

## **Oil Politics and Its Marketing Strategies of the 21st Century in Nigeria: A Practical Approach**

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### **Abstract**

*Oil Politics and Its Marketing Strategies of the 21<sup>st</sup> Century in Nigeria: A Practical Approach. Adopted analytical review method to examine the changes that have involved in the petroleum marketing in Nigeria since 1903 till date, the essence of the research was to unveil the influence of politics on the petroleum industry. The role of NNPC, foreign marketers and regulatory agencies as well the changes that have been effected when indigenous firms took over the fate of the industry was examined. How various marketing strategies of the government, independent marketers and crude oil exchange policies in divergent ways marred the growth of the industry was ex-rayed. Global policies and the mismanagement of managers in NNPC have caused tremendous loss of dollars to the nation. The paper considered causes of poor fuel supply, increase in pump price, delivery huddles and corruption embedded in the NNPC. The paper concluded with recommendations that will foster glaring proof in the marketing strategies of petroleum industry in Nigeria.*

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**Keywords:** *Strategies, Petroleum, NNPC, Marketing, Product, Marketers, Global, Refinery, Offshore, Industry, Nigeria, Politics.*

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### **Introduction**

Since 1903, that Nigeria began its oil exploration and exploitation, the industry has witnessed instability mostly in the downstream sector. According to Ameh (2012), the establishment of regulatory agencies has made no significant changes as the issues of products scarcity, adulteration of products, crude oil bunkering and corruption persists on daily basis. Eluozo (2018), equally frowned at the poor strategies applied in addressing monitoring and control measures by the regulatory agencies, faulting the reports on subsidy scam probe committee of 2012.

Newman (2017) as reported in an article of Sunusi (2012), explained that the regulatory agencies has failed in personnel incompetency and operational management, right from supply of products, poor products handling and distribution of products to end users. Products theft, Pipelines vandalism and cross-border smuggling, lack of capacity storage depots, substandard jetties, vessel leakages all affects the supply chain management. Eluozo asserted that mismanagement and ineffective system leads to increase in overhead cost and expenditures

that affects the total cost of the products that covertly or overtly is inbuilt on the product final cost to consumers as end users.

Issues associated with marketing of petroleum products in Nigeria behooves on the callous operating business environment. The non-chant attitude of government on the issues of products marginal increase; inconsistencies in products price, scarcity of products, adulteration of products, abandonment of refineries, fire outbreaks in refineries and fuel stations, delightfulness in importation of petroleum products, inequality in distribution of products network and lousiness in checkmating international oil companies activities impedes the attraction of modern investors to the country's industry. Against this backdrop, Adenikinju (2009) in his econometric analysis concluded that the transportation routes of domestic products via road, rail, pipeline and waterway was ineffective hence the products ends up been stolen and littering the environment without containment measures.

Eluozo's assertions are in consonance with that of Akpieyi (2009), as the duos concluded that road transportation of products is likely the source of siphon as drivers end up delivering less than quantities supplied at the discharge point. It has become a recurrent dilemma in the supply chain process of the industry on a daily basis. Several problems abound in the petroleum industry in Nigeria, efforts is made on this paper to identify most challenges as it affects the petroleum market and the strategies that will enhance supply and distribution.







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### **The Perception of Marketing and Marketing Strategies**

Marketing strategies and diplomacy are fretful with taking decisions on a number of issues that can influence common satisfaction of barter contact and interactions. Characteristically, marketers have a number of paraphernalia they use such as mega-marketing and the traditional marketing, in the midst of others. Marketing looks so uncomplicated to depict but tremendously complicated to put into practice. Marketing concepts have remained divergent to comprehend by organizational managers as some view it simple while others view it complex. The marketing concept has its variables of which some are tacit while others are progressive, in the attempt to achieve total quality management concerned with satisfying customers' desires and requirements constructively. In other to achieve a proficient and successful marketing stratagem which can integrate pertinent proportions of the marketing model involves the natural tasks of choosing a market audience in which to maneuver and expand a well-organized and valuable marketing component permutation. Marketing contemplations put into practice has been stirring promptly into the overhaul business of oil and gas. In marketing strategy, corporeal produce and service might be a matter of prominence rather than of scenery or variety. Marketing is one of the outstanding and imperative natural functions which help to overhaul organizations to congregate their organizational challenges and to attain their set objectives and intent.

