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Full Length Research Paper

Warranties and marketing liabilities in Nigeria: a study of the food, beverage and tobacco industry

OKO, A. E. NDU; Ph.D and Eboh, F. E, Ph.D

Senior Lecturer in Marketing, Abia State University, Uturu. Nigeria
(Associate Professor of Management) Dean, Faculty of Business Administration Abia State University, Uturu Nigeria.

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The consumers' satisfaction is the measure of corporate profitability. In Nigeria, the desire to earn profit negates the principles and philosophy of marketing concept thus warranty policies are not fully integrated into corporate marketing management programmes. The research examined the consequences of this neglect of warranty on consumer's satisfaction and loyalty as well as its impact on corporate profitability. To achieve the objectives of this exercise, data were sourced based on descriptive research technique, and were analyzed using analysis of variance statistical tool. The research asserts that neglect of the warranty policy among firms in the food, Beverage, Tobacco and Drug industries in Nigeria is attributed to the naïve nature of consumers, impatience, ignorance, low level of per capita income and general poor attitude to executing consumer protective policies by the government. For solution to these, consumer education among others is recommended.

Keyword: Warranty, Product Standard, Quality Assurance, Customer Enlightenment, Passing off: Consumer Patronage.

Study of the Food, Beverage and Tobacco Industry

INTRODUCTION

The market offer (product) is a function of features, accessories, installations, image, services, warranties and or guarantees, labeling, trade names and or marks and lines that form bases of value assessment –Anyanwu and Onuoha (1991:244). These attributes of product constitute the augmented (tertiary) component, hence are employed to enhance the product's competitive appeal and patronage-Okpara (2002:152); especially for expensive and complex products.

The degree of adoption of these tertiary components of market offer varies across products and industries in Nigeria with the 'warranties' being least appreciated-Oko (2012:14).

Warranty as a written agreement in which a selling company as the vendor promises to repair or replace the market offer as basis of exchange relationship if there is a problem with the product within a particular period of time is consider a measure of corporate responsiveness; an index of public relations and an inclination to marketing concept orientation, as liabilities for defective market offer shift within reasonable limit from buyer (CAVEAT EMBTOR) beware to seller (CAVEAT VENDITOR) beware. This work is an assessment of the level (rate) of adoption of warranty policy in the food, beverage and tobacco industry in Nigeria relative to the activities of Nigerians. These, as 'standards' also considered as service contract, makes it reasonable for sellers to provide free maintenance and repair services for customers based on items of exchange for a

*Corresponding author Email: a.e_nduoko@yahoo.com

specified period of time at a specific contract price.

Conception Frame Work:

Warranty and guaranty are often interchangeably used; based on the fact that both policies simulate buyers' confidence in market offer thus enhance patronage. While guaranty reduces the buyers' perceived risk on the offer; promotes the quality of the market offer, and the company and its service performance as dependable-Kotler and Keller (2009), warranty additionally, assures repair, replacement or refund where the market offer as basis of exchange performs below consumer expectation. Report and investigation show poor application of the warranty policy among firms in the food, beverage and tobacco industry in Nigeria.

Periodic reports on National Agency for Food and Drug Administration and Control (NAFDAC) between the year 2000 and 2009 show closure of manufacturing firms' shops; and caesurae and burning of fake drugs and food items in Onitsha, Aba, Lagos and other densely populated towns as well as number of deaths resulting from administration of fake drugs.- (www.nafdcnigeria.gov.ng)

During this period, no report of court action instituted by companies whose market offers in patents or trade marks were infringed, abused or, mis-used based on mis-representation, passing off or imitation; nor was any action reported as instituted by families whose members died sequel to the administration of fake drug.

The poor attitude of firms as producers toward the protection of their patents and or trade marks is encouraged by the poor attitude of consumers to demanding for warranties in purchases.

