

**ASSESSMENT OF THE IMPACT OF PRODUCT PLANNING AND
DEVELOPMENT ON COMPANIES PROFITABILITY**

A STUDY OF PEUGEOT AUTOMOBILES (PAN) LTD

BY

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**A RESEARCH SUBMITTED TO THE POSTGRADUATE SCHOOL OF
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**DEPARTMENT OF BUSINESS ADMINISTRATION,
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ZARIA**

February, 2013

DECLARATION

I hereby declare that this project work is the result of my effort and a product of my research findings. All materials used are duly and adequately acknowledged. I therefore accept responsibility for any shortcomings and errors.

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CERTIFICATION

This is to certify that the Project titled; ‘assessment of the impact of product planning and development on companies profitability a study of Peugeot Automobiles (PAN) Ltd’ by Abbas Amorley meets the partial regulation governing the award of the degree of Master of Business Administration (MBA) of Ahmadu Bello University, Zaria and is therefore approved for its contribution to knowledge and literary presentation.

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DEDICATION

Dedicated to Allah (SWT).

ACKNOWLEDGEMENT

Whatever the Almighty Allah consents to is that which comes to reality. In view of this, I wish to glorify His magnificent name for His divine blessing and mercy on me throughout the course of my study.

My profound gratitude goes to my Supervisor Mal A.S Gumi, the entire lecturers of Business Administration Department, my family, friends and all well wishers. May Allah bless you all.

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ABSTRACT

The objective of the study is to see how the knowledge of product planning and development would be used as an influential strategy for increasing profitability. The study made use of both primary and secondary sources of data to obtain information, for the primary sources, questionnaire method was used, while for the secondary data, the use of text books and journals was adopted. It was found out that product planning and development affect the profitability of companies, also PAN industries strongly embark on consumer orientation marketing and it continuously gives priority to customer interest before planning its product, low profit margin of PAN is as a result of increase in overhead cost and conveyance cost. This is as result of the fact that the company only engaged in assembly and not production, it was recommended that the pricing policy of the company should be competitive. This should be achieved by producing a low price models that will take into account the level of Nigerian economy, In order to attract more customers to the firm, after sales services, price discount, guaranty and warranty should be introduced, Management should create a company/customers forum so that the problems that are likely to arise could be discussed and iron out. The company should also introduce a toll free telephone line that will be dedicated to inquiries about the company and its product.

CHAPTER ONE: INTRODUCTION

1.1 BACKGROUND TO THE STUDY

A lot of good products have failed, not only as a result of bad policies relating the price, promotion and distribution but also as a result of poor product planning and development. There is an adage that says, “He who fails to plan, plans to fail” in the same respect, any company that do not adequately plan and develop a customer oriented product is doomed for failure. Many organizations especially in developing economy like Nigeria do not really appreciate the impact of product planning and development on company profitability. It is obvious that product planning and development has suffered various misinterpretation and misconception in the hand of some managers.

In most cases, the managers often thought that product development and planning involves only getting a product into the market without conducting adequate research on what the consumers really want. In this regard poor product planning and development lead to poor profitability of a business organization and ultimately its death. Consumer will favour those products that offer the most quality, performance or innovative features”. The product offered by a company is expected to possess all the attribute that consumers are carrying for and its ability to meet their expectations.

According to Shapiro (2002), in his contribution to Harvard Business Review observed that managers in product oriented organization focus on making superior products and improving them over time. They assume that buyers admire well made product and can appraise quality and performance. He added that the competition is not only about the product that the company offers for sale, but the various factors that they add to product in form of packaging, service, advertising, customer advice, financing, delivery arrangement, warehousing and other things that people value.

The development of a product starts with the formulation of product idea. According to Omoniyi (2002) "... a possible product described in objective and functional terms that the company can see itself offering to the market but consumer is not interested in a product idea". Therefore, the product idea must be translated in a idea concept. The company must try to build the idea into the product that consumer will perceive to offer satisfaction.

1.2 STATEMENT OF THE PROBLEM

As time changes, the taste and the demand of the customer also change. This change in taste and demand requires business organization spending huge investment on product planning and development. Experience has shown that it is only through product planning and development that a

company can offer highly qualitative products to customers and compete favorably with its competitors.

Although economist believe competition focuses on the price, but marketers believe competition depends on the product offering of company and how the product is able to satisfy the customers, the product quality, features and variations are successfully achieved through product planning and development process. The entire activity of product planning and development is very broad. It involves making practical issues relating to product planning, product development process, product differentiation and product distribution strategies. All this activities demand the efforts and contribution of a number of individuals and their job functions over a considerable period of time. It also involves large sum of money in the planning and development of a quality product that will be very competitive and acceptable to the consumers or users. The development of product can make the acceptability of a product. An organization with the good advertising team, efficient distribution system and widespread distributors and dealers will be worthless if the product is not properly planned and developed to satisfy the needs and wants of the target customer, as such, poor product planning and development can affect profitability of an organization. Nevertheless, a poorly developed product cannot be

competitive in the market. So to avoid loss of revenue, a report into this sphere will highlight the impact of product planning and development on probability.

Furthermore, Buhari (2001:5) highlighted how poor product planning and development can affect profitability and productivity in an organization. In the report, he highlighted all the element of product planning and development but fail to discuss their relevant on profitability.

Since profitability is among the primary objectives of all business organizations, it is important that adequate time and resources be expended upon product planning and development. It is against this background that the study intends to assess the impact of product planning and development on profitability of companies with a view of proffering some solutions.

