

De-Marketing Of Locally Manufactured Products: Implications on Macroeconomic Indicators In Nigeria.

Awoniyi Olaoye Cladius¹ & Babatunde Afolabi Ph. D²
& Ololade Tolulope Ibi-Oluwatoba¹

¹Department of Banking & Finance, Afe Babalola University, Ado Ekiti, Nigeria

²Department of Banking & Finance, Federal University, Oye, Nigeria

Corresponding author: Babatunde Afolabi Ph. D

Abstract: *The continuous preference of Nigerians for foreign and imported goods has been a major challenge facing the Nigerian economy. The persistence of the status quo as a result of de-marketing of locally manufactured products remains a major hindrance to the development of domestic industries that could enhance sustainable economic growth and development in Nigeria. Consequently, this study assessed the implications of de-marketing on some macroeconomic indicators with the view to bringing out the importance of local industries in achieving sustainable economic development in Nigeria. The study adopted times series data using co integrated research technique by conducting trend analyses on some macroeconomic variables such as import, export, manufacturing output and unemployment rate. The study made use of tables and graphs to demonstrate the implications of de-marketing on these selected macroeconomic indicators. The trend analyses revealed that the proportion of non-oil imports to total output has been on the increase when compared with the ratio of non-oil export to total output. Also, it was revealed that manufacturing capacity utilization and manufacturing production has been dwindling as a result of preference for imported products rather than demand for locally manufactured goods. Given this, it was recommended that government should pursue subsidization of Nigeria export as a way to encourage local manufacturers and improve the export performance of Nigeria. Also, strict and effective policies for checking unauthorized imports should be initiated and implemented to curtail the excess of manufacturers and protect the local industries.*

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I. Introduction

There is no doubt about the fact that industrialization is key to the development of an economy. This however, is dependent on the development of domestic industries to enhance the competitiveness of a country's products in the global market. Industrialization entails developing a country's capability in transforming raw materials and other inputs to finished products for consumption (Anyanwu, Oyefusi, Oaikhenan & Dimowo, 1997).

Before a country's products could transcend her shore, there must be a competitive domestic market in place for locally manufactured goods. In other words, domestic demands must be satisfied before a country could focus on export. But the preference or taste of Nigerians for foreign made products is worrisome considering its effect on local industries. This is partly due to the perception of Nigerians that locally produced products are inferior to foreign made and imported ones in terms of quality and performance. This is so bad that some local producers, in order to remain and be relevant in the market, have resorted to claiming that their products are foreign made or imported (Ogunnaike, 2010).

Because of this, foreign producers tend to adopt every means possible to de-market locally produced goods thereby increasing the non-patronage of locally made goods thus having adverse effect on local industries. Several factors have been cited to be responsible for the de-marketing of locally produced goods in Nigeria. Some of these factors include poor awareness or lack of advertisement by local producers, discrimination, quality, price difference, and poor after-sales services.

The high demand for imported or foreign made products by Nigerians has made Nigeria to become a dumping place for all sort of foreign goods. This menace of dumping of goods from different countries into the Nigeria market has undermined the competitiveness of the nation's industrial sector, especially the manufacturing sector. This, coupled with the dwindling oil revenue, has impacted negatively on the nation's external reserve. For instance, the Nigeria foreign exchange reserve declined from 47.11 billion US dollar in July 2018 to 46.868 billion US dollar in August 2018 and since then it has been declining (CBN, 2018). This has

ignited concerted agitations by Nigerians for the reverberation and diversification of the nation's economy through the resuscitation of local industries.

This issue is evident in Nigeria given an economy where unemployment is on the increase and poverty is biting hard on the citizens. In addition, the agricultural sector which is considered vital to successful industrialization of Nigeria economy is not performing as expected. Also, the manufacturing sector performance in terms of contribution to aggregate output is not encouraging as the proportion of manufacturing output to total output is as low as four percent. The recent recession experienced in the country is another indication of the damage that de-marketing of locally made goods has done to the Nigeria economy. This is because of the over reliance of the country on oil revenue and failure to develop the non-oil sector thereby causing the nation to rely heavily on importation of raw materials and finished products.

These problems which continue to undermine the development of the Nigeria economy is begging for urgent attention and solution especially now that the world economy is moving away from oil dependent and focusing on the non-oil sector especially agricultural sector and manufacturing sector. Therefore, this paper conducted a trend analysis of some macroeconomic indicators such as import and export growth, manufacturing production growth, unemployment and exchange rate with the view to assessing the implication of de-marketing on achieving sustainable economic development in Nigeria.

