

## MARKETING AND ECONOMIC DEVELOPMENT

### Annotated Bibliography

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**Abbot, John C., «Marketing and Area Development Studies», in: Toward Scientific Marketing, ed. Stephen A. Greysor (AMA Proceedings, Dec., 1963) pp. 424-438.**

Market studies and organizational improvements are a critical success determinant for area development and settlement projects. Is this sufficiently recognized by development authorities and project planners? This paper analyzes what is involved in such marketing studies and programs on the basis of experience in Europe, Latin America, and the Near East.

In this study, the author examines the importance of marketing in area development projects as follows :

1) Cash returns to producers depend on their goods reaching a consumer. So the success of a project to change a physical production pattern depends on an effective organization to bridge the gap between the producers and the consumers.

2) Detailed market knowledge and research is essential in determining which products to grow and which varieties of these products.

3) The cost of marketing can cancel out efficiency in production.

4) Greatly improved marketing organization may be essential to take full advantage of favorable production opportunities. In many situations there is a need not so much to reduce the cost of marketing as performed at present, but to develop much more elaborate and comprehensively organized marketing systems — (e. g. fresh fruit and vegetables).

5) Distributive organization to furnish production supplies and consumption requirements is also needed.

6. Incidental benefits not specifically envisaged in the project plan often come from the establishment of new marketing institutions and methods. They may include the growth of servicing enterprises.

**Abbott, John C., «The Role of Marketing in the Development of Backward Agricultural Economies», *Journal of Farm Economics*, Vol. XLIV (May 1962); pp. 349-362.**

Abbott discusses the inability of existing food marketing systems in underdeveloped countries, and, then, directs his discussion toward approaches to improving these systems.

He argues that an important characteristic of food marketing problems in developing countries is that problems arise simultaneously all along the line—in production, assembly, processing, and distribution. The interrelationship among these functions is so close, and the difficulty of breaking through this interdependence is so great that success in establishing improvements in any one of the marketing functions depends on corresponding improvements in others.

He suggests two approaches to improvement: 1) coordination of production and marketing programs; 2) training of marketing personnel.

He also points out that the difficulties in making successful improvements in marketing systems are political and managerial rather than lack of access to capital.

**Bonnen, James T., Eicher, Carl K., and Schmid, Allan, «Marketing in Economic Development» in: *Agricultural Market Analysis*, ed. Vernon Sorenson (MSU Business Studies, 1964), ch. 3, pp. 35-69.**

The emphasis in this chapter is to present a framework of analysis for viewing marketing in development.

The chapter is organized into three related parts. Section 1 begins by examining the experiences of advanced nations and some of the development theories and variables suggested in development literature in order to introduce the study of marketing in development. It was concluded that there is no single or unique

path to successful economic development even within a given environment or country, but rather that there are important substitution possibilities between many of the causally associated factors of growth. Economic development cannot be adequately explained or predicted within the context of economic factors alone; rather it is necessary to include some range of social organizational characteristics for adequate definition of the relationship. With these conclusions as a background, the authors reviewed research and marketing improvement programs and indicated that economists examining in development have focused on cost and efficiency (changes in marketing facilities) and interrelationships between production, distribution, and consumption in development. In addition, market structure analysis also has devoted attention to structure, behavior, and performance of markets.

In section 2, they advanced a conceptualization of some of the linkage between physical and social systems for the study of marketing in development. In particular, it was designed to gain better understanding of the interrelationship among cost and efficiency variables; production, distribution and consumption; market structure variables; and other social variables influencing human relationship involved in marketing.

In section 3 the authors used this conceptualization to make a step in this direction by analyzing election from the United States experience of marketing in development.

**Collins, Norman R., Holton, R. H., «Programming Changes in Marketing in Planned Economic Development», *Kyklos*, XVI, Fasc. 1, 1963, pp. 123-134.**

Economic development plans generally assume that distributing firms will spring up in response to price incentives and automatically provide the connecting link between producers and ultimate consumer. The authors question the validity of this hypothesis, especially in a new production situation.

According to the authors, distribution can play an active role by changing demand and cost functions in both agriculture and manufacturing. On the other hand, the distribution sector may not respond to market incentives, because of the following reasons :

1) The price mechanism alone may not induce the individual firm to establish certain auxiliary services; 2) Private entrepreneurs may be blocked from adopting significant innovations; 3) A shortage of managerial resources may cause successful merchants to invest not in distribution but in real estate; 4) Potential innovators may be discouraged because imitation may enter the industry quickly; 5) the automatic transformation of the marketing system may be impeded if distribution enjoys greater economies of scale than production.

The authors believe that the real critical need is a change in the organization and operation of the distributive sector, not simple cost-reduction devices or improved physical distribution facilities.

