

# Analysis of the oil industry in nigeria



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Oil and gas (O&G) exploration and production (E&P) nowadays need immediate thought of a range of economic, social, political, and environmental concerns. As energy requires keep on growing, O&G companies should locate and produce growing quantities of oil and gas. Although doing so require more than merely ramping up production from traditional sources, to carry out good marketing strategy analysis and research you would need one of the marketing tools which is PEST model in accessing the oil and gas environment and have an overview and understanding market growth or decline, business position, potential and direction for operations

Competition in the oil and gas industry in Nigeria is very intense and competitive over the year there has been lots of international company lobbying to be able to export crude for refining and bring in back to the country but that has proved impossible as the NNPC is run and controlled by the Nigerian government and it accounts for about 70 % of the government revenue and 40% of the country revenue the threat is minimum but there is much pressure on them as they lose a lot in export crude and they determine the price, which most oil and gas companies in Nigeria are trying to change that the government give other respected company license to export crude for refining and bring in back to the country for sale cause only few player can only bring in refined crude and are subject to quantity and cannot export crude. In recent times competition in the global oil and gas industry has been increasing rapidly due to globalisation. Mergers and acquisitions between major players have been taking place with a view to

improving their competitive edge and strengthening their position in this industry

## **Political factors**

Political issue has always been an issue in the oil rich state in Nigeria, there has been political instability in the oil rich region where the fuel is being extracted, as the government officials are corrupt and refuses to develop and enforce strict system that works in cleaning up of the oil spillage, this had bring up unrest in the region as the youth in the area has picked on arms and militancy kidnapping for ransom blowing up of oil pipe line and engage in oil bunkeries, this has affected oil production and transportation and has much effect on NNPC as is crude and oil production has gone to a record low. The political unrest needs to be addressed if the government wants smooth flow of oil and peace in the region.

## **Economic factors**

The economical break down in the world affected every part of the world and the oil industries, and the Nigeria banks is undergoing reform as the central bank of Nigeria listed about eight banks in the country of un serviced loan and debts, and with the sacking of directors of eight to banks in Nigeria this has sent a shocking wave to the banking industries and are refusing to give out loan to companies and individual, even the oil marketers obtaining a loan in the banks have become problem, the refusal of banks to fund importation of products and the alleged inability of the Nigerian National Petroleum Corporation (NNPC) to pay for products it received from its foreign suppliers of crude, has affected the country economy as there is scarcity of fuel for

consumer lots of cues in stations. This is affecting the economy as the prices and black market luming businesses cant operate properly.

## **Social factors**

The 21st century has witnessed a growing Nigerian economy, various projects are ongoing in Nigeria with solid infrastructures. This economic growth is having a huge impact on the Nigerian people; many Nigerians can now afford cars, both used and new. Many Nigerian are now moving to a cleaner source of energy to cook, which is natural gas. This economic growth mean that more Nigerians are driving leading to a higher number in the demand of energy compared to the past decade. The social factor is a good level of improvement that the NNPC need to base and use the advantages in and bringing in new market and improving existing products.

## **Technology**

Technology is a major issue in the Nigeria industries and especially the oil and gas industries the refineries we have in Nigeria has been built since the 1970s and has not been improved and still lack a lot of new technologies and that why it has not been in operation over a decade. Improving in the technology aspect will be a good thing if the country goes into technology revolution as this will bring in new ideals and new technology in the operation of crude and the introduction of LNG liquefied natural gas which has been the world focus lately as an alternative to fuel. There has been major growth and improvement in technology as a whole in the country which will bring positive influences in NNPC and the oil industry as a whole cause it will help in maximising profit and efficiency.

## **The oil and gas industry**

The oil and gas industry is a key part of the economic growth in Nigeria, the industry is very competitive and a bit risky, and the room for new entrant to the market is very tough and exploiting as the industry is a bit corrupt obtaining a license is very hard as well as being a major player in the industry is very tough, because NNPC is the biggest player in the industry in the country it tends to hold it self up with government policies. But NNPC still need to work hard in keeping it customers and in other to do that they have built various petrol stations in the country.

## **New entrants to the market**

The energy industry is oligopoly at the upstream level, where as in the downstream level it could be said to be a perfect competition because there are many buyers and sellers and consumers are willing to pay a price for the products. NNPC to some extent determine the price but to the public no organisation can determine the price it. The industry is complex yet delicate; entry into the industry in the upstream sector is difficult while in the downstream it is fair to some extent but still difficult to obtain license.