II. Literature Review

2.1 Factors Influencing Demand for Locally Manufactured Products

Consumers demand for locally manufactured goods is influenced by many factors. According to Ogunnaike (2010), these factors include economic factors, historical factors, psychological factors, poor marketing and poor governmental control.

Economic Factors

Leon and Kanuk (2007) opined that product quality, price and product availability are the economic forces behind the predilection for foreign goods in an economy. Agbonifoh (1995) in a survey conducted in among textile consumers in Kano metropolis found that 93 percent of the respondents considered locally-manufactured textile inferior to foreign and imported ones. This supported the common conception in Nigeria that foreign goods are better than locally made goods in terms of quality. Also, price remains a sensitive factor influencing the taste of consumers for either locally or foreign made products. Sometimes, high price may indicate high quality of product but where consumer perceived that locally made products have higher price than foreign ones this begin to influence their preference between locally made and foreign goods. In this case, they prefer to purchase foreign goods especially where they believe that such foreign product is superior to the locally manufactured good. The availability of products in the market also determines the choice consumers between locally made goods and foreign ones. This can be seen from the availability of different brands of Chinese mobile phones in Nigeria market today. This eases the consumers desire to satisfy their yearnings for different brands of imported goods.

Historical Factors

Aire (1983) noted that habit and previous experiences have notable effect on consumers' perception and choice. Most products in Nigeria before independence were imported due to the fact that the few local firms available in the country as at then could not produce products that could match the standard of foreign goods. Since then Nigerians have formed the opinion that foreign products are of better quality than locally made goods and many Nigerians still carry this notion, possibly the older ones.

Psychological Factors

Some psychological factors work in consumers to influence their demand for either local or foreign goods.

Some people due to their social status which is influenced mainly by their ego tend to demand for products that will satisfy this desire. For instance, "the urge to stand in the crowd can lead one to purchase a rare product, a product which can be described in popular term as "one-in-town". For many Nigerians, locally manufactured products lack the images that help satisfy the desire of the consumer. Also, some people see foreign countries as places where they cherish and they would love to visit for either sightseeing or status boosting purposes, therefore they demand for their products as a way of associating themselves with those countries (Achumba & Osuagwu, 1994).

Poor Marketing

Poor marketing another major factor that influences the consumers preference for imported products (Ailawadi & Nelsin, 1998). There are many angles to this factor, the main ones is concerned with the status of

marketing in the firm, management attitude to consumer orientation, poor product planning, pricing and promotion. The importance of effective marketing management in the process of creating favourable image for a product cannot be overemphasized (Alego, 1997). In the case of Nigeria, failure of producers to ensure proper orientation and protection of the consumers appears to be the major bane of locally produced goods because it contributed to the alienation of Nigerian consumers and the resulting consumer preference for imports (Isah & Aliyu, 2017).

Poor Governmental Control

The government, through attitudinal problem of commission and omission, has contributed to the current perception of many consumers to locally manufactured products (Kehinde, Adegbuyi, Akinbode & Borishade, 2016). The loopholes created by government through its ineffective policies at checking importation and smuggling has paved way for the importation of various kinds of products to the extent that Nigeria is seen as a dumping place for many foreign goods. This has resulted to unfavourable attitude of Nigerians to local products as well as negative effect on local industries. Some of the most affected local industries include textiles, wood treatment, battery, tobacco and cigarettes and pharmaceuticals.

2.2 Empirical Review

There is dearth of empirical studies in the area of discuss. The few ones that this study could access are reviewed in this paper.

Isah and Aliyu (2017) investigated the impact of low patronage of made-in-Nigeria goods on economic growth in Nigeria with particular focus on textile products. The study which focused on manufactures, marketers and consumers of locally produced textiles employed chi-square, correlation and regression analysis for the empirical estimation. It was reported that while Nigerians are fairly satisfied with made-in-Nigeria products because of low quality, the goods are not well advertised by marketers.

Eboreime and Umoru (2016) conducted an econometric estimation of Nigeria' export competitiveness in the global market. The study adopted the bound testing approach. The result of the study suggested that Nigeria's exports are less competitive in the United Kingdom but highly competitive in The United States, Japan and Canada. It further reported that Nigeria's strongly influenced by the level of foreign income and exchange rate in United States, Japan and Canada.