This work thus determined the limit to which producers are liable based in warranty policies and the impact of these policies on consumer satisfaction and loyalty as well as on corporate profitability.

Literature Review

Government and Food and Drug Regulatory Policies

The Government of Nigeria as the consumers' Ombudsman has been in the vanguard of consumers' right protection, with special concern for food and drug items.

In 1987 January, government directed that price tags be displayed on items advertised on the print and electronic media. It also set up consumer education and protection council. In 1988, some medicated Soap items (Robert, Crusader and HGI) were banned for containing substances considered poisonous; and 1989 witnessed calls and directives to all manufacturers to clearly display products' manufacturing and expiration dates on product

package.

National Agency for Food and Drug Administration and Control, an organization of government ceased and burnt sub-standard consumer products worth millions of Naira in Aba, Onitsha, Lagos and Jos (in Plateau state) and sealed the drug market at Head Bridge-Onitsha-www.nafdacnigeria.gov.ng. In spite of these actions of government, the level of production and marketing of adulterated food and drug items in Nigeria has been on the increase. The questions that may command the attention of an average consumer in Nigeria are:

- To what extent do manufacturers show concern that their innovation rights to product as patented or trade marked are violated and are being violated based on abuse, mis-representation, imitation and pass off.

- What concerns do Nigerian manufacturers have for the life of citizens that are endangered based on the confidence reposed on their products as exhibited in loyalty and patronage

- Are Nigerian manufacturers unaware of the recorded cases of caesurae of fake and adulterated products by government agencies?

Alternatively, it may be necessary to find out what the average consumer does to ensure that value is received in product for every purchase made.

These, calls for the study of the warranty policies practice and system in Nigeria.

A host of things may be negotiated for mutual agreement. It will depend on the circumstance of a given purchase situation. Some common place negotiable items in the assertion of Achison (1999: 221) include:

Price and cost advantages; quality; cash and trade discounts; terms and conditions of sales of delivery, and carriage rate charges; amendment of contract or specification and inspection issues; contract failure, cancelled orders; rejected goods, damages, late delivery and compensations; packaging; storage and warehousing; and warranties.

While the warranty agreement reposes confidence in the consumer concerning the vendor's offer; the vendor is liable to the consumer. Hence there are various degree of product warranties with different implications for manufacturers and customer-Srivastava and Mitra (1998: 327-336). Manufacturers must comply with specific laws regarding product quality and safety, because consumers injured by products that are designed defectively, can sue the manufacturers or dealers-Kotler and Armstrong (2006:264). Several laws and safety legislatures exist that regulate standards in fabrics, chemical substances, automobiles, toys, foods, drugs, cosmetics and poisons. Companies found guilty of violating consumers' rights in the developed economies spend huge sums of money as compensation on consumers. Kotler and Armstrong (2010:304) put product liability as second largest litigation concern behind only labour and employment matters.

Companies, to avert liabilities sequel to consumer injuries given their defective market offers have adopted

strategies such as:

- Offer of express warranties as written statements, that state the limits of corporate liabilities based on products offered the target market. Berkowitz, Kerin, Hartley and Rudelius (2000:335). Many sellers offer either general or specific guarantee-Sridhar and Kannan (1995:442-446) and promise return for replacement, exchange or refund for reason of unsatisfactory product offer. Such written warranties are either limited or full coverage. Studies show that even at limited warranties expression, the manufacturers are held liable for implied warranties for product defects.

- Companies given the huge increase in product liabilities have taken up insurance premiums. Such insurance costs are often passed to the consumers through high product (costs) prices. Based on inability to contend with the competitive strives in such industries given high costs, such companies have often been caused to wane out of existence or to drop out of high risk product lines-Kotler and Armstrong (2006:264) and (2010:304).