1.3 RESEARCH QUESTION

- 1) do the knowledge of product planning and development use as an influential strategy for increasing profitability.
- 2) do the company under study have useful sources of information regarding product planning and development as well as its application as a strategy for marketing automobiles.

3) what are the factors that could lead to poor product planning and development and how such factors can be overcome to enhance the organizations profitability.

1.4 OBJECTIVES OF THE STUDY

The main objective of this study is to know how the knowledge of product planning and development would be used as an influential strategy for increasing profitability. Other objectives include:

- i. To identify and explain useful sources of information regarding product planning and development as well as its application as a strategy for marketing automobiles.
- ii. To identify the factor that could lead to poor product planning and development and how such factors can be overcome to enhance the organizations profitability.

1.5 HYPOTHESES OF THE STUDY

H₀: product planning and development do not have any impact on companies profitability.

H₁: product planning and development have significant impact on companies profitability.

1.6 SCOPE OF THE STUDY

The study will evaluate the impact of product planning and development on profitability with specific reference to Peugeot Automobile, Kaduna. The study will cover the period of 2009 to 2011.

1.7 SIGNIFICANCE OF THE STUDY

The study will be beneficial to manufacturers generally, particularly Peugeot Automobile Nigerian (PAN). This research work would provide information to entrepreneurs. It will also be beneficial to policy makers in that it will show them the impact of product planning and development on profitability, Lecturers, Students and researchers in the marketing will also benefit from this study. Finally, the research work will add to the existing literature on product planning and development and compliment the work and contribution of other authors.

CHAPTER TWO: LITERATURE REVIEW

2.1 PRODUCT CONCEPT

According to Kotler (1980:368), “product is anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a need. It involve physical object, service, person, place or idea”.

Also, Kotler (2000:17) further posits that “product concept hold that consumer will favour those product that offer the most quality, performance or innovative features”. The product offered by a company is expected to possess all the attribute that consumers are craving for and its ability to meet their expectation. According to Shapiro (2002), in his contribution to Havard Business Review observed that managers in product oriented organization focus on making superior products and improving them over time. They assume that buyers admire well made product and can appraise quality and performance. He added that the competition is not only about the product that the company offer for sale, but the various factors that they add to product in form of packaging, service, advertising, customer advice, financing, delivery arrangement, warehousing and other things that people value. The development of a product starts with the formulation of product idea. According to Omoniyi(2002) “... a possible product described in

objective and functional terms that the company can see itself offering to the market but consumer is not interest in a product idea”. Therefore, the product idea must be translated in a idea concept. That is, the company must try to build the idea into the product that consumer will perceive to offer satisfaction. In building the product concept, thus, subjectivity comes in. This is because a number of force come the management must have it at back of it mind that consumer will favour product that offer the most quality, performance and innovative features. Thus, an organization should devote adequate resources and time in making continuous product planning and development.

2.2 THE PRODUCT MIX

The product mix is the range of company’s products and brand. In other words product mix is the complete range of the company’s product, service and brands aimed at all the relevant target markets and markets segments of the organization, which includes The Peugeot 504 saloon, The Peugeot 306 saloon, The Peugeot 505 saloon, The Peugeot 406 saloon, The Peugeot 604 saloon etc

2.3 THE PRODUCT LINE

The product line is the closely related product that have similar function and sold to the same customer group through the same outlet or fall within

given price range. In respect to the subject matter, Peugeot Automobile Nigeria (PAN) produces several lines of automobile products, which include the following:

- The Peugeot 504 saloon
- The Peugeot 306 saloon
- The Peugeot 505 saloon
- The Peugeot 406 saloon
- The Peugeot 604 saloon

Most firms offer a range of product or product line and not just a single product for various reasons. For instance, PAN identifies the following reasons.

- **Risk reduction** – to reduce the risk of relying on single product. The product failure could mean the fall of company.
- **Profitability** – the firm is able to produce new product at lower cost because the equipment, labour and expertise already exist within the company.
- **Competition** – the taste and preference of the consumers and the need to beat up competition from other firms.

2.3 NEW PRODUCT DEVELOPMENT PROCESS

Kotler P. (2000) The new product development process involves all the set of activities that enables a company to determine that product the company will market profitable. The process encompasses the technical activities such as research, engineering, and design. These activities go through major stages which involve:

- Idea generation
- Screening of idea
- Business analysis
- Product development
- Test marketing
- Commercialization

1. Idea generation: New product development starts with an idea generation. The actual source of new product idea are: The company staff, advertising and research agencies, conference and seminar, the company's sales, representative, customers, and customers, distributors and competitors.

2. Screening of ideas: The idea screening stage involves the revision of the various sources early as possible. The rationale for this, is that the product development cost rises. Substantially at each successive stage of the process. In the screening stage of the process. In the screening

stage therefore, a company seeks to avoid the two error associated with this stage namely: drop-error and go-error. A drop-error occurs when a company dismisses an otherwise good idea because of lack of vision of its potentialities. While a go-error occur when a company lets a poor idea proceed to development and commercialization stage before discovering its lack of potentialities.

- 3. Business analysis:** Under this stage, the cost analysis is assessed. The company must estimate the cost that will be increase and also its sales and profit potential. The key to whether a product should be developed rest on its ability for the company.
- 4. Product development:** This is stage where the product is developed physically. There are three sub stages: Prototype, Branding and packaging.
 - i. Proto-type:** This is the work of research and development department. It's where the product is produced and given physical features. After the physical features are developed, the next step is to develop the functional attributes. However, care must be taken to ensure that all the development fall within the budget.