Dagogo (2014) carried out a review of the challenges and opportunities of Nigeria's industrial development between 1943 and 2013. The study described the history of industrialization while criticizing the process as well as the impact of industrial policies formulation on implementation on Nigeria's industrialization since 1943. The study observed that there were multiplicity of industrial policies, most of which were either discontinued at their prime stages by succeeding governments or were interrupted by exogenous factors whose effects were initially not factored into the policies. The study concluded that the fact the industrial sector contributes only 4 percent to national output is an indication of failure on the part of both planning and implementation agencies of government.

III. Methodology

This study adopted empirical research design. The study made use on secondary data from Central Bank of Nigeria statistical bulletin and annual report. Tables and graphs were the major tools used in this study. Trend analyses were conducted to assess the implications of de-marketing of locally manufactured (reliance on import) on some macroeconomic indicators with the view to bringing out its effects on sustainable economic development in Nigeria.

Implications of De-marketing on Macroeconomic Indicators

In this section, trend analyses of some macroeconomic indicators were carried out with the view to assessing the implications of import reliance on local industries as well as sustainable economic performance in Nigeria.

Implication on Export and Import

The amount of import and export as a reflection of de-marketing in Nigeria is presented in table 1 below:

Table 1: Relationship between Non-oil Import, Non-oil Export and Gross Domestic Product

Year	Non-oil Import	Non-oil Export	GDP	% of NIMP to GDP	% of NEXP to GDP
1999	650.9	19.5	5,307.36	12.26	0.37
2000	764.2	24.8	6,897.48	11.08	0.36
2001	1,121.1	28.0	8,134.14	13.78	0.34
2002	1,151.0	94.7	11,332.25	10.16	0.84

2003	1,681.3	94.8	13,301.56	12.64	0.71
2004	1,668.9	113.3	17,321.30	9.64	0.65
2005	2,003.6	106.0	22,269.98	9.00	0.48
2006	2,397.8	133.6	28,662.47	8.37	0.47
2007	3,143.7	199.3	32,995.38	9.53	0.60
2008	4,277.6	525.9	39,157.88	10.92	1.34
2009	4,411.9	500.9	44,285.56	9.96	1.13
2010	6,406.8	711.0	54,612.26	11.73	1.30
2011	7,952.3	913.5	62,980.40	12.63	1.45
2012	6,702.3	879.3	71,713.94	9.35	1.23
2013	7,010.0	1,130.2	80,092.56	8.75	1.41
2014	8,323.7	953.5	89,043.62	9.35	1.07
2015	9,350.8	660.7	94,144.96	9.93	0.70
2016	7,096.0	656.8	101,489.49	6.99	0.65
2017	8,189.4	1,074.9	113,711.63	7.20	0.95

Source: CBN statistical bulletin and Author's computation.

From table 1, it is observed that the percentage of non-oil export to gross domestic output is very low over the years considered. The rate of non-oil export to total output is as low as 0.34 percent in 2001 and the highest recorded was 1.45 in 2011. Whereas the lowest proportion of non-oil imports to total output recorded was 6.99 percent in 2016 which is far greater than 0.34 percent for percentage of non-oil export to total production. This implies that Nigerians reliance on import as a result of de-marketing of local products continue to produce negative effect on the performance of the country when it comes to export of locally manufactured products. This is also reflected in the unfavourable balance of payment recorded by the country over the years. To further demonstrate the reliance of Nigeria economy on import as a result of de-marketing, a graphical analysis of the amount of import and export between 1999 and 2017 was presented thus

