

Systems Selling for Macro Economic Development; Nigeria in Focus

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Abstract

The Economy of Nigeria will experience a lift if firms are able sell off their products, reduce cost of operation and make profit yearly. Systems selling which involves selling interrelated goods and services together as a package serves as a relief to the buyer and reduces cost of selling for the seller and ultimately increases sales which translates to Macro Economic development. This work studied the ability of Systems selling to bring about Economic development in Nigeria. Data were collected for collation based on the use of both close and open ended questionnaire and were structured and ranked based on the modified five (5) scale likert ranking order scales, Hypotheses were tested based on the simple regression statistical model. Findings include that Systems selling as practiced in Nigeria does not have significant impact in product logistics and distribution efficiency in Nigeria, Systems selling is not a common feature among organizations in both the public and private sectors in Nigeria and corrupt political practices caves in for non-professionals and non-specialists to manage marketing based governmental investments to the detriment of economic development. Systems selling is advocated for Nigeria for cost reduction operation based on efficiency.

Keywords: Systems selling, logistics management, distribution strategy, public procurement, macroeconomics, economic development.

Introduction

Macro-economic development is traceable to the aggregation of sectorial micro economic developments as spurred by public and private sector economic activities. In the developing economies such as Nigeria, the per capita income is considered low-World Bank Report (2010), National Bureau of Statistics –Nigeria (2012) and Central Bank of Nigeria, Bureau of Statistics (2013) hence the ability to accumulate capital for economic development activities is low; as such dependency on single or consortium finance house sponsorship is high. This sponsorship has the tendency of increasing cost of corporate operations with its consequence as low profitability and high cost of living for the citizenry. System selling is advocated for as strategy for bidding out and assembling the systems' sub components from second tier contractors; hence the prime contractor stairs up the turn key for solution –Kotler & Keller (2009).

Marketers favour the systems selling approach to corporate operation as it reduces procurement and management costs and protects the price of items of purchase over the duration of the contract arbitrary increase during contract; tenure while it affords the seller the advantage of lower operational costs based on assured demand for market offer and reduced cost of communication and documentation-Kotler & Keller (2009). The cumulative effect of these, is rapid macro-economic development based on sectorial system selling multiplier effect. This discourse is aimed at assessing the operational efficiency of systems selling in Nigeria with a view to re-positioning same for enhanced acceptance at the corporate operations level.

Statement of Problems;

Firms in the industrial sector in Nigeria experience increase in cost of operation especially given the cost of capital as well as costs associated with the integration of input requisites as supplied by second and third tier contractors. This cost increase incidence is shifted to the final consumers through increase in prices. Hence the cost of living is considered high compared to other developing economies in the sub region of West Africa. To manage this situation, suppliers sell a group of inter-locking products that satisfy the system production, inventory control, distribution and other services needed to meet the buyer's expectation for a smooth running operation. This system has the tendency of carping for the profit accruable to intermediaries for corporate profit and macro-economic development. This supposed benefits of systems selling have remained elusive in Nigeria, hence this study which is aimed at addressing the following questions:

- i. to what extent does the comprehensiveness of systems selling spur macro-economic development?
- ii. how does systems selling in comprehensive form support product logistics and distribution efficiency?
- iii. to what extent does systems selling influence procurement cost reduction and management objectives of firms.

Significance of the Study:

Paucity of literature in the area of systems selling exists; hence economic sectors in Nigeria do not take advantage of the associated benefits of the concept and technique for expected contribution to macro –economic development. This study is considered significant given its focus as enhancing the acceptance of the systems selling principles as indices for enhanced macro-economic development in Nigeria.

Objectives of the Study:

The study has as its principal objective as the projection of the concept of systems selling for enhanced acceptance as contributive index for macro-economic development in Nigeria. The subsidiary objectives include but are not limited to the following:

- assessment of the effect of comprehensive package of systems selling on national economic development in Nigeria.
- assessment of the effect of comprehensive package of systems selling in product logistics and distribution efficiency in Nigeria.
- to determine the effect of systems selling on corporate product procurement cost reduction and management.

Hypotheses:

The following hypotheses in their null form are considered the thrust points of analyses.