**Drucker, Peter, «Marketing and Economic Development», *Journal of Marketing*, Vol. XXXII (Jan., 1958), p. 252-259.**

Drucker makes the most forthright assertion that marketing can contribute meaningfully to economic development.

His thesis is as follows: «Marketing occupies a critical role in respect to the development of (underdeveloped) «growth» areas. Indeed, marketing is the most important «multiplier» of such development. It is in itself in every one of these areas the least developed, the most backward part of the economic system. Its development, above all others, makes possible economic integration and the fullest utilization of whatever assets and productive capacity and economy already possesses. It mobilizes latent economy energy. It contributes to the greatest needs: that for the rapid development of entrepreneurs and managers, and at the same time, it may be the easiest area of managerial work to get going... (since) it is the most teachable of all areas of business management and entrepreneurship.»

Drucker fears that economic development without marketing will take a totalitarian route.

**Emlen, Woodruff J., «Let's Export Marketing Know-How» *Harvard Business Review*, Vol. XXXVI (Nov. — Dec., 1958), pp. 70-76.**

Emlen points out that the US aids to the underdeveloped countries usually take the forms of financial and technological

assistance; and most productive, exportable commodity - American marketing know-how is being neglected.

He urges the authorities to reinterpret the American skills in terms of application to the local culture, and he says «the adaptation of new marketing and distribution methods, so vital as productive capacity increases, will yield not only higher standards of living in these countries, but also help to create important investable capital to support industrialization.»

His slogan is: Production may be the door to economic growth of the underdeveloped countries, but marketing is the key that turns the lock.

**Hess, John M. and Cateora, Philip R., International Marketing, (Illinois: Richard D. Irwin, Inc., 1966), ch. 6, pp. 159-173.**

In the 6 th chapter of the book, the authors examine the contributions of marketing to those underdeveloped countries that are taking steps to move from a lower stage to a higher and with some degree of success.

They argue that marketing is an economy's arbiter between productive capacity and consumer demands, thus, the marketing process is a critical element in effectively utilizing the production resulting from economic growth to provide a higher standard of living. Effective marketing, then, not only helps to improve the life-style and well-being of the people in a specific economy, but it has more far-reaching effects by upgrading world markets.

Furthermore: A developing marketing system provides effective distribution for whatever a country produces. It contributes to the growth on spreading of a money economy in very underdeveloped countries. Effective marketing leads to the higher levels of economic opportunity which can spawn local entrepreneurs by creating the opportunities for small business and the stimulus for development of professional management. Finally, marketing contributes to the development of standards for economic behavior, integrity, and product and service reliability.

The authors emphasize that as an economy grows, marketing develops to fulfill the need of the economy. Consequently, development of marketing institutions parallels the stages of economic

development. They illustrate on the table the various stages in the marketing processes as they develop in a growing economy, which is very beneficial for the students of marketing and economic development.

**Hirsch, Leon V., «The Contribution of Marketing to Economic Development - A Generally Neglected Area», in: The Social Responsibility of Marketing, ed. William D. Stevenson (AMA Proceedings, Dec., 1961), pp. 413-419.**

Although improvement in the efficiency of marketing is a key factor in economic development, Hirsch argues that, its crucial role has not generally been appreciated. According to him, this has been due to a lack of understanding of the marketing function in low-income countries and to the difficulty of transmitting marketing skills in technical aid problems. It is his belief that basic to any attempt to improve the efficiency of marketing in underdeveloped and developing economies is the necessity of understanding just how the present systems of marketing operate in practice.

The author focuses his paper on two kinds of effects of marketing on economic development :

1 — Indirect effects - Effective marketing increases the size of the market. This is important for economic development. Because: a) Enlarged market makes economically feasible various economies of scale. There can be economies of scale in both production and distribution. Mass production becomes feasible only at a certain level of output. b) Growth in the market can reduce the community's need for working capital. This is because the individual is called on less to take account of all possible contingencies himself. If inventories are carried by intermediaries rather than individually, a number of individuals can relay on smaller total of stocks. The capital which is released can be used for increased consumption and/or further economic growth. c) The melding of small markets makes possible the movement of such factors of production as labor and capital over a wider area where they can be most efficiently used.

2 — Direct effects — a) By monetizing the economy, marketing possible the transfer of investible resources, which would be

very difficult in a barter economy. b) The growth of distribution increases the range of available good from which the individual may choose. The possibility of acquiring these new goods may well stimulate the individual to work longer, harder, or with greater efficiency and may influence these with an eye on the future to save and productively to invest more. c) Growth in marketing can help disseminate new ideas favorable to economic growth, new patterns of consumption possibly new techniques, and new ideas of social relations.

**Holton, Richard H., «Marketing Structure and Economic Development», *Quarterly Journal of Economics*, Vol. LXVII (Aug. 1953). pp. 344-361.**

Holton's thesis is that distribution is considerably more important in the economic development of backward areas than is generally recognized.

