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The Role of Marketing in Economic Development of Developing Countries

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Economic Development

Economic development is generally understood to mean an increase in national production that result in an increase in average per capita gross national product (GNP). An increase in average per capita GNP alone however is not sufficient to denote the implied or expected meaning of economic development. Besides an increase in average per capita GNP, most interpretations of the concept imply a widespread distribution of income as well. Economic development as commonly defined today, according to Kenen (2000) also tends to mean rapid growth improvement achieved “in decades rather than centuries”. The strategies of economic development among others include industrialization which incidentally, is the fundamental objective of most developing countries. Certainly, most countries see in “economic growth”: the achievement of social as well as economic goals which among others include the following: satisfaction of such non material needs as better education for all, better and more effective government, the elimination of social inequalities; as well as improvements in moral and ethical responsibilities of both the public and private sectors of the economy. In order to achieve the above objectives, naturally, one should be concerned with the basic institutions of industrial society in general and with the management of business enterprise in particular. Definitely, one cannot successfully accomplish such activities without direct concern with marketing.

Marketing

Marketing as a functional discipline of business may be understood as a dynamic process of society through which business enterprise is integrated productively with society’s purposes and human values. It is in marketing, as we now understand it, that we satisfy individual and social values, needs and wants – be it through production of goods, supplying of services, fostering innovation, or creating satisfaction. Marketing, as we have come to understand it, has its focus on the customer, that is, on the individual making decisions within a social structure and within a personal and social value system. Marketing is therefore, the process through which economy is integrated into society to serve human needs.

Marketing System

A marketing system consists of two major factors viz: external environmental constraints, and controllable forces within the company. The external environmental constraints, among others include the following: competition; social and ethical forces; political and legal forces. Others are market demand, technology, and distribution structure. The controllable forces within the company on the other hand consist of two sets of internal, controllable forces: the company’s resources in non marketing areas and the components of the marketing mix. Whereas the company’s resources in non marketing areas are made up of the firm’s public image, location, production, personnel, finance, research and development patents; the components of the firm’s marketing mix are: the product, the price structure, the promotional activities and some features of the distribution system. A firm manipulates its controllable forces both in non marketing and marketing areas, while responding to its environments – uncontrollable forces. The goal of the system is to reach preselected market targets and to satisfy the consumer’s needs in a manner profitable to the company.

Unfortunately, in every developing country that I know of, marketing system is the least developed part of the economy. The purpose of this paper therefore, is to provide some

explanation for such gross underdevelopment to which marketing system is subjected and to explore briefly the significance of marketing in economic development of the developing countries. This article is hope to provide the economic planners with enough motivation and stimulation to make them sensitive to the contributions of marketing in economic development.

Why Marketing Systems are not Developed

Production Orientation of the Economic Planners

Unfortunately, marketing, or distribution, specifically often does not hold a meaningful position to those responsible for planning in most developing countries – Nigeria in particular. McCarthy (1963) noted that emphasis is often placed upon the development of techniques for increasing production and production efficiency. In other words or put another way, the economic planners are production rather than marketing oriented. This position was reinforced by Rostow (1990) who argued that distribution tends to be ignored or regarded, somehow, as an inferior kind of economic activity, and thus, it is difficult to get development economists and policy makers to accord problems of efficiency in distribution the same attention they give automatically to problems of production, investment and finance. There is a strongly held opinion that an economic system must first have the capacity to produce before the level of consumption and distribution becomes a problem. With this opinion in mind, we suppose, the last civilian government of Nigeria imported several thousand bags of fertilizer without making adequate provision for sale and distribution of the product. Consequently, the planting season was over before the majority of the farmers actually had the opportunity to get a supply. Thus, farmers who could have increased their productivity substantially were not provided with needed educational programmes and technical assistance so that the product can be used to their best advantage. Also, the price of fertilizer rose by over 50% of the controlled price as purchasers had to pick up their fertilizer from the government warehouses and transport it to their farms. While the government warehouses were filled with overwhelming inventory, there was a severe shortage of fertilizer all over the country including some areas that are known to be close to those warehouses.

As a matter of fact, the lack of concern for distribution and economic planning extends to the technical assistance usually offered by developed countries as well. The United States, for example, virtually has ignored many of the problems designed for developing countries. Westfall (1960) gave some reasons to explain such orientation. First, it seems quite logical to be more concerned with production than consumption in developing countries. Second, in many cultures, marketing is considered to be a wasteful activity and anyone engaged in marketing is considered a parasite on society. The utility of advertising, product planning, and innovation is constantly questioned in even the most developed economic system.

Intangible Nature of Marketing

Another complication which leads to general neglect according to Moyer (1964) is that marketing is intangible and difficult to quantify compared to production, where as “accurate quantitative information is important for planning purposes”. Furthermore, of all skills, marketing skills may be the most difficult to transfer from one economy to another. For example, machines can be built in Japan and used in Nigeria, but a marketing plan or system adequate for Japanese market will most often be unusable in another culture.