- Systems selling does not significantly enhance macro-economic development in Nigeria
- Systems selling has no significant effect on product logistics and distribution efficiency in Nigeria
- Systems selling does not have significant procurement cost reduction and management effect on corporate goal and unit objective among firms in Nigeria.

Methodology:

The study has its scope as selected Federal and State government projects for the period 2010 and 2018 in the sub industries of aviation, education and health management and those of private sector in the sub industries of telecommunication, third party logistics services and entertainment.

Attitude to systems selling as basis of relationship between the buyers and sellers is considered thrust issue. Data were collected for collation based on the use of both close and open ended questionnaire and were structured and ranked based on the modified five (5) scale likert ranking order scales.

Hypotheses were tested based on the simple regression statistical model shown as:

$$y = a + bx$$

y = dependent variable (macro-economic development in Nigeria)

Where: a = constant
b = slope of regression line
x = independent variable

Review of Literature:

In most developed and developing economies, firms and governments buy and sell packages of solution to problems from single sellers and buyers, thus avoid the different and separate decisions involved in complex buying and selling situations. In such situations, exchange (contract) relationship is established with service providers with the most complete systems for meeting the needs of the sellers as solution to the identified problems. Marketers consider systems selling as strategy for winning and holding accounts-Kotler &Armstrong (2010 &2006).

Based on the systems selling principles, the primer contractor at public or private sector level assembles the package or system as deemed solution to identified problems through second tier contractors as required by the client.

The sub or second tier contractors are responsible to the primer contractor who is then accountable to the buyer of the systems' services.

Contemporarily and globally, systems selling is considered a marketing tool based on systems contracting, hence a single supplier is expected to provide the buyer (client) with all the service requirements for maintenance, repairs and operations within the period of the contract.

Systems selling creates benefits for both the seller and the buyer. While the seller enjoys lower operating costs based on demand considered certain and constant with the resulting decrease in inter-firm communication and documentations, the buyer gains based on reduced procurement and management costs as well as from price protection within the span of the contract-Kotler & Keller (2009).

In the developed economies, the principles of systems selling are commonly adopted in industrial marketing given the different sectors of agriculture; mining and quarrying; construction, manufacturing, finance and insurance and governmental activities-Oko (2014), thus primer contractors bid for contracts in the areas of construction of dams, steel factories, irrigation systems, sanitation systems, pipeline utilities and estates and cluster communities –Kotler & Keller (2009).

Based on the principles of bidding, contractors market themselves based competences such as technical support services; prompt service delivery, quick response to customers' needs as anchored on core product quality, suppliers' reputation and product price; completeness of product line; caliber of personnel as basis for relationship marketing and extention of credit facilities-Oko (2014).

The system selling provides for proper job specification and description as basis for the establishment of relationship between the buyer and seller, hence those serve as hub of the competition on price, quality and reliability of market offer –Kotler & Keller (2009), among systems sales service.

Literatures on systems selling refer to those of building cement factory in Jakarta in Indonesia. Proposal submitted by a US firm had highlights inclusive of site selection, designing of the factory, hiring of construction crews, material and equipment assembling and competition of the factory for takeoff of operation. Based on the same contract, a Japanese firm expanded its service content to include; hiring and training of employees for the factory, exporting of the products of the factory through its trading companies and using the product of the cement factory to build roads and new office buildings at the cement factory host community of Jakarta.

The Japanese firm was considered to have made a better and more comprehensive offer inspite of the fact that the offer was more cost involving. This offer was considered capable of spurring up more macro-economic development for Indonesia –Kotler & Keller (2009), Kotler & Armstrong (2006) and Kotler (2003). Also mentioned is the UPS – the giant firm in transportation and logistics management whose services were secured not for shipping packages to business customers only, but for developed solution to customers’ transportation and logistics problems as it moved Nikon digital cameras based on complete system of services of product supply chain-inclusive of logistics, transportation, freight and custom brokerage services to retailers across the United States and exported same to Latin America and the Caribbeans from its Asian factories in one smooth running system.

These services span through complete system for moving Nikon entire electronics product lines from Asia to retail stores throughout the United States, Latin America and the Caribbeans, to the management of air and ocean freight and other related customers brokerages to bringing Nikon products from Korea, Japan and Indonesia to Louisville, Kentucky operation centres and the tracking of goods as well as provision of snap-shot and intra firm communication-Kotler & Armstrong (2010), [www.ups.scs.com/solutions/care-studies/cs-nikonpdf\(july2008\)](http://www.ups.scs.com/solutions/care-studies/cs-nikonpdf(july2008)) and Morton (2007).