Marketing tactics is a momentous dynamic vigor that make a distinction between the achievement of copious organizations, it is the proper planning of where, when, and how the organization will contend in other to accomplish the marketing strategy and assessment decisions reached. The suitable and successfully achieved marketing strategies are required to prolifically direct the operation of the restricted obtainable capital through the organization's marketing capabilities in hunt of preferred aspirations and purpose. There are two concepts that form a good marketing strategy in terms of marketing strategy choice, marketing strategy assessment and execution. The choice makers are accountable for marketing strategy to select which accessible assets the organization should install, where to install them suitably in other to achieve the diverse aspirations and intents of the organization. Marketing strategies could be formal, top-down strategies or embryonic or inventiveness strategies. Organizational marketing strategies could be overt or inherent resolutions concerning goal scenery, objective market assortment, and location benefit to be trailed or instant accomplishment of organizational recital.

Distinct strategic marketing intent are essential trait of marketing strategies in which managers must make choice about what the intent and precedence of the organization are, how to convert these intents and apparition of the organization into marketing-related purpose and principle. However, this process can be knotty to grasp in reality as several aspiration criterion and intensity may be irreconcilable or un-harmonizing in the quest of realizing the organizational concert. It is the function of the marketing strategy concept to managers in prioritizing organizational intents that may be in variance, set the clear picture, take the right decisions and locate the firm appropriately in a well stipulated environ.

### **Mix Strategies**

The adoption of choice of homogeny is determined by its latent to advance company's feat to the suitability of a global marketing strategy inveterate by the strategy's sway on the company's recital in economic and premeditated profit, customary to accomplishment of the chosen.

It is imperative for organizations to adjust their market strategies when going into international markets, especially in this era of globalization where many brands and goods are

virtually universal and rife. Decisions smite into an adaptation strategy can influence organization's competitiveness and concert in global markets in terms of sales, pecuniary and clients piece. Adaptation of strategies entails altering the pricing technique, advertising mix and casing of a product in order to accommodate the desires and penchants of a finicky export market. Adaptation occurs when any facet of the marketing strategy is bespoke to realize a competitive benefit when going into a global market and thus conquer other organization's feat. Adaptation strategies involves fine-tuning of product's logo and colors and packaging to accomplish the marketing intent, or may involve upward review of products and developing new financing models that will befit the new market.

It is fundamental for marketers to regulate the marketing blend and marketing strategy to outfit local tastes, meet up unique market requests and consumers' desires.

### **Key P<sup>s</sup> of Marketing**

**Product:** The product is the beginning of marketing strategy plans in the direction of organizational feat as well the heart of trademark primarily.

**Price and Pricing:** The price of goods is obviously the determinant of its value of sales. In conjecture, price is actually gritty by the invention of the value discernment of the piece on sale by consumers.

**Process:** Process has to do with planning, communication, relationship, packaging and processing.

**Promotion:** Promotion has to do with advertisement, branding, jingling and price reduction.

**Place:** Place is related to environment and location, audience target and constant sight.

**Peer-to-Peer:** P2P is related to cloud computing and friendship advertisement on convincing others on viability of a product.

**People:** Organizations going into business require contact with clients, workers for supporting service for production and sales.

**Physical evidence:** Physical evidence is related to physical appearance, hardware production, physical validity and reliability of product usage.

**Personalization:** Personalization is the same as customization of products and services via the use of the internet and other electronic Medias such as social medium.

**Participation:** This is referred to customers' contributions towards improving quality of goods and services of an organization.

### **Marketing of petroleum products**

According to Petroleum Equalization Fund (2012), movement of petroleum products outside the depot requires bridging and equitable product allocation to all parts of the country accordingly to avert shortage in supply. The bridging method was initially introduced as a provisional assess for the period of revamping in which the government sought to cheer and sustain marketers in conveying petroleum products nationwide.