- As alternative, some companies now appoint "product stewards", whose job is to protect consumers from harm and the company from liability by proactively ferreting out potential product problems-Bruen (2002:34) and Kotler and Armstrong (2010:304)

Most companies especially in Nigeria who are not able to adopt any of these three strategic approaches to warranty management has dropped warranty altogether; this is inspite of the obvious benefits associated with warranty agreements.

Importance of Warranties

In this era of inter and intra industrial competition for market leadership position, the product warranty concept as practiced is adopted by companies to convince customers of their product quality and their commitment to social responsibilities, thus it forms the basis for quality public relations campaign

The product warranty provides safe landing for companies, especially given the "strict liability" rulings in the developed economies where manufacturers are held liable for product defects, whether or not it followed reasonable research standard-Berkowitz, Kerin, Hartley and Rudelius (2000:335). Guarantees reduce the buyers' perceived risk; thus suggest that the product is of high quality and that the company and its service performance are dependable.

The attributes of the product in terms of the price, brand name, country of manufacture, packaging, colour and style influence consumers' perception of value and quality but the most accepted indicator of quality is warranty. The longer and more inclusive the warranty, the better the quality of the product is assumed to be-

Boulding and Kirmani (1993:11-23)-Kotler and Keller (2009: 381) and Stein (2004: 16).

Warranties exert Berkowitz, Kerin, Hartley and Rudelius (2000: 336) represent much more to the buyer than just protection from negative consequences- they can hold a significant marketing advantage for the producers, especially in the area of reputation; considering the shift in emphases from CAVEAT EMPTOR to CAVEAT VENDITOR globally.

To address these issues, the underlisted questions received the research attention:

Research Questions

Answers to these research questions served as pointers to solutions to the core issues of this work

- Do Nigerian marketing organizations see and adopt the warranty concept with knowledge of its implications

- Do the Nigerian consumers exercise their right based on expressed or implied conditions of warranties.

- Are there variables that impinge or otherwise on the applicability of the concept of warranties in Nigeria

- How responsive is the government of Nigeria to its obligation to protect the consumers based on warranties regulations.

Purpose of this Study

The objective of this Work include

- a. To determine the limit to which marketers are liable based on warranty agreement to consumers given their market offer

- b. Ascertain the impact of (a) above on consumer patronage and loyalty and profit as well as corporate image

Research Methodology

Data for this work were generated from the management of randomly selected companies as listed in the Nigerian stock market-July 2012 (Sun Newspaper) to assert their level of application and the impact of warranty agreement and from consumers of products of these listed companies. The sales personnel as go between the management of these companies and the consumers also served as source of data. Data generated were analyzed using analysis of variance statistical tool, for the determination the equality or otherwise of the mean value of the three groups of sourced data-Ogum (2002: 45), presented thus:

Table 1:1 Rating of Relevant variables Related to the Applicability of Warranty Policies in Nigeria by Top Managers; Sales Personnel and Consumers

Relevant Issues	Top Management Rating	Sales Personnel Rating	Consumer Rating
Level of awareness and enlightenment on warranty related issues	151	243	139
Level of consumers awareness of their rights to warranty claims	175	326	223
Assessment of corporate duty of consumer care	190	238	178
Willingness of customers to institute action given breach of warranty duties	124	264	170
Willingness of vendors to be associated with warranty. (Expressed or implicit).	145	228	110
Role of regulatory agencies in product standard and Quality assurance	160	258	145
Full disclose of quality of market offer by vendor (misrepresentation)	185	278	165
Relationship between "merchantable quality and customers entitlement to reject the good	180	314	180
Total	1310	2,200	1310
Mean	163.75	275	163.75

Table 1:2 Computation of F-ratio: Rating of Relevant Issues Related to the Applicability of Warranty Policies in Nigeria by Top Managers; Sales Personnel and Consumers.