It must be noted that buyers do not only buy product for its functional attributes: they also look for physical attributes that appeal to the customers.

ii. Branding: This imposes the product concept the specific consumers meaning that the company intends to build into the product. A company may have one brand name or different brand names for different product. In choosing a brand name, the following points are considered.

- The brand name should be such that it would suggest the benefit attached to the use of the product.
- The product brand should suggest the product quality e.g. the lion logo on Peugeot product indicates strength and quality of the product.
- The product name should be easy to pronounce e.g. Peugeot.

iii. Packaging: A package simple means a container of a product. It is part of the product itself because it provides protection and economizes the product. It is the silent salesman that attract the customer to the product unaided.

5. Test marketing: After management is satisfied with the product's functional performance, the product move into further step which is

test marketing. Test marketing is the stage where the product and marketing programmes are introduced into more authentic consumer setting to lean how well the product will do before making the final decision on whether to launch the product. Test marketing is therefore meant to subject the product to real life situation and make evaluation of it performance so as to prevent the company marking loss resulting from product failure.

- 6. Commercialization:** At this stage, the management has already gathered enough information to make final decision on whether to launch the product or not. If the information is positive, the company will proceed to commercialize the product. This calls for full scale launching of the product into the market.

2.4 THE PRODUCT LIFE CYCLE

Nwokoye (1991) Just like the life span of an individual human being, product go through the life cycle. They grow in sale volume, then decline and eventually die or replaced. This means that a products sale position and profitability can be expected to change over time. Moreover, the product life cycle is an attempt to understand the district stages in the sales history of a company's product.

These stages are:

1. Introduction stage
2. Growth stage
3. Maturity stage

4. Decline stage

- 1. Introduction stage:** This is the first stage in the product life cycle. It coincides with the period when the product is introduced into the market. Many products do not survive this stage because the mortality rate for new product is high. This is the most risky and expensive stage due to high percentage of product failure. Activities in the introductory stage are characterized by high costs, low scale volume and limited distribution. This is because the product is new, so it has limited acceptance rate, small number of distributors and relative unknown. Even though there may be very few competitors yet, special or aggressive advertising promotion must be launched and a great proportion of salesmen and senior marketing executives must devote their attention to this new product. The promotional programmes should all create awareness as stimulate primary demand rather than secondary demand. All these activities involve heavy expenses and cost as such the profit position at this stage is very if at all noticeable.
- 2. Growth stage:** This is the second stage of the product life cycle during this stage, sales rise rapidly as more and more distributors and customers accept and buy the product. At this stage, the profit figure improves with both sales and profit curves rising often at a period rate.

Large number of competitors will begin to enter the market especially if the profit outlook is attractive. In marketing the product, the promotion will shift from "buy my product" to "buy my brand of product" and intensive distribution strategies are employed.

- 3. Maturity stage:** At this stage, the fully established product will face competition from other contenders in the market. Sales may still continue to rise but now at a decreasing rate. Profit for both the manufacturers and the retailers of the product may decline as a result of rising cost associated with intensive promotion and fall in sales. If care is not taken infant industries may be forced out of the market with growing competition especially from established companies. This sums up to that the major objective at this stage is to maintain and to strengthen market position and build loyalty among customers and middlemen.
- 4. Decline stage:** This is the stage where sales continue a strong decline and profit erode toward the zero point. During this stage, the strategy is for a company to exploit the product market to maximize all possible profit before making the final decision of either to those companies that stay in the field. This is because, many competitors

may share dropped out of the market and the product availability reduced.

The fore mentioned stages represent the standard product life cycle as illustrated in the diagram below.

2.5 WHY NEW PRODUCT FAIL

Kotler (2000) There are many reasons why new products may never make it in the market. This can be attributed to various reasons. Some of the reasons are:

- **Inadequate market analysis:** There are situations where the new product idea may be good but the market and size is over estimated, inability to determine buying motives and of the market and misjudgment as to the type of product the market need.
- **Product deficiencies:** Product success depends on its quality and performance. So, product with poor quality and performance, product that are too complicated or expensive and those with no significant advantage over already competing product in the hardly survive.
- **Lack of effective market effort:** For every product to survive especially the introduction stage, there has to be effective and efficient market effort. Unfortunately, some companies fail to provide

sufficient follow through effort after introductory programmes, and failure to train marketing personal for new product and new market all contribute toward new product failure.

- **Higher cost than anticipated:** Where the costs involve in producing a new product is higher than anticipated, the price of such product increase. Consequently, lower sale is expected especially where the is not competitive and as such lead to product failure.
- **Poor training of introduction:** The usual mistake here is to a product too late, although in a few cases the problem may be premature entry of the entry into the market. Also, when small company's launching of a new product coincides with the launch by large corporation, the small company's product fail.
- **Strength of competition:** Where a company underestimate the competitive strength of rival product or where the competitors fight harder than expected, the new product will suffer set-back.
- **Technical or production problem:** This often occur when a company fail to produce sufficient qualities to meet the market demands, so competitors gain an unanticipated market share.

After all these factors were analyzed, two points became quite clear, first, the executives were frank to admit that the factors that lead to product

failures were typically within the control of the company. Secondly, they estimated that about three quarter of the causes of product failure were marketing related.