## **Product life cycle of oil**

The oil life cycle is said to be 50 years more to many analyst, as demand for energy continues to grow, new sources of oil and gas (O&G) must be found and produced. Challenges for exploration and production (E&P) today and into the foreseeable future include the deployment of new or newly adapted E&P technologies, evolving environmental laws and regulations that vary among (and within) nations, socioeconomic concerns, and providing adequate returns to investors

## **Environmental factors**

Environmental factor is a major issue in the world today as the issue of climate change is a major concern the oil and gas industry which is one of the worst polluters of CO<sub>2</sub> emission, the world is undergoing transformation to a low carbon economy which is switching to bio-fuel, and LNG, NNPC has always taking this into consideration but has not taking drastically some steps in making sure that is a major player in the transformation of Natural Gas/LNG will play a crucial role in enabling transition to a low carbon economy – a goal accepted by the international community. For this to happen a global competitive gas market is in the interests of all stakeholders. It is therefore felt that the role of the Gas Exporting Countries Forum will be very crucial in enabling a global and competitive gas market and it will only grow in stature and importance as a cartel which NNPC would be a key player. And is working to have a big market on LNG.

## **Introduction of new marketing strategy and how it will implemented with NNPC.**

First before bringing a new marketing plan and strategy you would need to carry out a SWOT analysis of NNPC, in other for us to determine the strength, weakness, opportunity and threats, after access this factors we would make a recommendation and implementation of the four marketing P and marketing mix.

## **SWOT analysis of NNPC**

### **Strength**

NNPC has been operating for a long time is main strength is that it is being backed and run by the government. Secondly it is the only company that is

allowed to export crude for refining and bring it back to the country before distribution to marketers, it almost work with all the oil company in Nigeria and have six joint venture with foreign companies. NNPC has a play a big part in determination of the price in Nigeria, NNPC has various subsidiaries including petrol stations. And NNPC has a good brand name and has been working hard in improving its process and products.

## **Weakness**

NNPC has lots of weakness first it needs to work on its refinery as this has stop working for over a decade that is why they resulted in exporting crude for refining and import back to the country, if they fix the refinery it will save cost, risk of transportation as well as NNPC making on lost on the bye products of refining process which they would make lots of money from and open a new market. Secondly poor management decision and selfish interest from the government officials in charge of overseeing NNPC affairs. They don't have penetration in the foreign market.

## **Opportunity**

With the current state and stage of the market NNPC has lots of opportunity if only they could reinstall its refinery. An oil refinery or petroleum refinery is an industrial process plant where crude oil is processed and refined into more useful petroleum products, such as gasoline, diesel fuel, asphalt base, heating oil, kerosene, and liquefied petroleum gas. NNPC would have lots on market on those waste product listed above which they are losing by exporting crude for refining. And also would make them a key player in the transformation to a low carbon economy if they increase is market on LNG and refine is product in the country. And this will increase its revenue and

the country economical impact will be more as it will provide more jobs and safety to the public.

## **Threats**

The threats in the oil industry anywhere in the world is always very intensive, like the global climate change which is one of the most threat forcing companies to try and find another market in the oil industries, this will lead to decline in production of crude as well as reducing profit. Secondly it is been speculated that oil has reached its picked and is got about 50years left before it goes dry, that is anither threat which means NNPC should be looking for other market apart from fuel and kerosene importation. Another major threat is Ghana which has just discovered fuel on its soil, if Ghana build a refinery with new technology and international standard it will increase the threat of other oil companies breaking a deal to extract and import crude to Nigeria.

The main purpose of the SWOT analysis is to turn weaknesses into strengths, turn strengths into opportunities, use our strengths to profit from our opportunities.

## **Action plans**

After carefully looking at the affair and doing a research on NNPC and with the swot analysis looking at its opportunity and is weakness NNPC has a refinery which was built in the 1970s but has stopped working due poor management decision and selfish interest from the government officials in charge of overseeing NNPC affairs poor maintenance culture and policy outdated nature of the technology used in designing the plants ( they where



actually designed in the late 70's) employment of the wrong personnel to handle operation process. My action plan is for NNPC to invest more in reinstallation of refineries across the country, cause they have the resources and ability to do so and this will lead to them to invest a considerable amount of funds into the development of the Nigerian economy by assisting existing or abandoned government projects; a new department will be created in the organisation to support environmental issues that will help protect the earth.

We will use our strong brand and credible reputation to create opportunities in the Nigerian market to carry out our already laid out objectives, these strengths will allow us profit from our opportunities.

### **Marketing mix (marketing strategy)**

In all the elements used in marketing strategy, the marketing mix which is also known as the strategic tools or controllable variables play a major role. This is because it involves price, place, promotion and product. These are the major elements a company needs to improve the demand of its goods and to target its customers (Philip Kotler, 2008).

### **Product**

The product being introduced in the marketing is a proposal to reinstall its refining plant and improves its technology with modern technology and sophisticated equipment with better and efficient maintenance culture, by doing this will be help NNPC to reduce cost of exportation of crude, the introduction of new products lost from the refining of crude products abroad, like gasoline, diesel fuel, asphalt base, heating oil, kerosene, and liquefied

petroleum gas, being LNG is one of the fastest growing alternative of fuel which NNPC can hold a strong ground by investing more on it and by doing so NNPC would be reaching out to the public and main consumers and helping the environment this will make it well recognize internationally.

