
UNIT 2 MARKETING IN A DEVELOPING ECONOMY

Objectives

The objectives of this unit are to introduce to you:

- the concept of a developing economy;
- the relevance of marketing in a developing economy;
- the relevance of social marketing; and
- the role of marketing in relation to some selected industry and service sectors.

Structure

- 2.1 Introduction
- 2.2 Marketing at Different Levels of Economic Development
- 2.3 Relevance of Marketing in a Developing Economy
- 2.4 Areas of Relevance
- 2.5 The Relevance of Social Marketing
- 2.6 The Role of Marketing in Relation to Some Selected Sectors
- 2.7 Summary
- 2.8 Self-assessment Test
- 2.9 Further Readings

2.1 INTRODUCTION

You will agree that before we discuss the relevance and the role of marketing in a developing economy we should try to understand what a developing economy actually signifies. To put it in simple terms a developing economy is one where the process of development has started. But a developing economy, relatively speaking is less developed in terms of gross national product, per capita income, industrial development, infrastructural facilities, motivations and attitudes of its people etc. as compared to developed countries.

In other words a developing economy is one which is trying to achieve growth in the gross national product through generation of additional income in various sectors of an economy such as agriculture, industry, mining, internal and external trade.

Let us pose an issue.

Whether developing countries achieve this growth in a planned or an unplanned manner?

Check the one with which you agree.

Planned manner _____

Unplanned manner _____

Your answer would obviously be in a 'planned manner'. So we can state that planning is a *sine qua non* in achieving the economic growth. Thus what we are really talking about is the planned economic growth of a developing nation.

But would you say that, so far as the development of a nation is concerned, the growth or change is needed only in the economic field or would you cover the social field as well?

Your answer would be 'both' i.e. both the economic and social changes are necessary to bring about the development of a nation. Like economic change, social change has also to be brought about in a planned manner.

2.2 MARKETING AT DIFFERENT LEVELS OF DEVELOPMENT

You must have seen from the above description that 'developing country' is a stage in the economic development of a country. Now you should first try to think of different stages

in the economic development of a country both preceding as well as following it. Next you should relate these stages to the type of marketing functions which are performed at each stage. Such an exercise will help you to appreciate the role of marketing in a developing economy.

The following table will help you to gain a very broad understanding of this relationship.

Table 1
Marketing Functions Performed at Different Levels of Development

| Level | Orientation | Function | |
|-------------------|---|---|------------------------|
| Subsistence | Traditional | Barter trade; exchange of goods; central markets prevalent; no specialisation; no marketing activity; very rare trading in some form in most societies; for example ancient Africa's salt trade | Undeveloped country |
| Transition | Self-sufficiency | Degree of specialisation; small-scale cottage industry; limited entrepreneurial activity; firms are labour intensive; producer is marketeer | Less developed country |
| Mass Production | Local markets | Specialisation; industry is transitional but some market orientation; separation of production and marketing; sellers' market conditions prevalent; limited marketing activities | Developing country |
| Commercialisation | Regional, national, and international markets | Total specialisation in production and marketing activities, complete market orientation; national, regional, and export markets topped; mass distribution practices. | Developed country |

Source: Erdener Kaynak 'Marketing in the Third World', Praeger, New York, 1982, p. 29.

2.3 RELEVANCE OF MARKETING IN A DEVELOPING ECONOMY

We have in the previous section briefly described what we mean by a developing economy and also what type of marketing functions are performed at different levels of development. We will now discuss in greater detail the relevance of marketing in a developing economy. Earlier we emphasised the importance of planned economic and social changes in the development or growth of a nation.

In discussing the relevance of marketing in a developing economy we will follow the same approach with reference to 'planned economic growth' as well as 'planned social change'.

Marketing and Planned Economic Growth

The issue that needs to be examined by you in this context is whether marketing has any role to play and if so whether it is relevant to the planned economic growth of a developing economy.

You may argue that economic situation in a developing country is characterised by a scarcity of essential goods, services and ideas, inflationary price trends and excessive unemployment. So marketing effort is needed at a minimal level in a developing

economy since most of the economic resources have to be mobilised for additional production of ideas, goods and services resulting in greater employment.