2.6 TOTAL QUALITY MANAGEMENT

Total quality management (TQM) according to Kotler (2000), is an organization wide approach to continuously improving the quality of all organization's process, product and service. Quality improvement programs normally increase profitability; total quality is the key to value creation and customer satisfaction. Total quality is everyone's job, just as marketing is everyone's job in the organization. Marketers who don't learn the language of quality improvement, manufacturing, and operations will become as obsolete as buggy whips. Marketing managers have responsibilities in quality management. They must participate in formulating strategies and policies designed to help the company win total quality excellent, they should deliver marketing quality alongside production quality. Each marketing activity, marketing research, sales training, advertising, customers service etc must be performed to high standard.

2.7 PRODUCT DISTRIBUTION STRATEGY

In product planning, it is essential to think and plan about how the product will get to the buyers. Distribution channels are sets of interdependent organizations involved in the process of making a product or service available for use or consumption.

Distribution channel decisions are among the most critical decisions facing management. The channels chosen intimately affect all other marketing decisions. In addition, the company's channel decisions involve relatively long-term commitment to other firms. When Peugeot signs up an independent dealer to sell its automobiles, it cannot buy them the next day and replace them with a company-owned outlet.

Corey (1991:480), observed that a distribution system is a key external resource. Normally it takes years to build, and it is not easily changed. It ranks in importance with key internal resources such as manufacturing, research, engineering and field sales personnel and facilities. It represents a significant corporate commitment to large numbers of independent companies whose business is distribution and to the particular market they serve. It represents, as well, a commitment to a set of policies and practices that constitute the basic fabric on which is woven an extensive set of long-term relationships.

CHANNELS OF DISTRIBUTION

Manufacturers			Consumers
Manufacturers	Wholesalers		Consumers
Manufacturers	Wholesalers	Retailers	Consumers
Manufacturers	Wholesalers	agent	retailers consumer

Source: Corey (1991)

2.8 PROFITABILITY OF BUSINESS: -

The profitability of any business is dependent upon how effective an organization plan and develop its product to meet up with current cost, expenditure and make gains from their operations.

Profit is the excess earnings made from sales or business activities after cost of production, marketing and distribution have been deducted from current revenue.

Profit as defined by Gana (1995), is the most amount by which the total revenue (derived from operation or running of an enterprise) exceeds the total cost of production (i.e. cost of raw material, labor, land, overhead).

Profit means different thing to different people. The word “profit” has different meaning to businessmen, accountant, tax collectors, workers and economist. It is often used in a loose potential sense that buries its real

significance (Dean, 1960:3). In a general sense, profit is regarded as income accruing to equity holders, in the same sense as wages accrue to laborers; rent accrues to owners of rentable asset and interest accruing to money lenders. To the accountant, profit means the excess of revenue over all paid out cost including manufacturing and overhead expenses while to an Economist, profit is the return over and above the opportunity cost.

For growth and survival of business, management needs to make profit.

Even in the non-profit making organizations, profit is often made to ensure the smooth running of the organization.

2.9 THEORIES OF PROFIT

Businessman and economist are not anonymous on this issue, It is infact this question that has been a source of an unsettled controversy and has led to the emergence of various theories of profit. Mill, (1834) listed the following theories of profit.

1. Hawley's risk theory of profit.
2. Clark's Dynamics Theory of profit
3. Walkers theory of profit Knight's their of profit
4. Slum peter's innovation theory of profit.
5. Monopoly profit

1. HAWLEY'S RISK THEORY OF PROFIT: -

The risk theory of profit was propounded by F.B. Hawley in 1893. Risk in business may arise for such reasons as obsolescence of a product, sudden fall in prices, non-availability of certain crucial materials, introduction of a better substitute by a competitor, and risk due to fire, war, and theft e.t.c.

Hawley regarded risk-taking as an inevitable accompaniment of dynamic production and those who take risk have a sound claim to separate reward known as profit. According to Hawley, profit is simply the price paid by society for assuming business risk. In his opinion, business would not assume risk without expecting adequate compensation in excess of actual value i.e. premium or calculate risk. They would always look for a return in excess of the wages of management for bearing risk. The reason why Hawley maintained that profit is over and above the actuarial risk is that the assumption of risk is irksome; it gives rise to trouble, anxiety and disutility of various kinds. Therefore assuming risk gives the entrepreneur a claim to a reward in excess of actuarial value of risk.

Profit according to Hawley consist of two parts; one part represent compensation for actuarial or average loss incidental to the various classes of risk necessarily assumed by the entrepreneur and the other part represents

an inducement to suffer the consequences of being exposed to risk in their entrepreneurial adventures.

Hawley believed that profit arises from factor ownership only so long as ownership involves risk. According to him, an entrepreneur has to assume risk to quality for profit. Profit in his opinion is a residue. Hawley's theory is thus a residual theory of profit.

2. CLARK'S DYNAMIC THEORY OF PROFIT: -

According to J. Clark (1960), profits arise in a dynamic economy, not in a static one. A static economy is one in which there is absolute freedom of competition, population and capital are stationary, production process remain unchanged overtime, goods continue to remain homogenous and factors enjoy freedom of mobility but do not move because their marginal product in every industry in the same; there is no uncertainty and hence no risk and if there is any risk, it is insurable. In a static economy, therefore, all firms make only normal profit i.e. wage of management.