The Influence of Import Orientation

Another factor which often leads to underdevelopment of a marketing system, Nigerian Marketing system in particular is the influence of the import orientation. Generally, the source of manufactured goods consumed can condition and influence the characteristics and development of a country's market system. A strong dependence upon imported manufactured goods normally is reflected in his structure of the market and general business practices. Although emphasis is now beginning to shift in favour of domestic manufacture with the introduction of the “second-tier foreign exchange market”, Nigeria as a developing country relies heavily on the importing of

manufactured goods. Consequently, the country shows distinct characteristics in her marketing system. First, as a foreign-based market system, it creates i.e. (the system) a 'seller's market'; and second, the source of supply is limited and controlled by a few importers. The entire marketing system develops around the philosophy of selling a limited supply of goods at high prices to a relatively small number of affluent consumers. Market penetration or a developed system of mass distribution is not necessary since demand always exceeds supply and, in most cases, the customer seeks the supply. This, of course, is in contrast to the mass consumption distribution philosophy of a domestic based system which prevails in developed countries such as the United States, Japan, and Britain, etc. In such cases, it is generally a "buyer's market", and supply can be increased or decreased within a given range. This creates a need to penetrate the market and push the goods out to the consumer, thus, resulting in a highly developed system of intermediaries. Sherbini (1968) noted that an import-oriented market system usually works backwards.

Consumers, retailers, and other intermediaries are always seeking goods. This results from the tendency of importers to throttle the flow of goods, and from this sporadic and uneven flow of imports, inventory hoarding as a means of checking the market can be achieved at relatively low cost, and is obviously justified because of its lucrative and speculative yields.

This import-oriented philosophy manifests itself in much of the activity and behaviour in marketing. An interesting and equally illustrative example concerned a certain company in beer industry which had ordered some tumblers for local promotion. The beer promotion went better than expected and the brewery placed a reorder of an amount four times the original. The local manufacturer of the tumblers whose name is being withheld for some reasons known to us immediately increased the price, and despite arguments that suggested reduced production costs and other supply cost factors which normally arise as a result of increase in out-put, he could not be dissuaded from this move since to him the demand was up, so the price must also go up. A one deal mentality of pricing at the retail and wholesale levels prevail in this country and this was explained by Taylor (1965) who said that oriented market, goods come in at a landed price and pricing from there on is simply an assessment of demand. He further noted that variations in manufacturing costs are of little concern; each shipment is a deal, and when that is gone, the merchant simply waits for another good deal basing the price of each deal on the landed cost and the assessment of demand at that point in time.

The import-oriented philosophy also affects the development of intermediaries and the functions they perform. Most distribution systems are local in nature with national distribution being of little importance since it is on the contrary to the import-oriented philosophy. The relationship between the importer and any middleman in the market place is considerably different from that found in domestic based manufacturing or mass marketing systems. In this country and in any other import-oriented economy, an intermediary may not sell to a specific link in the channel but to a range of other intermediaries. Some of them simultaneously perform all the different functions such as: importing, wholesaling, semi wholesaling, and retailing, while other middlemen are so specialized that a high degree of division of labour is created. Such tasks as financing, storage, trucking, shipping, packaging, etc. may each have to be performed by separate agencies thereby creating extremely high cost distribution. The factor of an import-oriented market dominated by an import-wholesaler system presents special public relation problems that can obstruct the goals of the international marketer attempting to substitute locally manufactured products for imported ones or making a total market commitment in the country. The major point of contention is the threat posed by the foreign marketer, who, with his mass marketing philosophy, attempts to control the distribution process to the point where consumption causes shifts in the location and control of many marketing activities and functions. In this regard, Sherbini (1968) said that:

In an import-oriented marketing system, the focus (of marketing activities and functions) lies near the consumer and of the marketing channel. Many marketing functions such as sorting, selling, storage and ware housing,

advertising and promotion and financing are performed by wholesale and retail intermediaries.

Furthermore, he argued that the establishment of domestic manufacturing of import substitution type (or mass-marketers) invariably shifts the focus of marketing functions to the production. This is particularly true of advertising and promotion, standardization and grading, storage and warehousing. This shift is seen as altering the position of our local importer-wholesaler from a dominant position in the market place to a secondary one. Since it threatens his very existence he spares no effort in resisting changes in the focus of marketing functions.

The Significance of Marketing

General Improvements

Quite a lot has been written by several authors about the structure of the so called “underdeveloped economy” and about the theory and dynamics of economic development. What we tend to forget, however, is that the essential aspect of an “under-developed” economy and the factor of absence which keeps it “underdeveloped”, is the inability to organize economic efforts and energies, to bring together resources, wants, and capacities, and so to convert a self-limiting static system into creative, self-generating organic growth. And this is where marketing comes in. Marketing might by itself go far toward changing the entire economic tone of the existing system without any change in methods of production, distribution of population, or of income. It would make the producers capable of producing marketable products by providing them with standards, quality demands, and specifications of their product. It would make the product capable of being brought to markets instead of perishing on the way. Also, it would make the consumer capable of discrimination, that is, of obtaining the greatest value for his very limited purchasing power.