Would you argue in the above manner? Give your comments below before you read ahead.

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How to view the Marketing Effort?

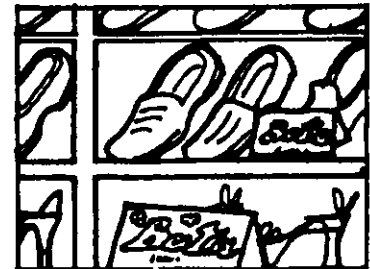
Marketing is relevant to growth provided it is viewed as a total business effort. Further you can view the marketing effort in turn in two different ways based on who initiates the same—the firm or the state. You will find Governments in several developing countries involving themselves in marketing activities like setting ceiling and floor prices of foodgrains and industrial raw materials, setting maximum wholesale and retail prices of scarce consumer goods, regulating physical movement to ensure smooth flow of essential goods and even influencing the decisions pertaining to distribution and advertising. Such state intervention is justified on grounds of equitable distribution at minimum social cost.



Macro marketing effort

Significance of Macro and Micro-marketing Concepts

You should further note that marketing effort both on the part of the firm as well as the state i.e. both at the macro and micro levels is relevant to growth. When the involvement of Government in the marketing and distribution of ideas, essential goods and services is significant it is called macro-marketing. As against this where a firm enjoys sufficient freedom to design its marketing effort, it is considered to be a case of micro-marketing.



Micro marketing effort

General Role of Marketing

In the context of the above background we would now introduce you to a more general role of marketing.

The first and foremost role is that it stimulates potential aggregate demand and thus enlarges the size of the market. You might ask how does it help in the economic growth of a country. The answer is that through stimulation of demand people are motivated to work harder and earn additional money to buy the various ideas, goods and services being marketed. An additional advantage which accrues in the above context is that it accelerates the process of monetising the economy which in turn facilitates the transfer of investible resources. (In India, it is believed that about one-fourth of GNP and more than one-third of agricultural output are still non-monetised).

Another important role which marketing plays is that it helps in the discovery of entrepreneurial talent. Peter Drucker, a celebrated writer in the field of management, makes this point very succinctly when he observes that marketing is a multiplier of managers and entrepreneurs.

If you study the history of Indian industrial development during this century, you will find that several Indian industrialists began their business careers as distributors and wholesalers, and from the experience so gained ventured into the more risky fields of manufacturing and production activities.

Still another important contribution which marketing makes is that it helps in sustaining and improving the existing levels of employment.

You would naturally like to ask, how does it happen? The answer is that when a country advances economically it takes more and more people to distribute goods and proportionately a lesser number to make them. That is from the employment point of view production becomes relatively less significant than marketing and the related services of transportation, finance, communication, insurance, etc. which spring around it.

In the context of the above discussion regarding general benefits which arise from marketing, would you recommend that planning marketing sub-system of an economy should be closely integrated into the general programmes of economic development?

First answer the question before you read ahead.

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(Yes, otherwise it would result in the creation of imbalances between supply and demand situations. Instances are not wanting where new enterprises had to face severe problems and even face a shut down due to inadequate attention given to market's capability to absorb the additional supply).

Would you subscribe to the view that in an economy of shortages of most consumer and industrial goods there is not much scope for persuasive or aggressive marketing? First answer the question before you read ahead.

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(The point to note is that marketing has been very narrowly interpreted in the above question. The marketing function revolves around a wide spectrum of activities ranging from product planning to after exchange servicing, as discussed in Unit 1, all of which need not necessarily be relevant to all stages of growth or to different sectors of an economy at a given stage of growth).

An individual firm has a limited degree of freedom in designing its marketing strategy as is the case in India where the state has imposed restrictions on products to be manufactured, raw material to be used, prices to be charged and even the market intermediaries to be employed.

Does this in your opinion eliminate the necessity of marketing functions? First answer the question before you read ahead.

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It does not. What happens is that the marketing functions in the process get partly shifted from the micro level of an individual firm (micro-marketing) to the macro level of the Governments or total economy (macro-marketing).

Exercise 1

Collect examples of such restrictions from the Indian context.