On the other hand, a dynamic economy is characterized by the following generic changes: -

- a. Increase in population
- b. Increase in capital

- c. Improvement in production techniques
- d. Changes in the forms of business organizations
- e. Multiplication of consumer want.

Entrepreneurs and business Managers take advantage of the generic changes and promote their business, expand their sales, reduce cost and, maximize revenue and pure profit.

Pure profit, however exist only in the short-run. In the long-run, competition forces other firms to initiate the changes made by the leading firm, this is why a business must effectively plan and develop its product. This lead to a rise in demand for factors of production and subsequent rise in factor prices and cost of production. On the other hand, increase in output causes a decline in product prices given the demand. The ultimate result is that pure profit disappears.

Clarks in his own words says “profit is an exclusive sum which entrepreneurs grasp but cannot hold. It slips through their fingers and bestows itself on all members of the society.” Thus due to the dynamic nature of market, economy and emergence of profit is a continuous process. (form distribution, as determined by law of rent, 1891).

3. WALKER’S THEORY OF PROFIT: -

One of the most widely known theories of profit was propounded by F. walkers (1954). According to him, profit is the rent of “exceptional abilities that an entrepreneur may posses” over others. Just as rent is the difference between the yield of the least and the fertile lands, profit is the difference between the earnings of the least and most efficient entrepreneurs. In formulating his profit theory, walker assumed a state of perfect competition in which all firms are assumed to posses’ equal managerial ability. Each firm would receive only the wages of management which in walkers view form no part of pure profit. He regarded wages of management as ordering wages. Thus, under perfectly competitive condition, there would be no pure profit and all forms would only earn managerial wages known as Normal profit.

4. KNIGHT’S THEORY OF PROFIT: -

Frank H. Knight (uncertainty and profit 1957), treated as a residual return to uncertainty bearing, not to risk the bearing. Knight made a distinction between risk and uncertainty. He divided risk into calculable and non-calculate risk. Calculate risks are those whose probability of occurrence can be statistically estimated on the basis of available data. It is in the area of uncertainty that decision making becomes a crucial function of an

entrepreneur. If his decisions are proved right by the subsequent events, the entrepreneur makes profit and vice versa.

Thus according to knight, profit arises from the decisions taken and implemented under conditions of uncertainty. In his view, the profits may arise as a result of decision concerning the state of market e.g. decisions which result in increasing the degree of monopoly, decisions with respect to holding stocks that give rise to windfall gains and decisions. Thus profit depends upon the management decision made towards it.

5. PETER INNOVATION THEORY OF PROFIT:

The innovation theory of profit was developed by Peter (1962) (theory of economic development). He was of the opinion that factors like emergence of interest and profits, re-occurrence of trade cycles and such other are development. The process of economic development would also explain these economic variables. His theory of profit is thus embedded in his theory of economic development. To explain the phenomenon of economic development and thus profit, Slum Peter starts from the state of a stationary equilibrium which is characterized by the equilibrium in all the spheres. Under conditions of stationary equilibrium, “the total receipts from the business is no profit.” Profit can only be made by introducing

innovations in the manufacturing techniques and methods of supplying the goods.

6. MONOPOLY PROFIT: -

Most profit theories have been propounded in the background of perfect competition. But perfect competition as conceived in the theoretical models is barely in existence. An extreme contrast of perfect competition is monopoly. Monopoly is characterized as a market situation in which there is a single seller of a commodity without close substitutes. Monopoly may arise due to factors like: -

- a. Economies of scale
- b. Sole ownership of certain raw materials
- c. legal sanction and protection
- d. Mergers and acquisition

A monopolistic entrepreneur may earn pure profit or monopoly profit and maintain it in the long run by using his monopolistic advantages which includes:

- a. Power to control supply and price
- b. Power to prevent the entry of competitors by “price cutting”

These powers help the monopolistic firm to make pure or monopoly. Thus monopoly is the source of pure profit in this case.

2.10 HISTORICAL BACKGROUND OF PAN NIGERIA LTD

The initiative to establish a vehicle assembly plant in Nigeria was taken by the Federal Government in the part of 1960. The idea was however concretized on October 6th 1969 when the government invited reputable vehicle manufactures in the world to submit proposal for the establishment of a vehicle assembly plant in the country. Twelve years before the invitation to submit a proposal, Peugeot made their first entry into Nigeria market with about 100 units of Peugeot cars model 403 imported into the country by individuals.

These cars soon become very popular due to their legendary reliability and suitability to Nigeria road conditions. The demand for Peugeot in Nigeria rose sharply again in the 1970 with further introduction into country of Peugeot care model 404, with high demand for Peugeot cars which was a mark of acceptability, it is therefore no surprises when May 1971, Peugeot Automobile of France's proposal was selected out of those sixteen tendered proposal by various Automobile company.

Peugeot Automobile Nigeria (PAN) at interception had has the objective, the followings:

- To chart a course for Nigeria industrialization in the area of assembling and manufacturing of automobile vehicles.
- To engage in local assembly and production of cars suitable for Nigeria physical environmental and climatic conditions.
- To articulate a definite and viable policy on local content development and reduce over dependence on imports for the country.
- To produce and distribute spare parts and accessories to supplement the products of the plant.
- To serve as an avenue for transfer of technology by providing on the job training for Nigeria workers.
- To create employment opportunities for Nigerians.