## **Prices**

This is the sum of money that is required for the purchase of products or services or the equivalent in value which customers are willing to offer for a given product or service. A price tag cannot be fixed because as at the time carrying out this research there was know much information released by NNPC on its current tag on LNG product, the price of reinstallation of its new technology and new refining will cost millions of dollars which the Nigeria NNPC and the government can fund if they agree to work together and ignore selfish interest and they would make the money back in just a year of running a standard refinery and would increase its revenue by 50% in 3 years. And this will reduce the prices of petroleum products and other products

## **Placement**

The placement or location of refinery is already settled as NNPC has about 2 refinery abandoned and not functioning which all they need to do is reinstallation and improved technologies in other to make its supply chain more effective and faster which they have a marketing system in place to facilitate distribution of products if refined from the country, i think there might be a new installation of refinery in the east in other not to cause tribal conflicts.

## **Promotions**

This is a very important aspect of the marketing P, this is because it helps in promoting the proposal and new product introduction and the way it would improve the economy and the environment as a whole so it can come into effect with its new product and the public would be by the ideal and know its purpose. This can be done by using various means of communication and enlighten them on changes before the proposal/product would come into effect, after then which the product would sell itself as NNPC is a branding on its own all it needs to do is sell it to the government and the public by all the forms of media available in Nigeria, news papers, radio, internet and mobile phones. An aggressive campaign will be launched directly targeting all consumers at all levels and the government especially, this will be very essential to the marketing plan because this type of product is a reintroduction of its kind in Nigeria. It is important that the launch is perfect because the first perception of this product will determine its success in the Nigerian energy market.

## **Implementation of action plan**

To implement the action plan and SWOT analysis and marketing Ps NNPC would have to introduce the following which are continuous training, quality function development, transparency supervision, negotiators, management system that works.

## **Training**

Training is essential because this is a reintroduction of a product/proposal which will need specialist in that field in order for it not to go wrong, and training process should be ongoing at least every 6 months in order for

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staffs to be well educated and understand its need, and schools should be giving training in other for them to carry more research on transformation to a low carbon economy by introduction of refining crude product in Nigeria and how it will affect the economy growth and job opportunity.

## **Incentive**

This is possible in this kind of situation in other to market this proposal it will need a bit of incentive which is assuring the public that it will employ more Nigerians than bringing in experts from abroad which will mean most of them will be sent abroad for training, secondly offer the government a target of increase revenue in 3years after start of operation and promise marketers and distributors price cut and more investment on alternative fuel (LNG) and there would be more market of other products to be introduced and follow immediately refining starts.

## **Management information systems**

Managing the progress of the product will be essential; this will allow us to manage the product efficiently so that areas which are lacking will be improved on. Managing a new product is as important as developing the product itself

## **Contingencies**

Contingencies plan is always a key part of a marketing plan this is because of uncertainty this because the oil industry is not stable as there are lot of players and top people in the government running other oil companies and would not benefit more if NNPC starts refining crude products in Nigeria as most of them are owners of oil vessel and stuff just incase it fall short of

government target i think it would rely on the public and the Nigeria Labour Congress who will be a key player in the transformation and communication to the public.

## **Control of procedures**

Control of this procedures and introduction of this new process is essential in other for NNPC to be able to manage and monitor this transformation and evaluates its performance based on sales of product and impact it has on the economic growth, it will need to monitor its other subsidiaries and ensure it goes through proper review and new management process so it can be transparent in its dealings in other to be able to get feedback from marketers and distributors and consumers especially who are the main priority. The information received from these processes will allow us to make any necessary corrections and alterations to ensure that the product is being supplied to the right segment of the market with the most demands.

## **Conclusion**

Why going through my research on NNPC and writing a marketing plan i realise that NNPC is a bit corrupt this is because the government has more say in its appointment of top management officials it will be a bit hard for the introduction of new refinery as most of them would be protecting their selfish interest so would want to use every means possible in blocking the process but with the support of the public and top Nigerian officials who are interested in transparency and intend for democracy to take effect it will surely buy the heart of them and the public and the international community who has been worried why Nigeria could not have its own refinery rather than taking crude abroad before bring back to the country. If NNPC follow <https://assignbuster.com/analysis-of-the-oil-industry-in-nigeria/>

this marketing plan it would not just help its name but help the economy in bouncing back from recession and help employments and the countries reputation in the oil companies abroad.

## **Recommendation**

I would recommend NNPC undergo a new management reform in other to be effective, it should privatise most of its subsidiaries so the government does not have much say in policy making and appointment of management team without political motivations.