The questions are systems selling as a practice obtainable in the industrial sector of Nigeria and to what extent has this system generated macro-economic development?

Systems selling is built on the need for revenue savings based on the integration of organization’s services with a wider set of services as offered by other organizations especially in the private sector. This serves as means of achieving economies of scale which the organization alone may never achieve based on the organization’s unwillingness to relinquish its role in the performance of all functions in input provision, as a result depends on the service of primer contractor who arranges and engages the services of sub contractors at second tier level. It is also anchored on the notation that public and private sector organizations should concentrate on the core activities and services and should not divert time into employing and delivery services which are only ancillary to their main function-Evans (2010).

For efficiency in systems selling, the service provider ought to figure out the system based on the identification of all stakeholders in the buying firms with their potential interest, understand the buying firm’s internal culture and political system, build relationship and alliances with key people, meet over a period of time to find the right solution and nudge the sale forward; agree on a staged delivery installation schedule, and after the sales, continue to meet to ensure the firm as a seller gains value and to watch for future opportunities.

System selling is not considered a mean feat, hence the sales teams are expected to own or be made up of engineers and other specialists who do understand the detail of customer needs as basis for building customer solutions to match.

It is considered valuable in the development and sustenance of specialization as the pioneer contractor assembles sub contractors at the second and third tier levels for the execution of specific jobs and allows the serve buyer to concentrate in the field of core competence based on the concept of comparative advantage.

System selling has the potentials of eliminating waste based on the reduction of cost of operation, time cycle and operational span of control, hence enhances corporate efficiency for corporate profitability and macro-economic development-Kakabadce & Kakabadu (2012).

Analyses:

The hypotheses projected for this study were tested and analysed thus:

Test 1:

H0₁: systems selling does not significantly enhance macro-economic development in Nigeria

Substituting for values in equation 1, based on collated data,
macro-economic development (y) = 9.222+12.864 systems selling

R² = 0.0016. This shows that only 0.16% of the economic development in Nigeria could be attributed to systems selling while 99.84% of this development is traceable to other factors.

At f-ratio of 162.44, the test is considered not significant at 1%, though the model as specified is appropriate as t-value determined as 9.15 is considered significant.

Decision:

The study accepts the null hypothesis and concludes that systems selling does not significantly enhance macro-economic development in Nigeria.

Test 2:

H0₂: systems selling has no significant effect on product logistics and distribution efficiency in Nigeria

Substituting for values in equation 1 based on data generated
Logistics and distribution efficiency (y) = 05.112 + 12.624 systems selling

R² is calculated as .00178; implying that systems selling contributes only 0.178% to product logistics and distribution efficiency in Nigeria, while 99.922% of generated efficiency is attributed to other factors.

At f-ratio of 17.816, the test is considered not significant at 1%, however the model as specified is appropriated given the t-value determined as 8.668, which is considered significant at 1%.

Decision:

The null hypothesis is accepted; hence the conclusion is that systems selling does not have significant impact on product logistics and distribution efficiency in Nigeria.

Test 3:

H0₃: systems selling does not have significant procurement cost reduction and management effect on corporate marketing goals and unit objectives among firms in Nigeria

Substituting for values in equation 1 based on sourced data

$$\text{Procurement cost reduction management (y)} = 09.04 + 10.221 \text{ systems selling}$$

At R^2 of .00124, it implies that systems selling as practiced in Nigeria generates only 0.124% to procurement cost reduction and management efficiency, the remaining 99.976% of cost reduction and management efficiency in the field of product procurement is attributed to other undisclosed factors.

And at f-ratio of 13.622, the test is considered not significant at 1%, the model as specified is deemed appropriate and the t-value determined as 7.226, is considered significant at 1%.

Decision:

The null hypothesis is accepted, thus the conclusion is that systems selling does not have significant procurement cost reduction and management effect on corporate marketing goals and unit objectives among firms in Nigeria.

Discussion of Findings:

Systems selling is not a common feature among organizations in both the public and private sectors in Nigeria. In the private sector, sub sector of banking and brewery where service provision is contracted out to the third parties, it is more of outsourcing rather than systems selling.