### **Marketing Strategies and Economic Development**

The need for goods and services has never been satisfied without marketing functions and organizational presence. Only pertinent minor nucleus production without economic base can exist little undemanding buying, selling, transportation, storage and marketing information yet marketing elements is significant. In an economic viable society, marketing provides job opportunities for millions of people, strengthens industrial relationship through advertising, public relations, haulage, and marketing research.

Marketing incorporates everyone as consumers and ensures that quality of goods and services are improved upon. Marketing influences peoples' cultural beliefs, lifestyle and consumption patterns, by this measures the people's quality of life is improved.

It is believed that marketing ethics and techniques are similar all over the planet and it remains omnipresent. Marketing is advantageous to all individuals and groups, all sectors of the economy benefits from the marketing industry be it medical field, churches, government and municipals in all, the skills and techniques of marketing remains same.

Marketing has revenue-generating clout; marketing cling to foremost solution to the continued existence and enlargement of any organization. Marketing major antics of business promotion tools are through advertisements, personal selling, sales sponsorship, publicity, and public relations and the contentment of consumers wants; marketing helps to generate throng benefaction and utilization for goods.

### **Strategies of Petroleum Products Marketing**

Several strategies of marketing abound but the marketing strategies of petroleum products looks peculiar, Ehinomen and Adeleke (2012) highlighted some strategies involved in petroleum marketing to include; price reduction, proper distribution of products, information dissemination, promotion of product through sign post, contact of customers, matching of product with normal price limit, negotiation influence, physical distribution of product rather than scam, financing of quantity of products and risk taking.

### **Politics of Petroleum Products Marketing in Nigeria**

Right from 1903 till date, so many petroleum marketing organizations has emerged in Nigeria. This development also welcomed so many political maneuver as indigenous marketers has flooded the system. Some of the companies includes but not limited to; Nigerian Agip Oil Company, Total, Chevron, Exxon Mobil, Shell, Addas, Sterling Global, Oando, Neconde, African Petroleum and Texaco among so many moribund. Newman noted that the seven major oil companies recorded sales to the tune of N16471 trillion between 1992 and 1994. He stated that this revenue has increased with over 175% over the years due to upsurge in crude oil price. NNPC is the chief marketer of oil in Nigeria leaving over 800 independent marketers with 31.8% of the domestic product. Eluozo (2018) in his episodes of petroleum politics in Nigeria gave the understated narratives:

*‘The irony is that after building the three refineries at Warri, Port Harcourt and Kaduna in the late 1960s the bulk of domestic fuel demands were supplied locally but today about 89% of the domestic demands of refined products are been imported from foreign countries due to dilapidated infrastructure and corrupt governments. This trend of importation holds sway in the year 1996 under the military administration headed by Late General Sani Abacha. By the year 1998, General Abdulsalami Abubakar announced its deregulation policy authorizing the independent markers to import petroleum products directly.*

*Prior to this policy, petroleum importation was the sole responsibility of the government via NNPC. This policy was not favorable to the marketing companies due to locally fixed and regulated price. However, it was mandatory for major oil marketing companies, independent oil marketers and indigenous companies to begin the importation process as directed by the policy.*

*It is important to note that the policy helped in twigging shortfalls in regular supply which had caused solemn economic tribulations that aggravated the country’s economic slump. The scenario of fuel queues all over the country was so rampant during the military regime.*

*Due to international fall in crude oil price between 1989 to 1998, when crude oil hovered within \$6 – 10 per barrel favored fuel importation*

