 4 |
| 4 | Available nationwide | 3 | 2 | 1 | 0 | 1 | 2 | 3 | Not available nationwide | 4 |
| 5 | Feature honest advertising claims | 3 | 2 | 1 | 0 | 1 | 2 | 3 | Feature dishonest advertising claims | 4 |
| 6 | Owning it is a pride | 3 | 2 | 1 | 0 | 1 | 2 | 3 | Ashamed of owning it | 4 |
| 7 | Are regularly advertised | 3 | 2 | 1 | 0 | 1 | 2 | 3 | Are occasionally advertised | 4 |
| 8 | Are effective | 3 | 2 | 1 | 0 | 1 | 2 | 3 | Are ineffective | 4 |
| 9 | Are unreliable | 3 | 2 | 1 | 0 | 1 | 2 | 3 | Are reliable | 4 |
| 10 | Are of high quality | 3 | 2 | 1 | 0 | 1 | 2 | 3 | Are of low quality | 4 |
| 11 | Are unsafe to use | 3 | 2 | 1 | 0 | 1 | 2 | 3 | Are safe to use | 4 |
| 12 | Have too few varieties at the market place | 3 | 2 | 1 | 0 | 1 | 2 | 3 | Adequate varieties at the market | 4 |
| 13 | Are neatly and decently packaged | 3 | 2 | 1 | 0 | 1 | 2 | 3 | Are untidily and roughly packaged | 4 |
| 14 | Are good value for money | 3 | 2 | 1 | 0 | 1 | 2 | 3 | Poor value for money | 4 |
| 15 | Are not produced to customers' taste | 3 | 2 | 1 | 0 | 1 | 2 | 3 | Produced to customers' taste | 4 |
| 16 | Enjoy poor reputation | 3 | 2 | 1 | 0 | 1 | 2 | 3 | Enjoy good reputation | 4 |
| 17 | Are not well publicized by our leaders | 3 | 2 | 1 | 0 | 1 | 2 | 3 | Are well publicized by our leaders | 4 |
| 18 | Are of old design | 3 | 2 | 1 | 0 | 1 | 2 | 3 | Are of modern design | 4 |
| 19 | Are not well marketed | 3 | 2 | 1 | 0 | 1 | 2 | 3 | Are well marketed | 4 |

**SECTION C**

Kindly show the reason why you buy made-in-Nigeria textiles by ticking the box that best represent the degree to which you agree with the statements below: KEY: S/A= Strongly Agree. AG= Agree. U/D= undecided. D/A= Disagree. S/D= Strongly Disagree.

| | I buy made-in-Nigeria Textiles: | S/A | AG | U/D | D/A | S/D |
|---|---|---|---|---|---|---|
| 20 | Because I don't regret buying them | ☐ | ☐ | ☐ | ☐ | ☐ |
| 21 | To create job for Nigerians | ☐ | ☐ | ☐ | ☐ | ☐ |
| 22 | To increase the profit of the Nigerian producers or manufacturers | ☐ | ☐ | ☐ | ☐ | ☐ |
| 23 | To ensure that the products continue to exist | ☐ | ☐ | ☐ | ☐ | ☐ |
| 24 | Because Nigerians can produce the textiles we want | ☐ | ☐ | ☐ | ☐ | ☐ |
| 25 | Because they will make our economy grow | ☐ | ☐ | ☐ | ☐ | ☐ |
| 26 | Imported textiles are like foreign invasion | ☐ | ☐ | ☐ | ☐ | ☐ |
| 27 | To protect the interest of Nigerians workers/producers | ☐ | ☐ | ☐ | ☐ | ☐ |
| 28 | To prevent our industries from closing up | ☐ | ☐ | ☐ | ☐ | ☐ |
| 29 | To contribute my own share to Nigeria's economic growth | ☐ | ☐ | ☐ | ☐ | ☐ |
| 30 | Because I don't have enough money to buy the imported ones | ☐ | ☐ | ☐ | ☐ | ☐ |
| 31 | Because the price is relatively cheap | ☐ | ☐ | ☐ | ☐ | ☐ |
| 32 | When the imported ones are not available | ☐ | ☐ | ☐ | ☐ | ☐ |

All things considered, I am satisfied with made-in-Nigeria Textiles

Strongly Agree | Agree | Undecided | Disagree | Strongly Disagree

## SECTION D

Kindly tick the appropriate boxes.

Sex: Male Female Age Employment Status: Employed Self employed Unemployed

Marital Status: Married Single Educational Status: GCE/WASC/SSCE OND/NCE HND/BSc/BA Frequency of Use: Daily weekly Monthly

Average Monthly income: < 15,000 15,000 – 29,999 > 29,999