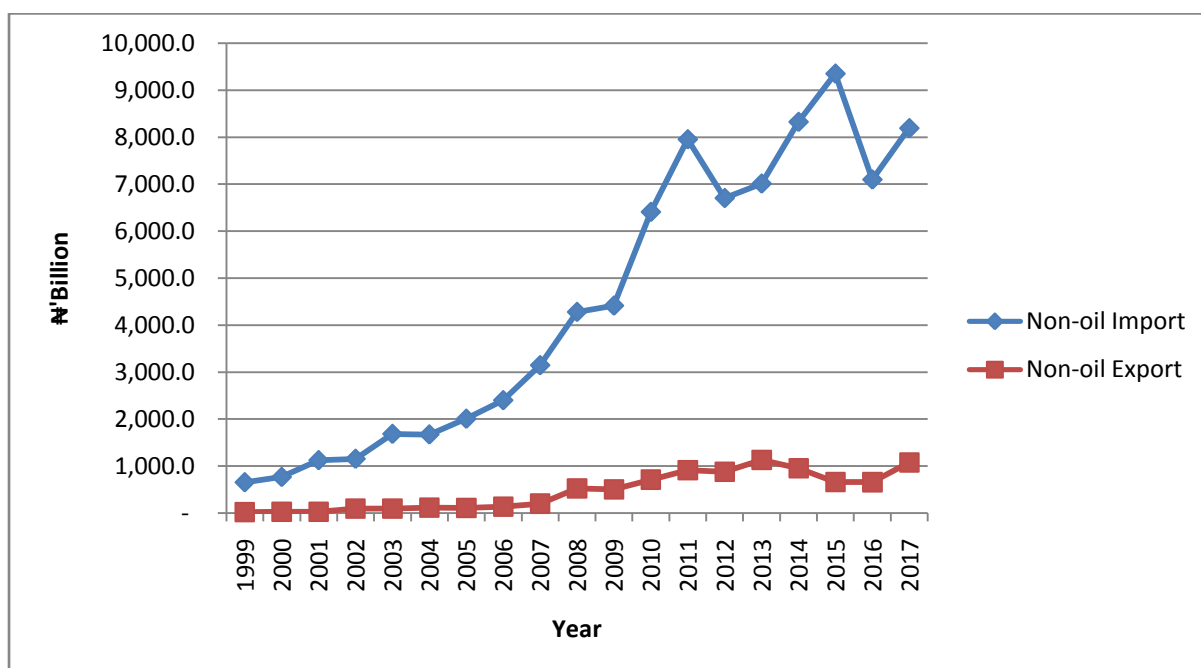


Figure 1: Graphical chart of Non-oil Import and Export

Source: Author's computation.

Figure 1 showed the graphical relationship between the amount of import and export between 1999 and 2017. It is evident from the figure that Nigeria economy lives mainly on import. For instance, in 1999 non-oil import was about 97 percent greater than non-oil export in Nigeria. This situation persists as shown by the

continuous upward movement of the graph. This situation is not favourable to the Nigeria economy because overreliance on import means that there will be high demand for foreign exchange which continues to lead to depreciation of the naira. Another negative implication of this is the depletion of foreign exchange reserve. In a bid to salvage the short supply of forex in the foreign exchange market, Central Bank of Nigeria continue to supply foreign exchange into the market for importers to be able to meet their foreign transaction settlement. Most of the time the foreign exchange supplied by CBN is withdrawn from the nation’s foreign reserve thereby causing free depletion of the reserves. This is purely due to the lack of market for locally manufactured goods because if Nigerians demand more for local products, less will be spent on import and this will help preserve the foreign exchange reserves.

Implication on manufacturing production

A trend analysis of the growth rate of manufacturing output was conducted to assess the implication of de-marketing on the contribution of manufacturing sector to aggregate output. The growth rate of manufacturing production is presented in table 2 followed by graphical representation.

Table 2: Growth rate of manufacturing product

Year	Manufacturing production growth rate (%)
2006	9.4
2007	9.6
2008	8.9
2009	7.9
2010	7.6
2011	17.8
2012	13.5
2013	21.8
2014	14.7
2015	-1.5

Source: CBN annual report various issues.