*economically, the upshot in early 1990, hampered the importation of petroleum products, (PMS, AGO and DPK). Before the end of March 1999, NNPC took charge of fuels importation to cater for domestic consumption; this reverse in policy was to avert some political hitches. The third republic headed by Chief Olusegun Obasanjo continued the importation policy strategizing on re-instating the national refineries through revamping activities however, all the funds and investments to this measure was sabotaged by cabals. Chief Olusegun Obasanjo's administration amplified pump price of petroleum products in the following orders; PMS N20 to N65, AGO N 19 to N 70 and DPK N17 to N57 per liter, the unilateral increase in price by the President caused pervasive protests and work to rule actions across the country, orchestrated by civil societies and organized labor affiliates. President Goodluck Jonathan and Yaradua's administration continued the importation policy but invested more to revamp the local refineries. In 2014, President Jonathan reviewed the pump price of petrol from N85 to N97 per liter after several days of unravel with the organized labor and political oppositions. The idea was to end fuel subsidy regime thereby deregulating fuel price to the actual cost of N145 per liter and to liberalize independent marketing and supply of petroleum products without governments interference which was thwarted by the public orchestrated by the present day ruling political party APC, finally in 2016 President Mahamadu Buhari forcefully increased the pump price to N145 claiming that the government shall no longer pay subsidy to importers, to a great surprise, the subsidy is still in existence after the price hype by the leadership of APC whom condemned the idea of former president Jonathan, isn't this a deceit?.'*

### **Refined Product Exchange Agreement (RPEA)**

The agreement of products exchange states that some quantities of crude oil be allocated to the marketer and the marketer shall be responsible to import specified products value the same sum of capital as the crude, excluding assured fees and expenses as may be agreed upon in compliance with the marketer's share value.

### **Offshore Processing Agreement (OPA)**

Offshore deal differs slightly from that of shore, the broker or trusty company is entrusted to lift a definite quantity of crude oil, refine it abroad, and deliver refined products back to Nigeria under the auspices of NNPC. The NNPC quantifies the crude value against the returned value in its segregated products of diesel, kerosene, gasoline, aerosols and other bye-products. Sometimes the refining company is expected to pay cash of excessive deductions of product to NNPC for any products not needed for local consumption in Nigeria. This deal method is still in existence till date.

### **Conclusion**

According to NNPC report (2012,2014,&15), Nigeria has petroleum reserves of 28.2 billion barrels of crude oil and 165 trillion standard cubic feet of natural gas exploitable on a daily basis but due to lack of technical man power, its daily production remains at 2 million barrels of crude oil and 7.6 billion of gas per day. Since 1903 Nigeria have never imported crude oil or gas for its domestic production rather it had remained one of the major importers



of refined products like; kerosene, diesel and premium motor spirit (PMS), hence it lacks ample refining capacity to meet its domestic fuel requirements.

The country have been operating an open system account between 1996 to 2010, this remained a contractual technique of importing refined products to meet domestic desires, a method where marketers conveys fuel through pipelines to products marketing company (PPMC), an ancillary of Nigerian National Petroleum Corporation (NNPC) saddled to exchange products for money. This method witnessed fraudulency to the extent the NNPC owed over 5 billion dollars to fuel importers due to ineffectiveness of the local refinery. As at 2008 local refining capacity dropped to 30%, and the NNPC was left with option than swap deal in 2010. (Ejiofor 2018).

Since 2010 to 2016, the saleable replica for crude oil market was based on the notorious oil-for-product swaps. In the late 2016, NNPC signed its foremost encompassing Direct Sale of Crude Oil and Direct Purchase of Products (DSDP) pact, valued 330,000 barrels of oil per day (b/d).

The former represents barter trading while later is value for value system of trading. During the subsidy probe report in 2014, the committee alleged that NNPC conduit above 352 million barrels of oil valued over \$35 billion into the barter pact which were ensnared in negligence, indistinct provisos and crooked practices, and thus futile to exploit proceeds for the country.

In a bid to restore hope, the DSDP of 2016 was visualized to recover lucidity with enhanced provisos for the government. However, the templates were the same but differed in proviso and stiff regulations entrenched in the new DSDP. Despite the efforts in the reforms over the years the issues of corruption and accountability remains unraveled.

### **Recommendations**

Having ex-rayed the challenges of petroleum marketing and its political brouhahas, it is recommended as follows to foster some ease:

- There is an urgent need to pass into law the Petroleum Equalization Fund in order to achieve full benefits of petroleum products and sales.
- Best international marketing strategies should be adopted.
- There should be capital base investments from petroleum proceeds.
- Total deregulation policy should be made on the petroleum importation scheme.
- Mixed and integrated marking approach should be adopted in the sales of petroleum products.

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