The government at the Federal and State levels operate in atmosphere of lack marketing orientation and principles, the interest of defined target are considered second to political interests hence party loyalty is considered core issues in the award of contracts.

The wholistic effect of projects on economic development is not emphasized, nor the multiplier effect of systematic sectorial development of the economy. Contracts are fragmented among party loyalties and at the States especially in the Eastern part of the nation; it is among members of families of political leaders.

This situation caves in for non-professionals and non-specialists to manage marketing based governmental investments to the detriment of economic development.

Firms involved in the field of logistics management are mostly concerned is the distribution of parcels (packages) of mail standards. The principal firm in product logistics-Chisco Nigeria Ltd, does distribution from point of production to depot for Nigeria Breweries PLC only. Given this, the system selling has little or no contribution to product logistics and distribution efficiency in Nigeria. The railway system as governmental transportation logistics outfit that is expected to make up for the deficiency in product logistics and distribution, operates at abysmal poor state. On the account of this analysis, the systems selling as practiced in Nigeria does not have significant impact in product logistics and distribution efficiency in Nigeria.

The absence of the practice of systems selling in addition to lack of political will power to its adoption is also affected by lack of economic will power. Both the public and private sectors of the economy depend on proceeds from sale of oil for capital and re-current expenditures. These funds are available periodically on allocation. The allocations are often considered merely adequate for immediate expenditures Capital formation is slow and low given citizens low capital income-World Bank Report (2010), National Bureau of Statistics-Nigeria (2012) and Central Bank of Nigeria,

Bureau of Statistics (2013). On account of this, procurements are split over a number of persons (natural and artificial), thus the rate of documentations and associated activities is high, hence cost effectiveness in purchasing and procurement management is low in Nigeria.

Based on this discourse, the expository is made thus:

- public and private sector organizations in Nigeria must come to appreciate that unwillingness to network and build partnership is the bane of inability to achieve the scalability needed to serve customers as target markets, hence with systems selling concept and principles organizations are able to attract large scale corporations by offering these corporations stakes that could translate into win-win solutions; based on this, funds for needed investments are created.
- the place of Human Resource Management based on good quality personnel recruitment must be emphasized in Nigeria. Local (domestic) firms in Nigeria must aim at acquiring talented and experienced resource personnel or third party service providers with required experience in the provision of services at global standards. This could be achieved as Nigerian firms secure partnership relationship with foreign firms for global presence and technical know-how. This is also necessary bait for firms to penetrate the international market and quick scale up of service capabilities.
- firms in systems selling in Nigeria are expected to create viable relationship with systems buyers as strategy for building strong bond between the suppliers and buyers and for bridging the gap between customer demand and supplier capabilities. These systems buyers are expected to be actively invited to the service providers' summits as means of sharing expectations and challenges.
- firms that ought to be involved in systems selling consider the system as not fruitable as it is to the buyers, thus desire for participation is low. It is therefore the view of this study that nationwide media based discourses are vital to highlight the benefits associated with systems selling as well as to share knowledge on the subject matter. This knowledge sharing is also vital at tertiary institutions across the nation.

Recommendations:

Based on the expounded discourse on systems selling given the situation in Nigeria, the following are recommended:

- systems selling is advocated for in Nigeria to facilitate the introduction of technologies for the delivery of more services to users in more efficient dimensions, as this has the potential of enhancing standardization in the use of resources across difference sectors of the economy, public and private sectors inclusive. Given this, service models are created and costs are reduced and savings encouraged.
- firms in systems selling are required to adopt an approach that de-emphasis price increase at the expense of other considerations, but a system based on best value of offer as appropriate solution to successful operations.
- systems selling as advocated for must provide for standards for the systems buyers to monitor the actualization of the objectives of public procurement process as index for cost reduction and management, contract negotiation, vendor evaluation and selection and other pre and post contract appraisals.
- The system buyers are required to be aware of the objectives of the systems selling firms as strategic in understanding the expected leverage as required to achieve buyers' objective. While profit through customer satisfaction may be highlighted, the systems seller must be operational efficiency oriented with customer satisfaction as underlining hallmark during the pre-contract and the operational phases –Evans (2010).

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