Top Management		Sales Personnel		Consumers	
X _A	X ² _A	X _B	X ² _B	X _C	X ² _C
151	22801	243	59049	139	19321
175	30625	326	76236	223	49729
190	36100	288	82944	178	31684
124	15376	264	69696	170	28900
145	21025	228	51984	110	12100
160	25600	258	66564	145	21025
185	34225	278	79284	165	27225
180	32400	314	98596	180	32400
∑ X ^A = 1310	∑ X ² _A = 218,152	∑ X _B =2200	∑ X ² _B =583053	∑ X _C =1310	∑ X ² _C =222,384
□ _A = 163.75		□ _B =27.5		□ _C = 163.75	
n = 8		n = 8		n = 8	

Table 1.3.1 Summary of ANALYSIS OF VARIANCE

Source of variation	Af	Sum of squares ss	Mean of squares (ms)	f.cal	Critical value of F	Significance	Decision
Between Groups	2	SSB= 56125.36	VB =2806268	11.74	2.49	Significant	Accept H0
Within Groups	21	SSW = 50188.0	VW= 2389.90				

$$F = \frac{\text{variance } s^2_B}{\text{groups variance } S^2_w} = \frac{v_B}{Vw} = \frac{\text{between groups}}{\text{within}} \quad \text{Where: } v_B = \frac{SSB}{dfB} \text{ and } Vw = \frac{SSW}{dfw}$$

Analyses were based on the null hypothesis:

H₀: Warranty agreement policies as practiced in Nigeria do not have significant positive impact on vendor-consumer exchange relationship liability

Data Presentation and Analysis

Data generated in course of the field work are presented on [table 1.1](#)

While computation of f-ratio, rating of relevant issues rated to the applicability of warranty policies in Nigeria by top managers, sales personnel and customers is shown on [table 1.2](#)

Substituting the f-ratio statistical notation

$$F = \frac{V_B}{V_w} = \frac{28062.68}{2389.90}$$

$$= 11.74$$

Summary of the analysis of variance ANOVA is presented thus:

At 0.05 level of significance, the critical value is given as 4.26., since $F > F_{0.05} (426)$, we accept and conclude that:

Warranty agreement policies as practiced in Nigeria do not have significant positive impact on vendor customer exchange relationship liability.

The Nigerian business activities are majorly executed on frame work devoid of marketing concept principles; profit is the major target rather than consumer satisfaction as vehicle to profit. There is high rate of abuse of consumer sovereignty in marketing communication, pricing, product formation and formulation in core, symbol and augmentation.

FINDINGS AND DISCUSSIONS ON FINDINGS

The following are findings based on the interpretation of data generated in course of this exercise

1. Generally in Nigeria, the vendors (marketers) have implied rather than expressed liabilities to consumers. This is however not limited, as it is often not stated. It is important to state that this liability is more in theory than practice as most vendors express no desire to be associated with consumer liability. This is because, the market is sales driven; level of competition is low and is devoid of marketing concept oriented principles. The observation is justified by the rate at which fake-products are offered for sale especially in the Food, Beverage and Tobacco and Health (drug) industries respectively. Firms involved in such mis-representations and passing off acts are often known and the companies whose trade marks, and patent rights are violated do not institution actions in court.

2. The Nigeria market is obviously sellers biased, demand is often far greater than supply. The per capita income is low, thus consumers prefer “look alike” product, however of lower quality and at relatively affordable price. This gave cause to the advert, “There is nothing like it works like panadol, if it is not panadol, it is not panadol”.

An average Nigeria buys what is available with little or no conviction on its quality as long as it is affordable. Thus the absence of a quality warranty relationship has little or no positive nor negative impact on consumer patronage and loyalty as the consumer is indifferent, thus poor practice or and absence of the practice of warranty has insignificant impact on corporate profitability.

3. Consumers in Nigeria are naive as well as impatient, thus see the normal court procedures for seeking redress in breach of duty of warranties as time wasting, thus would prefer bearing the incidence of such warranty breach.