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2.4 AREAS OF RELEVANCE

Does the answer to the above question mean that in the wake of prevailing Government control, no room is left for manipulating the marketing effort? It would be an oversimplification to argue in this manner. Even when a favourable demand situation exists, the absence of careful assessment of demand and supply can result in a serious loss to a firm. Consider the following example:

An Indian manufacturer of ball bearings fell victim to a major accumulation of stock in the smaller diameter range of tapered roller bearings because it had failed to realise that the existing capacity in this particular size range was far in excess of the demand and its assumption of an overall shortage was rather faulty.

Exercise 2

Collect some more similar examples from Indian experience.

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You should remember that even in a planned economy an enterprise can ill-afford to ignore the demand trends and forget the essential marketing functions such as product development and marketing research. But it does not mean that marketing function is relevant equally to all business firms in various sectors of a developing economy. Considering the typical characteristics of a developing economy and its growth needs, it appears that certain sectors of the economy need relatively greater level of marketing effort than others.

Marketing in Agriculture, Basic Industries, Mining and Plantation

These sectors comprising agriculture (foodgrains and agricultural raw materials), basic industries (steel and power generation) and mining and plantation call for a minimal level of marketing effort for distributing the output. The finished products of these sectors because of frequent scarcity conditions call for minimal product development, packing, storing and physical distribution. However, demand forecasting at a national level is a critical marketing function in this sector. The manufacturers or for that matter the Government may have to discourage the users of these products from excessive consumption. Situations of shortages like these also result in the development of substitute products.

Intermediate Industrial Goods

The engineering goods, machine tools, components, accessories, etc. fall in this category. The marketing effort required is at a medium level and calls for careful product planning informative advertising and personal selling in addition to essential packaging, storing and physical distribution. The pricing is either competitive or Government regulated.

Semi-industrial Products, etc.

The level of marketing effort required is high in the case of semi-industrial products, pharmaceuticals and fertilisers, appliances for business and house-hold use, consumer non-durables and certain categories of engineering goods and machine tools.

Export Trade and Services like Tourism and Banking

Finally, in respect of certain product categories, the level of marketing effort will have to be on the peak if the much-sought-after fruits such as foreign exchange and savings are to be realised.

2.5 THE RELEVANCE OF SOCIAL MARKETING

You remember that we have mentioned earlier that both the economic and social changes are necessary for bringing about the development of a nation. We will now

discuss how social change is brought about in a planned manner through social marketing technology.

Before we discuss the role of social marketing we should understand what social marketing signifies. Too often, social advertising as practised by social campaigners is confused with social marketing. What is at fault, to a large extent, is the tendency of social campaigners to assign advertising the primary, if not the exclusive, role in accomplishing their social objectives. As explained in Unit 1, a given marketing objective requires the coordination of the promotional mix with the product (ideas, goods and services) mix and the distribution mix.

Kotler and Zaltman have defined social marketing as the design, implementation and control of programmes calculated to influence the acceptability of social ideas and involving consideration of product planning, pricing, communication, distribution and marketing research.

To understand the social marketing fully it would be best to examine the applicability of the 4Ps of the marketing mix in terms of some well-known social issues.

Product

You will remember the first 'P' stands for Product. Also remember that the word product is used in a broad sense, that is, it includes ideas, goods and services. In social marketing as in the case of marketing of other products, sellers have to study the target audiences and design appropriate products. But product design is more challenging in the social area than it is in the business area.

Illustration: Suppose the social objective is to create 'safer driving habits and attitudes' in the population. Now, how will you design the 'product'?

Remember, there is no one product that can accomplish this. Various products have to be designed that will make partial contribution to the social objective. A public education media campaign providing tips on safe driving is one such product; the offering of 'defensive driving courses' is another; the creation of insurance policies which reduce premiums for safer drivers is still another product. In general, you can say, the social marketer remains aware of the core product which in this case is safer driving and tries to create various tangible products and services which are 'buyable' and which advance the social objective.