Since the establishment of Peugeot Automobile Nigeria Limited, the company has continue to spread expand its production operation. The company has produced and marketed a wide variety of products, which includes:

- The Peugeot 404 pick up
- The Peugeot 505 saloon
- The Peugeot 504 station wagon

- The Peugeot 306 saloon
- The Peugeot 406 saloon
- The Peugeot J5 Boxer bus

These ranges of company's product are aimed at all the relevant target market and market segment. The company has continued to grow stronger and doing all that is possible to serve the people of the country better.

2.11 PRODUCT PLANNING AND DEVELOPMENT IN PAN

PAN usually starts its products planning and development from market research which is strategies for product planning and development. Peugeot Automobile Nigeria (PAN) produces several lines of automobile products, which include the following:

- The Peugeot 504 saloon
- The Peugeot 306 saloon
- The Peugeot 505 saloon
- The Peugeot 406 saloon
- The Peugeot 604 saloon

Most firms offer a range of product or product line and not just a single product. The following steps are usually taken by PAN in products planning and development:

- They will try to understand the critical keys to new product success
- Define the objectives and strategies for the new product program
- Analyze new products from a financial perspective
- Bring innovative new products to market quickly
- Effectively handle product testing and launch issues
- Use market research to identify profitable new markets
- Successfully direct, manage and control the new product team
- Generate, Screen and Evaluate Potential New Product/Service and New Market Ideas That Fit the Business Strategy
- Analyze New Product/Service and New Market Opportunities from a Financial Perspective
- Develop New Highly Innovative Products or Services and Enter New Markets More Quickly
- Handle Product and Service Testing and Launch Issues
- Understand and Learn to Effectively Integrate Each Step of the Process in Order to Set Up Effective New Product/Service Development and New Market-Entry Procedure
- Manage the Product Immediately after Launch

- Know When to Modify the Products/Services after Launch if Needed
- Understand the Psychographic Groups That Come into Play at Different Stages of the Product/Service Life Cycle, and How They Affect the Products/Services after Launch
- Understand How to Extend the Life of a Failing New Product/Service
- Know How to Phase Out or Drop a Failing New Product/Service

2.12 THE PROFITABILITY OF PAN AS A RESULT OF PRODUCT PLANNING AND DEVELOPMENT?

PAN belief that profitability is among the primary objectives of all business organizations and this can not be achieve without proper product planning and development, they therefore allocate adequate time and resources on product planning and development.

The importance of the product to the buyer can not be overemphasized; it does not only affect the quality of the product but also affect the profitability of the business. Buyers will obviously take more initiative in buying quality goods. As time changes the taste and the demand of the customer also change. This change in taste and demand requires business organization spending huge investment on product planning and development. Experience has shown that it is only through product planning

and development that a company can offer highly qualitative products to customers and compete favorably with its competitors. This is the belief of PAN and over the years they have been excelling, they have experience increase in profitability as a result of proper product planning and development.

CHAPTER THREE

RESEARCH METHODOLOGY

3.2 Introduction

The purpose of this chapter is to discuss the methods of investigation followed. The chapter contains relevant facts concerning the research design, population of the study; as well as the analysis of data and justification for research methods used.

3.2 Research Design

The study was descriptive in nature and survey method was employed. A survey study according to Kelinger, (1977) is a research which studies large and small population (or universe) by selecting and studying samples chosen from the population to cover the relative incidence, distributive and inter-relations of sociological and psychological variables. The study adopted descriptive research design in order to see the impact of product planning and development on companies profitability. The method used involved the selection of unbiased representative sample and generalizing the results to the population from which the sample was drawn.

3.3 Population of the Study

The population of the study constitutes all manufacturing companies. Employees of all manufacturing companies in Nigeria cannot be visited, therefore the researcher uses sample to represent the entire population. The study also used convenient sampling technique to administer the questionnaire because of time and financial implications. Convenient sampling technique is a non-probability sampling method that literally gets sample from whoever is available to receive the questionnaire. (Riley, Wood, Clark, Wilkie, & Szivas, 2000).

3.4 Sample Size and Sampling Techniques

These are the processes of drawing sample from the population. They are the methods or procedures available for drawing or selecting a sample from large population. For the purpose of this study, the sample size for the research is put at twenty five (25) respondents who were selected randomly from the population.

3.5 Sources of Data

Taking into cognizance the nature and objective of the study, the researcher used both primary and secondary sources of data collection.

Under the primary source of data personal interview and questionnaire were used. Both the interview and questionnaire were structured and also open ended in order to be objective and allow the respondents to provide information that are not covered. Data obtained through these means assures originality and eschew subjectivity (ogwu, 1990).

The study also used secondary sources of data such as documents from the human resource department of the company, empirical studies, textbooks, internet article, and journals to establish the framework and arguments that are related to the study.

3.6 Data Analysis Techniques

For the purpose of this study, the analysis of the returned questionnaires was based on simple descriptive analysis of frequency distribution of relevant statistical information supplemented by percentage. This is because of its simplicity, clarity and relevant to our data. Means were computed to determine the perception of respondents.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter dwells on the presentation, analysis and interpretation of results obtained from the field work for this study in order to provide answers to the research questions raised in chapter one. It also presents the test of hypotheses formulated for the study.

4.2 Data Presentation

A total of thirty copies of the questionnaire were distributed to the respondents, out of which twenty five copies were filled and returned. The copies of the questionnaire successfully returned are 83.3% of the total questionnaire which is adequate enough to run data analysis and for the purpose of generalisation.