4. The level of ignorance among consumers is high in Nigeria. Awareness of vendors’ obligations in the duty of care, (negligence), mis-representation and merchantable quality of offer is low; hence the poor attitude of vendors to implied or expressed warranty agreements whether for full or limited basis.

The maxim CAVEAT EMPTOR has to a large extent been ousted by the sale of Good Act, 1893; The Act imposes upon the seller a duty to disclose material facts to the buyer in certain cases. The Act can be said to be admonishing the sellers’ CAVEAT VENDITOR. Otherwise in all other cases, respect for the law in Nigeria is still very much a reflection of the old maxim of CAVEAT EMPTOR.

5. The governments at various levels have legislated on issues relating to product standards in quality and quantity especially in the food and allied industries. However the rate at which the legislations are policed for efficient and effective implementation is low; administrative bottlenecks abound in the process of prosecuting persons involved on breach of warranty obligations. The system is equally corrupt, as most members of the regulatory team are concerned with personal rather than corporate benefits; patriotism is lowly emphasized, thus the concept of social responsibility has little or no relevance among Nigerian vendors as well as the principles of marketing concept.

RECOMMENDATIONS

Sequel to the findings of this work, the following are recommended.

1) The organized and un-organized public and private sector agencies interested in consumer welfare should set up public enlightenment bodies charged with the responsibility of educating consumers on their rights in vendor-consumer relationships, method of seeking and obtaining redress and what constitutes breach of

warranty duties, expressed and implied warranties; condition for quality and fitness of market offer; contract for sales of goods by description; merchantable quality of product; conditions to reject goods by the consumer; role of the commercial man; manufacturers' liability for negligence; conditions for valid mis-representation and liabilities there-to, among others. These as terms and conditions associated with warranties should be properly applied as circumstances demand.

2) The regulatory bodies and institutions concerned with production and marketing of consumer goods should be empowered statutorily to perform their duties. Administrative bottleneck in policies and strategies should be eliminated for operational efficiency. Court filling processes and method of dispensation of justice should be reviewed in favour of speedy dispensation of warranty related cases.

Corruption in the ranks and files of personnel in product quality assessment organizations should be view with seriousness.

3) Efforts should also be made to protect the interest of the manufacturers in their relationship with the consumers. It should be appreciated that in some circumstances, the buyer may be entitled to price allowance but not to reject items in exchange. This satisfies the assertion of Akwa (19884: 98), that in some circumstances, the Nigerian Law says CAVEAT EMPTOR and in the others, it cautions: CAVEAT VENDITOR.

4) Government policies aimed at spurring up inter and intra industrial competitions are advocated for. This will place firms at contest with each other for consumer attention, patronage and loyalty. Based on this, the level and rate of abuse of consumer sovereignty will be reasonably reduced.

5) Firms in the food, beverage and tobacco industry could enhance the confidence of consumers in their offer, based on the use if Mobile Authentication Services; with its set of members, short code 38353 which took effect in January 2013-Adeknmbi (2012). The Mobile Authentication Service makes it easy for the source and quality of the market offer to be ascertained using SMS. If this code is adopted in the food, beverage and tobacco industry. It will enhance the warranty relationship in addition to ensuring guaranty of the market offer.

6) It is also important that labour both in the private and public sectors should be compensated adequately

and the real income stabilized given properly executed price regulatory policies. This will enhance the citizen's purchasing power and ability to exercise the right of choice of market offer based on "merchantable quality" rather than "reasonably fit for the purchase". The propensity to inducing consumers to buy market offers by vendors and the associated damages for the tort of deceit or fraud on legal suits will be reduced.

CONCLUSION

Circumstantially, the law protects the buyer or consumer; however; the seller (vendor) is not without statutory sympathy either, for the law says in some circumstances CAVEAT VENDITOR and in others CAVEAT EMPTOR.

It is important to note that in certain circumstances a seller may be guilty of a CRIMINAL OFFENCE if unwholesome items are sold to the buyer.

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