Exercise 3

Now, try to develop similar programmes for designing the product in the case of any one or more of the following altruistic causes:

- a) charity giving;
- b) blood donation;
- c) personal health causes like smoking; and
- d) social causes like better environment/rural development/infrastructure development

To help you to design a suitable product for each of the above causes proceed as follows:

- define the change sought, which may be a change in values, beliefs, effects, behaviour or some mixture
- next segment the markets in a meaningful manner
- then design social products for each market which are 'buyable', and which instrumentally serve the social cause.

You should remember that in some social causes, the most difficult problem will be to innovate appropriate products; in other cases it will be to motivate purchase.

Promotion

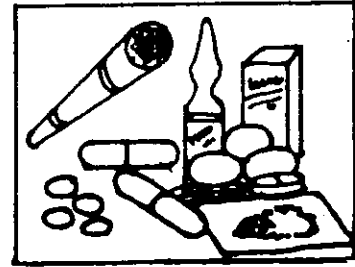
We next take up promotion as an element in the social marketing mix. It is promotion i.e. persuasive communication, that will make the social goals familiar, acceptable and even desirable to the audience.

The social campaigning strategist will tend to think of promotion as mass media communication only. But you will remind the marketing man that promotion is actually a much larger idea and includes besides advertising, personal selling, publicity and sales promotion. Each of these promotional tools involves complex issues in strategy and tactics and needs sophisticated knowledge and techniques in handling them effectively.

This is especially apparent when one examines social campaigns developed by amateurs where the appeals and copy seem very naive. This is because of their inability or reluctance to view the issue in broad marketing terms instead of in strictly social or ethical terms.

Note in this connection the criticism levelled by Nathaniel Martin against the Family Planning agencies for failing to handle family planning as a marketing problem in the sixties:

"Selling birth control is as much a marketing job as selling any other consumer product. And where no manufacturer would contemplate developing and introducing a new product without a thorough understanding of the variables of the market, planners in the highest circles of Indian Government have blindly gone ahead without understanding that marketing principles must determine the character of any campaign of voluntary control. The Indians have done only the poorest research. They have mismanaged distribution of contraceptive devices. They have ignored the importance of 'customer service'. They have proceeded with grossly inadequate undertrained staff, they have been blind to the importance of promotion and advertising."



Product



A Service delivery System

This is not to deny that the Indian Government has undertaken some innovative promotional approaches. But Martin feels that the total programme lacks the qualities of an organised, well-planned and continuous marketing effort.

Place

We will now examine the role of the third element of the marketing mix in social campaigns. It calls for providing accessible outlets which permit the translation of motivations into actions, i.e., the motivated persons should know where the product can be obtained. Planning this area entails selecting or developing appropriate outlets, deciding on their number, average size, locations, and giving them proper motivation to perform their part of the job.



Price of a Service

Suppose you have successfully organised a promotional campaign to interest people in the pollution problem and the respiratory diseases arising from this defect.

Do you think this would be sufficient to move people to do something about it? First answer the question before you read ahead.

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(Your answer should be 'no' because clear action outlets have not been suggested for those who have been motivated to acquire the product by your campaign).

It is all right that you have succeeded so far as making people aware of environmental pollution and the risks arising from it are concerned. But remember you cannot arouse the interest of the people and leave them there. People want to do something about it. But for the most part they cannot act because there is no specific 'product' to buy, such as

- a petition to sign
- an election in which to choose an anti-pollution candidate
- or a pending piece of national legislation

Nor does the average person have a clear picture of his interests in the issue.

Price

The final element of the marketing mix that must be planned is price. Price represents the costs that the buyer must accept in order to obtain the product. It involves not only money costs but also opportunity costs, energy costs, and psychic costs.

What types of cost are required to be borne by:

- persons who are asked to take immunisation shots
- persons who are persuaded to give up smoking



Promoting a Service

First, answer the question before you read ahead.

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(The costs in the case of the persons who are asked to take immunisation shots include any possible money charge, any opportunities foregone, the expenditure of energy, and the psychological concerns aroused by inoculation.

The cost of giving up smoking is largely psychological, since there is actually a financial saving in breaking the habit).

You must, however, remember that the marketing man's approach to pricing the social product is based on the assumption that members of a target market perform a cost-benefit analysis when considering the investment of money, time or energy in the issue. They somehow process the major benefits and compare them to the major costs, and the strength of their motivation to act is directly related to the magnitude of the excess benefit.