Table 4.1 Sex of Respondents

Sex	No	Percentage
Male	18	72%
Female	7	28%
Total	25	100%

Source: Researcher Field Survey 2012

The above table shows that most of the respondents are male with 72% while 28% were female (see Table 4.1) this support the fact that most of the PAN employees are males.

Table 4.2 Ages of Respondents

Age	No.	Percentage
20 – 30	10	40%
31 – 40	12	48%
41 – 50	2	8%
50 +	1	4
Total	25	100

Source: Field Survey 2011

Table 4.2 shows most of the company staff are within the ages of 20 – 30 and 31 – 40 with 40% and 48% responses respectively. The implication of this is that the PAN have young and energetic staff to work; they can efficiently utilize their potentials and be productive.

Table 4.3. Educational Qualification of Respondents

Option	N0.	Percentage
OND	5	20%
HND	7	28%
BSc	13	52%
PhD	0	0
Others	0	0
Total	25	100

Source: Field Survey 2012

This shows that most of the respondents are Bsc Holders.

Table 4.4. Marital Status of Respondents

Option	N0.	Percentage
Married	15	60%
Single	10	40%
Total	25	100

Source: Field Survey 2011

Table 4.4 established that most of the respondents are married with 60% responses, while 40% were single; none of the respondent was neither divorced nor separated. The shows that most of these employees are married

Table 4.5 Working Experience of Respondents

Option	N0.	Percentage
1 – 5 years	10	40%
6 – 10 years	8	32%
11 – 15 years	6	24%
16 +	1	4%
Total	25	100

Source: Field Survey 2011

This table shows that 40% Of the respondents worked between 1 – 5 years and 32% for 6-10 years and only 1 worked for 16 years and above. This implied that since the majority of the employees are young and they have less experience they would like to put more effort to their work.

Table 4.6 Are you a management staff of Peugeot Automobiles (PAN) Nigeria Ltd?

Options	Number of respondent	Percentage
Yes	25	100
No	0	0
Total	25	100

Source: Researcher’s computation from administered questionnaire. (2011)

The table above shows that 100% of the respondents which were issued questionnaire are management staffs of PAN Ltd.

Table 4.7 Are you familiar with the company’s product planning and development ?

Options	Number of respondent	Percentage
Yes	22	88
No	3	12
Total	25	100

Source: Researcher’s computation from administered questionnaire. (2011)

From the table above it can be seen that 88% of the respondents (who are PAN staff) are quite familiar with the company’s product planning and development policy while 12% of the respondents are not familiar with the company’s product planning and development policies.

Table 4.8 What is the reaction of customers to product development?

Options	Number of respondent	Percentage
Very favourable	18	72
Fairly favourable	6	24
Unfavourable	1	4
Total	25	100

Source: Researcher’s computation from administered questionnaire. (2011)

Table 5 shows that 72% of the respondents believe that customer's responses are favourable while 24% and 1% go for fairly favourable and unfavourable responses respectively.

Table 4.9 What is/are the company's product planning objective?

Options	Number of respondent	Percentage
Maximize profit	7	28
Withstand competition	-	-
Increase Market Share	3	13
Increase sales	4	16
All of the above	25	100
Total	25	100

Source: Researcher's computation from administered questionnaire. (2011)

From the table above it can be observed 7 respondents (i.e. 28%) are of the view that the company's product planning objectives is profit, 12% choose increase market share, 16% viewed it is to increase sales while 44% choose all of the above which includes sales, market share, profit, withstand competition.

4.10 Has your organization been able to achieve its product planning objectives?

Options	Number of respondent	Percentage
Yes	17	68
No	8	32
Total	25	100

Source: Researcher's computation from administered questionnaire. (2011)

From the above table, it can be seen that 68% of the respondents are of the opinion that the organization has been able to achieve its pricing objectives while 32% of these respondents think otherwise.

4.11 How can you rate the level of customers' patronage for your organization's product?

Options	Number of respondent	Percentage
High	19	76
Fairly high	6	24
Low	-	-
Total	25	100

Source: Researcher's computation from administered questionnaire. (2011)

From the table above, it can be seen that 19 respondents (76%) are of the opinion that the level of customers patronage is high while 6 respondents (24%) are of the opinion that customers patronage are fairly and no respondent went for low patronage are fairly high and no respondent went for low patronage.

4.12 Do you think the product planning and development significantly affect the level of customers' patronage?

Options	Number of respondent	Percentage
Yes	20	80
No	5	20
Total	25	100

Source: Researcher's computation from administered questionnaire. (2011)

From the above table, it can be seen that 80% of the respondents feels that product planning significantly affect the level of customers' patronage while 20% of the respondents think otherwise.

4.13 Do you think the product planning and development significant effect your organization's profit?

Options	Number of respondent	Percentage
Yes	22	88
No	3	12
Total	25	100

Source: Researcher's computation from administered questionnaire. (2011)

From the table above, it can be observed that 88% of the management staffs are of the opinion that product planning and development affect the company's profit while 12% of the staff thinks otherwise.

4.14 Do you think product planning and development has impact of the profitability of your organization?

Options	Number of respondent	Percentage
Yes	17	68
No	8	32
Total	25	100

Source: Researcher's computation from administered questionnaire. (2011)

From the above, it can be seen that 17 respondents (68%) are of the opinion that product planning and development have impact of the companies profitability while 32% have contrary opinion.

4.3 RESEARCH FINDINGS

The research findings revealed that product planning and development affect the profitability of companies but the organizations need to make adjustment in some areas of their operation. Below are some of our findings.