What is needed in any “growth” country to make economic development realistic, and at the same time produce a valid demonstration of what economic development can produce, in a marketing system to make possible the distribution of goods, and finally marketing them is, a system of integrating wants, needs and purchasing power of the consumer with capacity and resources of production. This need is largely masked today because marketing is often confused with the traditional “trader and merchant” of which Nigeria along with other developing countries has more than enough. It would be one of our greatest contributions to the development of Nigeria to get across the fact that marketing is something quite different. Furthermore, it would be basic to get across the triple function of marketing – the function of crystallizing and directing demand for maximum productive effectiveness and efficiency; the function of guiding purposefully toward maximum consumer satisfaction and consumer value; the function of creating discrimination that they give rewards to those ones that really contribute excellence, and that then also penalizes the monopolist, the slothful, or those who only want to take but do not want to contribute or to risk. Marketing therefore, is an economy’s arbiter between productive capacity and consumer demand. In addition, marketing process is a critical element in the effective utilization of the production resulting from economic growth, and balance between higher production and higher consumption. Effective marketing not only improves the life-style and well being of the people in a specific economy, but upgrades world markets; after all, a developed country’s best customer is another developed country.

Although marketing cannot create purchasing power, it can uncover and direct that which already exists. Increased economic activity leads to enlarged markets which set the stage for economies of scale in distribution and production that may not have existed before.

The Growth of Money Economy

Another important contribution of marketing to very underdeveloped economies is the growth of spread of money economy. Marketing requires a money system to be effective. Many underdeveloped economies have significant non-monetised economic segments which stunts growth at a very low level. In India, for example, as late as 1960, it was estimated that at least one third of India’s agricultural production and about one fourth of its GNP was non-monetised. With

money instead of barter as a medium of trade, a society can develop a wider choice in consumption opportunity.

Utilization by the Entrepreneur

Marketing is also the most easily accessible multiplier of managers and entrepreneurs in a developing area. Thus, managers and entrepreneurs are the foremost need of Nigeria. In the first place, economic development is not a force of nature. It is the result of the action, the purposeful, responsible, risk-taking action of man as entrepreneurs and managers. Certainly, it is the entrepreneur and manager who alone can convey to the people of this country an understanding of what economic development means and how it can be achieved.

Developer of Standards

Marketing in developing countries is the developer of standards for product and service as well as of standards of conduct, integrity, reliability, foresight, and of concern for the basic long-range impact of decisions on the customer, the supplier, the economy, and the society. The presence of large scale retailers such as the Leventis, Kingsway and others operating in big cities in Nigeria influenced store modernization in the surrounding areas. Thus a different attitude toward the customer, the store clerk, the supplier and the product itself now prevailed among the local retailers. Furthermore, it forced other more localized retailers to adopt modern methods of pricing, inventory control, training and of window display.

The Discipline of Marketing

Finally, marketing is critical in economic development because marketing has become largely systematized, both learnable and teachable. It is the discipline among all our business disciplines that has advanced the most. The author does not forget for a moment how much we still have to learn in marketing. But we should also not forget that most of what we have learned so far we have learned in a form in which we can express it in general concepts, in valid principles and to a substantial degree, in quantifiable measurements. This, above all others, was the achievement of that generation to whom Charles Collidge Perlin was leader.

Recommendations

A critical factor in this world of ours is the learn-ability and teach ability of what it means to be an entrepreneur and the manager. For it is the entrepreneur and the manager who alone can cause economic development to happen. Nigeria needs them and the whole world needs them, therefore, in very large number, and it needs them fast. Obviously this need cannot be supplied by asking the developed countries such as the US, Britain, France etc. to supply them to us because these countries do not have enough money, they can supply. Technical assistance, they can also supply but the supply of entrepreneurs and managers which they can offer to us is of necessity a very small one. Consequently, Nigeria should step-up the production of quality entrepreneurs and managers capable to cope with the present economic situation in this country.

The demand for them in this country is much too urgent for it to be supplied by slow evolution process through experience, or through dependence on the emergence of "natural". There is only one way in which man has ever been able to short-cut experience, to telescope development, in other words, to learn something. That way is to have available the distillate of experience and skills in the form of knowledge, concepts, generalization, measurement in the form of discipline, in other words. The Federal Military Government must encourage the development and production of such people in our society through adequate funding of universities, Faculty of Business Administration in particular.

In addition, what is needed in this country to make economic development realistic, and at the same time produce a valid demonstration of what economic development can produce is to replace the traditional "trader and merchant" system with a good marketing system: a good physical distribution, a financial system, and finally actual marketing, that is: an actual system of matching production capacity and resources with consumer needs, and purchasing power to eliminate some of the inefficiencies that exist in the economy of our country.

Conclusion

In view of the above discussion, it is quite clear that as a nation develops, its capacity to produce develops pressures, typically in the distribution structure. Nigerian marketers must therefore, place emphasis on developing marketing system designed to utilize to the utmost the economic level of development. The impact of social and economic trends will continue to be felt in this country and else where during the next decade, causing significant changes in distribution systems, personal shopping habits, and consumer demand. The continued growth of these trends requires that the Nigeria marketer constantly evaluates the dynamic aspects of his market, since it is likely that many of today's market facts will be tomorrow's myths. In this way, the role of marketing in economic development of our country is ensured.

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