The Social Marketing Planning Process

After understanding the applications of each of the 'four Ps' we shall now try to present an integrated view of the administrative process framework that you could use for planning purposes. The first step is to collect information on a continuous basis from the environment by the change agency.

Plans and messages are created and sent through channels to audiences, and the results are monitored by the change agency. (see Figure 1)

A more detailed listing of the functions performed by the change agency are given below:

Change Agency

research unit—collects several types of information:

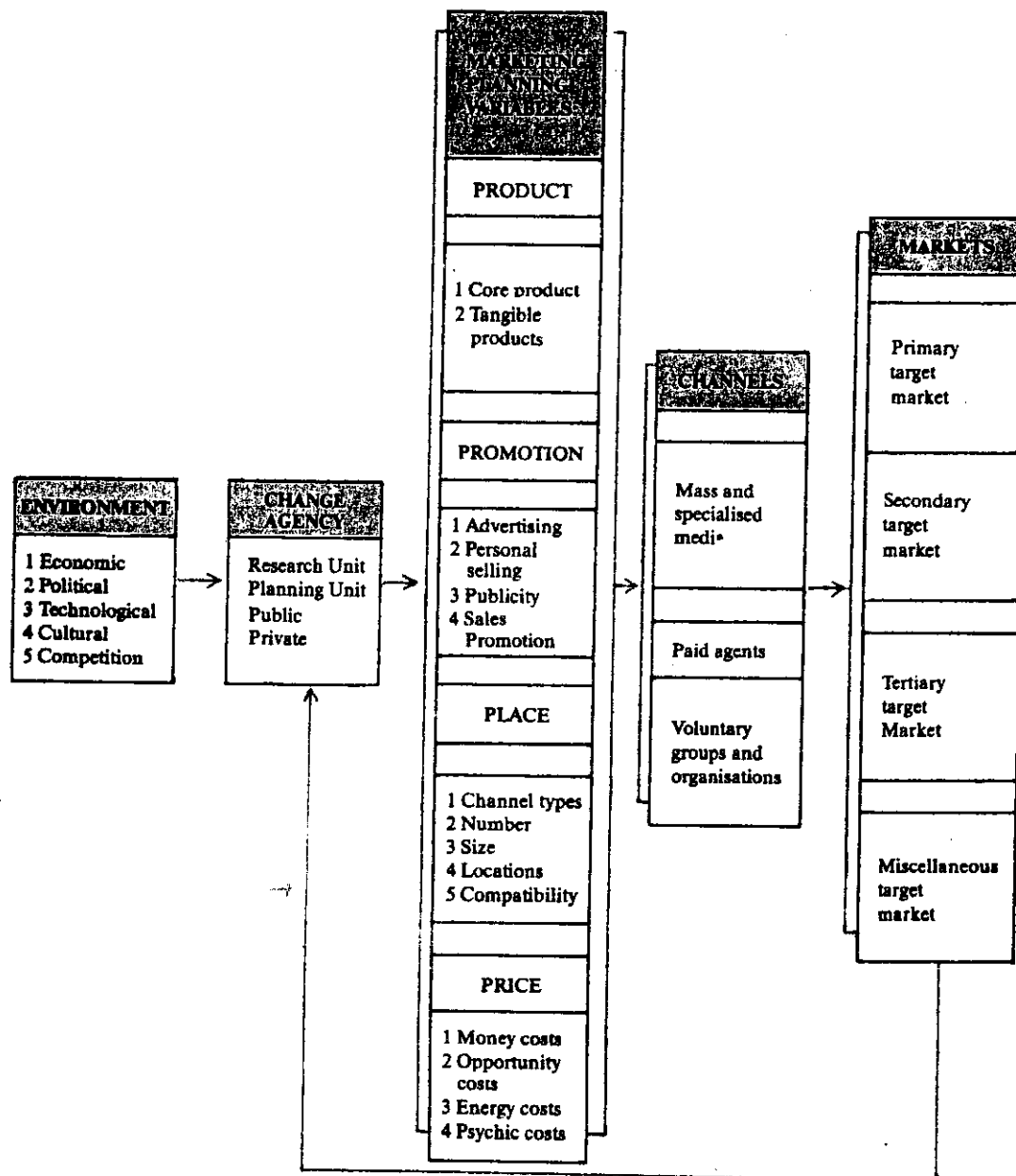
- on the environment for important developments;
- on the past effectiveness of various programmes; and
- on audience attitudes, desires and behaviour

planning unit—formulates short and long-range social marketing plans on the basis of information.