1. This research shows that PAN industries strongly embark on consumer orientation marketing and it continuously gives priority to customer interest before planning its product.
2. Low profit margin of PAN is as a result of increase in overhead cost and conveyance cost. This is as result of the fact that the company only engaged in assembly and not production
4. PAN does not give adequate consideration to cost when setting product planning which hence, result in high turnover and low profit.
6. decrease in turnover for PAN Ltd is as a result of high prices of their product.

7. Another finding of this research is that the firm has complete control in setting product price. This is because the government does not implement price control on the firms operating in the country.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 SUMMARY

It has been revealed that PAN automobiles Nigeria Ltd embark on product planning and development as an influential strategy for increasing patronage and profitability. The use of product planning and development has given them competitive edge for a very long time. However the customer's expressed their displeasure with the distribution system used by the company as well as the pricing policies. It is revealed that with efficient and effective new product planning and development, there is a high tendency of product acceptance by customers. In addition, the result proved that effective new planning and development strategy ensure the growth of the company. The company's management that make use of the new product development strategy use their research department in determining what satisfy their customer's need. Although, there is growing competition from other car assemblers and the growing popularity of fairly used car "Tokunbo", if the company continues with this strategy there is great potential for the company to grow and maintain increased profitability.

5.2 CONCLUSION

The reporter has come up with the following conclusion:

- i. The report has revealed that the marketing department and research and development department of the company are working in isolation, which limit the proper implementation of the strategy. This is why the customers are complaining about some aspect of their services. In broader perspective, this has made the company more of product oriented instead of customer oriented.
- ii. The company used to enjoy monopoly as the principle automobile assembly plant in Nigeria. But the company has failed to recognize the threat of mass importation of both new vehicles and the fairly used ones. Consequently, the distributors of the imported vehicles have capitalized on this negligence.
- iii. The prices of PAN products are relatively high. The company has failed to develop low price models of its product. With growing decline in income of Nigerians, the greater part of the PAN's customers have all switched their patronage to imported cars.

- iv. The report has led to a conclusion that the company even at the peak of the demand for tits product by those that can afford are producing below capacity thus causing production backlog as schedules are not met.
- v. The reporter has equally concluded from the report that the marketing research department is not properly equipped with qualified personnel. This has caused a lot of problems for the company in meeting up with the growing challenges of market. This is based on the fact that specific customers requirement are far from the company's knowledge and this has given the company a product oriented outlook instead of customer oriented.

5.3 RECOMMENDATIONS

Usually, when a report is conducted, the reporter is expected to offer constructive recommendations, that will be of valuable help to the users of the report. In the light of this, the reporter has the following recommendations, which is based on the result of the findings.

- The pricing policy of the company should be competitive. This should be achieved by producing a low price models that will take into account the level of Nigerian economy.
- There should be radical changes that will improve the distribution system. The company should explore the producer – customer distribution system so as to remove the excess mark up added by the present distributors of PAN.
- In order to attract more customers to the firm, after sales services, price discount, guaranty and warranty should be introduced.
- Management should create a company/customers forum so that the problems that are likely to arise could be discussed and iron cut. The company should also introduce a toll free telephone line that will be dedicated to inquiries about the company and its product.
- Finally, the reporter recommend that the company should embark on the use of work analysis in its product planning and development activities, thereby identifying the critical path and ensuring that the activities that constitute the critical path are well sequenced to achieve the desired maximum productivity and profitability.

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APPENDIX

Department of Business
Administration,
Ahmadu Bello University,
Kongo Campus,
Zaria,
Kaduna State.

Dear Sir/Madam,

I am a Postgraduate Student of Department of Business Administration, Ahmadu Bello University, Zaria. As part of the requirement for the award of Master of Business Administration (MBA), I am undertaking a research on “AN ASSESSMENT OF THE IMPACT OF PRODUCT PLANNING AND DEVELOPMENT ON COMPANIES PROFITABILITY ”

I am soliciting for your cooperation to kindly answer the questions attached here with. All information would be treated confidentially and would be used for academic purpose only.

Yours faithfully,

ABBAS AMORLEY

1) Sex of Respondents

Male { }

Female { }

2) Age of Respondents

20-30 { }

31- 40 { }

41- 50 { }

50 and above { }

3) What is your education qualification

OND { }

HND { }

BSc{ }

Phd { }

4) Marital Status of Respondents

Married { }

Single { }

5) What is your Working Experience

1- 5 years { }

6- 10 years { }

11- 15 years { }

16 years and above{ }

6) Are you a management staff of Peugeot Automobiles (PAN) Nigeria Ltd?

Yes { }

No { }

7) Are you familiar with the company's product planning and development?

Yes { }

No { }

8) What is the reaction of customers to product development?

Very favourable { }

Fairly favourable { }

Unfavourable { }

9) What is/are the company's product planning objective?

Maximize profit { }

Withstand competition { }

Increase market share { }

Increase sales { }

All of the above { }

10) Has your organization been able to achieve its product planning objectives?

11) Yes { }

12) No { }

11) How can you rate the level of customers' patronage for your organization's product?

High { }

Fairly high { }

Low { }

13) Do you think the product planning and development significantly affect the level of customers' patronage?

14) Yes { }

15) No { }

13) Do you think the product planning and development significant effect your organization's profit?

Yes { }

No { }

14) Do you think product planning and development has impact of the profitability of your organization?

Yes { }

No { }