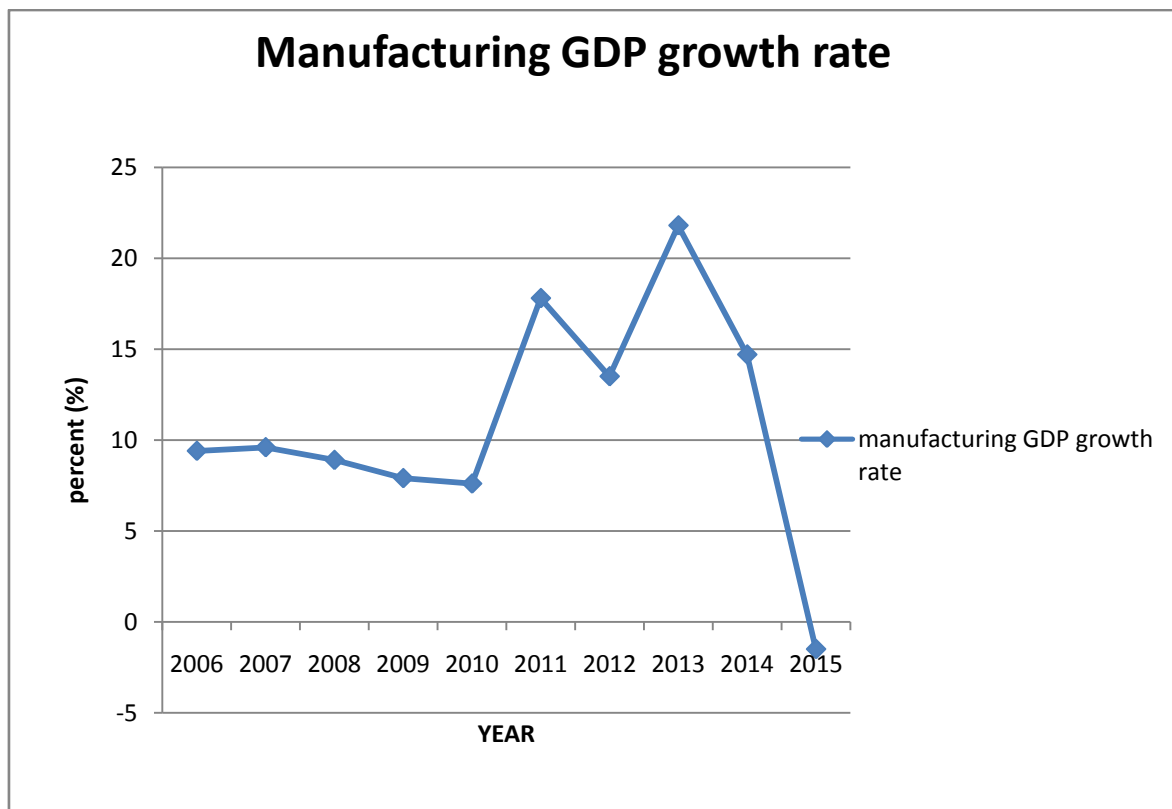


Figure 2: Graphical representation of manufacturing growth rate

Source: Author’s computation

Figure 2 displays a graphical chart of the growth rate of manufacturing production between 2006 and 2015. From the figure, it is evident that manufacturing production has been falling over the years in Nigeria. According to the Central Bank of Nigeria, the slight increase in manufacturing production in 2011 and 2013 was mainly due to the improved performance of the cement sub-sector in Nigeria. The cement sub-sector is understandably doing a bit fine in Nigeria and African continent. However, the manufacturing output declined again in 2014 so much that it slipped into negative in 2015. This is an indication that manufacturing contribution to economic growth in Nigeria continue to fluctuate year in year out. The unfavourable swindling in the growth rate of manufacturing output can be partly attributed to the lack of sufficient market for locally made goods which emanated majorly from the de-marketing of Nigerian products in the domestic market as well as in the international market. The notion that Nigerian made products are inferior to foreign ones affected the demand for them and as such manufacturers tend to cut production so as to minimize their loss. This accounted for one of the reasons why Nigeria finds it difficult to attain sustainable economic growth largely due to the preference of Nigerians for foreign products. And in a nation where the citizens prefer foreign goods to local products, local industries will find it difficult to survive and that way importation will continue to be dominant which is dangerous for the wellbeing of such nation. Unfortunately, this is the situation that Nigeria has found itself.

Implication on Unemployment

Below is the graphical representation of unemployment rate in Nigeria as a result of de-marketing which has adversely affected local industries in the country.