What categories of buyers in your opinion would fall in the different target market categories as listed in the Social Marketing Planning diagram? First answer the question before you read ahead.

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Figure I: Social Marketing Planning System



MARKETS

Primary target market—large and low income families

Secondary target market—other child bearing families

Tertiary target market—sources of funds and additional volunteer efforts

Miscellaneous target market—politicians and religious groups

You should, however, remember that a marketing planning approach does not necessarily mean or guarantee that the social objectives will be achieved but it offers a useful framework for effective social planning.

Implications of Social Marketing

The preceding discussion in relation to social marketing explains how special causes could benefit from marketing thinking and approach. A number of present day social problems like drug abuse, pollution control, safer driving, immunisation, non-smoking, birth control, etc. are in need of innovative solutions and approaches for gaining public attention and support. Marketing men by their training are finely tuned to market

needs, product development, pricing and channel issues, and mass communication and promotional techniques, all of which are critical in the social area.

Remember, social marketing is sufficiently distinct from business marketing and requires fresh thinking and new approaches to the solution of social problems. Social marketing typically has to deal with market's core beliefs and values, whereas business marketing often deals with superficial preferences and opinions. Social marketing has to work with channel systems that are less well-defined and less motivated. Only through applying concepts and tools to a large number of social cases one would be able to learn the powers and limits of the social marketing approach.

2.6 THE ROLE OF MARKETING IN RELATION TO SOME SELECTED SECTORS

Agriculture Development and Farm Productivity

Many of you probably know this that in many developing countries agriculture still occupies a high degree of importance and the nation's economic development is closely tied to agricultural development.

If asked to identify the factors for low farm productivity in these nations you would probably list factors such as:

- inefficient methods of irrigation;
- lack of mechanisation in farming;
- inadequate supplies of fertilisers; and
- natural disasters.

But one of the most fundamental problems, which is often not recognised, is the lack of a market system. There are millions of small farmers who cultivate ten or fewer acres of land, and these account for more than 60 per cent of the population in the third world. However, many of these farmers do not have access to the market system prevailing in these developing countries. Proper incentives should exist for such farmers to produce more. The most basic incentive is their access to the national market. No doubt, marketing technology can play a major role in enabling this phase of institutional development.

Fortunately in India we have been successful in improving our farm productivity to a significant extent, but the marketing side of agriculture was neglected. India's plans for economic development did not envisage the magnitude of distribution tasks entailed in the marketing of essential foodgrains and agricultural raw materials. The drought of 1966-67 was an eye-opener for the Government and made everyone in the administration realise the urgency of a planned programme for foodgrains distribution. Success in achieving a satisfactory rate of agricultural growth hinges on the willingness of people to adopt both new production as well as marketing techniques. And it is here that marketing technology can help. Lack of education and adherence to tradition are generally two major obstacles in the adoption process. And it has been found that marketing techniques like product demonstration, word-of-mouth publicity and point of sale display play an effective role in the adoption of new ideas.

Industrial and Entrepreneurial Growth

We will now introduce you to some of the important issues in this area which the developing countries are facing and how these need to be approached.

One of the issues relates to technology transfer and development. Many developing nations in their quest for industrial growth have imported sophisticated intensive technology from the West. This has put an enormous burden on the nation's scarce resources of foreign exchange. In this process the technological and capital needs of small industries have been largely neglected. The plight of small industries is parallel to the plight of small farmers mentioned earlier. If Japan's experience teaches any single lesson regarding the process of economic development in Asia, it is the cumulative importance of a myriad of simple improvements in technology which do not depart radically from tradition or require large units of new investment.

The growth and productivity of small industries scattered through the nation (rural and urban) help in a number of ways. Some of these are:

- provide the basic infrastructure that is needed to industrialise a developing nation
- create more new jobs because they are labour intensive
- suffer less from the scarce resource of managerial talent because the running of a small business is relatively less complicated
- enhance buying power because of increased employment which is needed for the expansion of consumer markets
- provide the nation with a vast pool of individual entrepreneurs with management skills learned on the job.

And so far as the infusion of marketing philosophy in small industries is concerned, organisationally speaking, it is relatively a simple task. Further, such a growth of local economies through the spreading of small industries could prove to be the future points of distribution for products that need to be mass marketed.

Export Promotion and Tourism

Export trade and tourism represent sectors which are extremely crucial to the growth of a developing economy insofar as the building up of foreign exchange reserves is concerned. These are areas where the Government should try to attain the least bureaucracy, but ensure the strictest form of quality control on products leaving the nation's shores and service packages provided to the visiting tourist.

One of the important shortcomings of India's drive for export promotion is its inability to view export trade as a marketing problem. Export promotion measures had for a long time neglected the need for dynamic market information and product adaptation. It is gratifying to note that export institutions such as Export Promotion Councils and the Trade Development Authority (TDA) in India have started taking serious steps in this direction. The export promotion task also requires looking into the domestic front e.g. development of potential exporters and dissemination of information on market opportunities to all potential entrepreneurs in the field.

Similarly, promotion of tourism calls for a comprehensive marketing strategy designed to provide a well-knit package of services such as hotel, foreign exchange, transportation and sight-seeing.

2.7 SUMMARY

The thrust of this Unit is to emphasise the all important idea that marketing as a total system or a business concept is not a neutral or passive agent in economic growth but a catalyst which accelerates the pace of development and facilitates the process of economic and social change. Further, marketing is relevant to economic growth at all stages of development and also at micro and macro-marketing levels. The degree of relevance, however, will vary from sector to sector. The concept of marketing and its tools and techniques are equally applicable in the design, implementation and control of social programmes. To highlight most social causes to be effectively promoted, whether it be family planning or environmental pollution, one needs as vigorous a marketing approach as new product or service. Finally, the discussion on role of marketing in relation to some selected sectors like agriculture development and farm productivity, industrial and entrepreneurial growth highlights the importance of viewing marketing in a development sense and shows how the knowledge and technology of marketing could solve the problems of national development.

2.8 SELF-ASSESSMENT TEST

The following questions are given to help you to find out for yourself whether you have really understood what has been explained in this unit. Use separate sheets of paper for writing out answers to these questions. You may refer to the text of this unit for guidance purposes. After you have written the answers you may act as your own evaluator.

Questions

- 1 How does social marketing differ from business marketing in terms of objectives, approaches and the applicability of the 'four Ps'?
- 2 How marketing can in your opinion help in India's economic growth at the current juncture?
(For answering this question first identify the major economic issues which India is currently facing and then discuss how marketing approach can help in addressing these problems.)
- 3 Take any one of the following sectors or any other sector of your choice and collect the relevant recent material that has been published during the last three months, which indicates the type of marketing effort that is being made to develop and promote these sectors:
 - a) Export Promotion
 - b) Family Planning
 - c) Tourism
 - d) Quality Control Movement.

2.9 FURTHER READINGS

This unit introduces you to the role of marketing in a developing economy. It is sufficient so far as your course requirements are concerned. But this is an area where sufficient interest has been generated and a number of books and articles have been written. Those of you whose interest has been aroused and would like to know more in this area are advised to read one or more of the following:

Erdener Kaynak, 1982. *Marketing in the Third World*, Praeger: New York.

Kindra, G.S. (ed.), 1985. *Marketing in Developing Countries*, Croom Helm: London.

Kacker Madhav (ed.) 1982. *Marketing and Economic Development*, Deep & Deep Publications: New Delhi.

Shah, B.R. 1986. *Lipton Rural India*—Speech delivered by the Chairman, Lipton India Limited, at the Annual General Meeting, held on 5th December, 1986 at Calcutta.

Ganguly, A.S. 1983. *The Growing Rural Market in India*—Speech delivered by the Chairman, Hindustan Lever Limited, at the Annual General Meeting held on June 24, 1983.