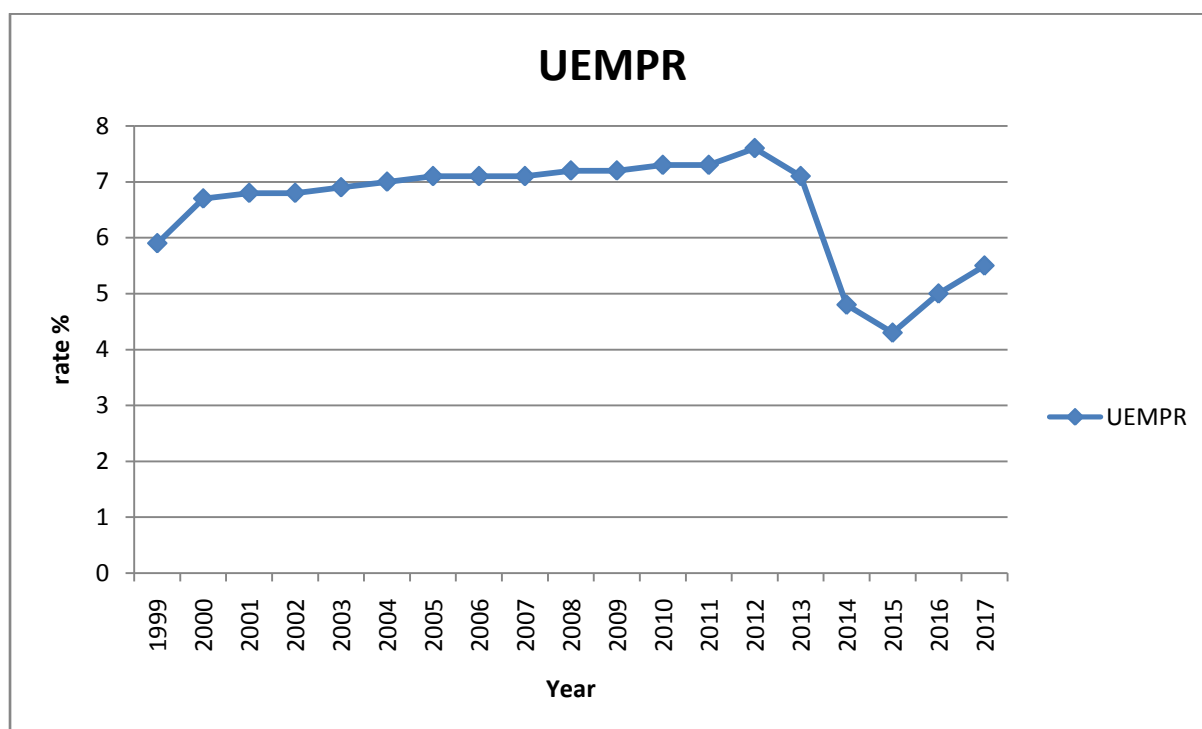


Figure 3: Graphical chart of unemployment in Nigeria

Source: Author’s computation

Figure 2 showed that graphical presentation of unemployment in Nigeria between 1999 and 2017. This period was considered to assess the implication of de-marketing on unemployment since the return of democratic rule to Nigeria. It is crystal clear from the figure that unemployment has been on the increase in Nigeria. This is partly due to the problem of de-marketing of local goods in Nigeria and overreliance on import. De-marketing remained a major obstruction to the development of local industries that could enhance the employment of able labour force in Nigeria. The decline in unemployment between 2013 and 2015 was as result of job creation by the informal sector which accounted for 90.2 percent of total, with the formal and public sectors accounting for 8.8 and 1.0

Implication on Exchange Rate

A trend analysis of the rate of naira to dollar was conducted to analyze the implication of reliance on import, as a result of de-marketing of Nigerian made goods, on the value of naira in the foreign exchange market.

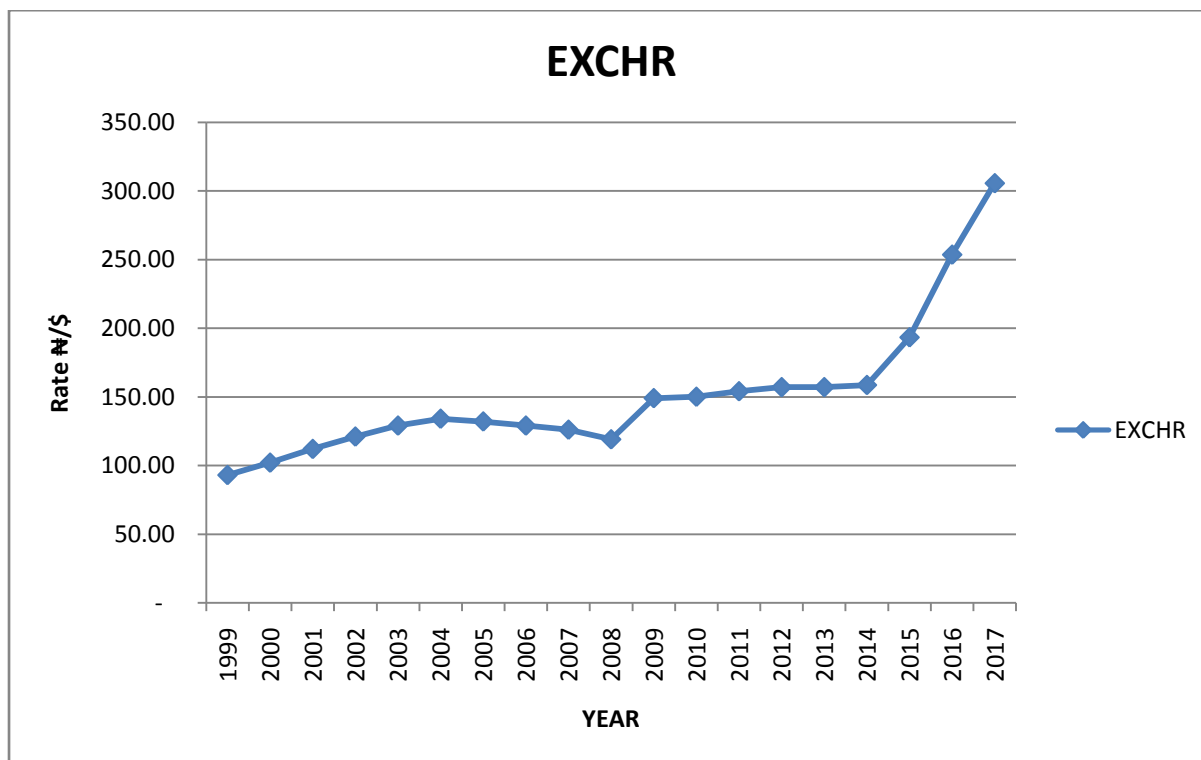


Figure 4: Graphical representation of exchange rate

Source: Author's computation

Figure 4 displays the behavior of Nigeria currency relative to US dollar. A cursory examination of the graphical representation of the exchange rate showed that exchange rate has been on the increase in Nigeria. This implies that the value of the naira has been falling relative to other currency in the international foreign exchange market. This situation could be explained from the perspective of excess demand for dollar to settle foreign transactions emanating from import. The overdependence of Nigeria on import as a result of de-marketing kept on piling pressure on the naira because of the need to make payment for import in foreign currency which is usually in short supply. As result the price of dollar continue to rise relative to naira. The continuous depreciation in the value of naira also impacted negatively on local industries because of the fact that most of the raw materials used by these industries are imported thereby increasing their cost of production. This further worsens the preference of Nigerians for imported products because Nigerians usually perceive that foreign goods are relatively cheaper than local products.

IV. Conclusion and Recommendations

This study assessed the implications of de-marketing of locally manufactured products on macroeconomic indicators in Nigeria. Trend analysis of import and export, manufacturing production growth rate, unemployment rate and exchange rate were conducted to analyze the effect of de-marketing on attaining sustainable economic growth in Nigeria. It was discovered that preference of Nigerians for foreign goods has made Nigeria economy to depend so much on import. This situation becomes difficult to curtail because local manufacturers are reducing their production as a result of lack of market for their product resulting from the bane of de-marketing in Nigeria. This problem has contributed to the rise in unemployment rate in Nigeria as revealed by this study. The study also found that overreliance on import has put unnecessary pressure on the exchange rate causing continuous depreciation in the value of naira relative to other international currency because of the need for international in foreign currency. Conclusively, de-marketing has done more harm than good in attaining sustainable economic growth and development in Nigeria. Therefore, the following were recommended for policy formulation and execution:

1. Government should tackle excessive importation imposing duties that will restrain importers.
2. Nigerian government should pursue export subsidization in order to encourage local manufacturers.
3. Nigerian government should patronize locally manufactured goods, especially the politicians. This way other Nigerians will be encouraged to follow suit.
4. Laws should be promulgated by the legislature to ensure that Nigerians patronize Nigerian made products.
5. The agency in charge of quality control must monitor local manufacturers closely to ensure that their products meet up with the expected standard.

6. The government, in order to change the mentality of Nigerians that foreign goods are of better quality than locally made products, should embark on nationwide sensitization by creating awareness that Nigeria made products are not inferior to foreign goods.
7. One of the major factors that aid successful de-marketing in Nigeria is the failure of local manufacturers to create proper awareness for their product. Therefore, local manufacturers should ensure that their products are properly and adequately advertised so that consumers will be aware of their existence in the market.

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