He shows a number of reasons as to why the distribution system is neglected. 1) Distribution sector produces services rather than new physical goods. 2) The production of services is highly difficult to quantify because in the underdeveloped countries the service industries consist of so many small operators. 3) Net income originating in the distribution sector is magnified by its characteristic structure. 4) Inefficient marketing systems in underdeveloped countries afford a dole for the unemployed by means of high margins and prices. 5) The Clark - Fisher thesis that tertiary production is of much less importance in backward than in industrial countries.

Holton argues that there is a general lack of appreciation for the possibility of increasing real per capita income simply by improving the distribution system. He shows the Sears Roebuck's policies in Latin America as an example. Sear's policies have provided both an increase in local employment and lower prices on final consumer goods. Real incomes are increased through increased payrolls and lower cost of living.

Therefore, to overlook distribution is to overlook a means of raising living standards. Far more can be produced within the economy by facilitating and cheapening the distribution of locally produced goods.

**McCarthy, E. J., «Effective Marketing Institutions for Economic Development», in: Toward Scientific Marketing, ed. Stephan A. Greyser (AMA Proceedings, Dec., 1963), pp. 393-405.**

The author argues that planners of economic development are production rather than marketing oriented. They are concerned with developing techniques for increasing production and production efficiency.

He shows that effective marketing institutions are needed at different stages of the evaluation of producers and that if they do not develop, evaluation to a higher stage will be inhibited.

He also points out that marketing institutions are sufficient, because if they are present then will aid development, providing it is economically feasible.

McCarthy divides the evaluatory development of producers into five periods and shows the necessary marketing functions and institutions for each period: 1) stage 1. Self-Sufficient firms. No marketing institutions; 2) Stage 2. Self-Sufficient Firms with Occasional Surpluses. Critical functions are Buying and Selling, critical institutions are Local Markets and Trades; 3) Stage 3. Production-Oriented Firms. Functions needed are all of them, institutions are traders and merchants; 4) Market-Oriented Independent Firms. Critical functions are selling and market information, institutions are those with marketing managers; 5) Stage 5. Market-Oriented Integrated Firms. New marketing institution is the integrated firm itself.

**Moyer, Reed, Marketing in Economic Development, MSU; International Business Occasional Paper No. 1. 1965.**

This study regards marketing as more than the total of the intermediaries making up the distributive sector. It is interested in the dynamics that account for the linking of local into regional and national markets. It seeks to understand the distributive sector's power to organize and energize economic activity.

Moyer's thesis is that «marketing is an indispensable part of an economic system. Failure to recognize its importance unquestionably has thwarted otherwise sound development programs and has diminished growth.»

The monograph 1) analyses markets and marketing in primitive and developing economies to determine the methods available



for distributing goods; 2) devotes considerable attention to the role of marketing in an economy; 3) focuses on the method by which simple marketing institutions are linked together into marketing system; 4) suggests future useful areas of research into the role of marketing in economic development.

Moyer lists the roles of marketing in economic development as follows: 1) Marketing performs organizational and informational function; 2) It performs the function of equilibrating and distributing goods from surplus to deficit areas under shifting demand and supply conditions; 3) It improves primitive price systems.

**Myers, Kenneth H., Jr. and Orange A. Smalley, «Marketing History and Economic Development», The Business History Review, Vol. XXXIII (Autumn 1959), pp. 387-401.**

The correlation between individual liberty in the political sense, consumer sovereignty in the economic sense, and the acceleration in material well-being that has occurred in the US suggests that the marketing system we have developed has been a fundamental stimulus of productive efficiency and of the attainment of a lofty scale of material well-being.

Such a hypothesis suggests the further assumption that even in the more primitive economies there is much latent capacity for production. What is lacking is adequate incentive to make efficient use of this latent power, the type of incentive, in fact, that a marketing system similar to that developed in the US could provide.

What is now necessary, the authors believe, is the establishment of means for studying these hypotheses, with the proposed initial project to lead to the inauguration of a Center for Marketing Studies. This Center would be responsible for undertaking systematic inquiry - historical and comparative - into the role of marketing in stimulating social and economic development.

**Rostow, Walt W., «A National Marketing, Strategy», — Mimeographed summary of a statement appearing in Rostow's book — The View From the Seventh Floor (N. Y: Harper-Row, 1964).**

Rostow's view is that the central problem of development is not the gap between rich nations and poor nations; it is the

gap between the rich and poor parts of the developing nations themselves. Their critical problem may lie not in the terms of trade in world commerce but the terms of trade between their industrial and rural areas. The prices paid in the countryside for manufactured goods in these developing nations are too high; while the prices paid by the cities for the output of rural areas and the total resources allocated from the cities for rural development are too low. The operational task is to break down these structural distortions; to produce a selfreinforcing agricultural and industrial expansion; and to create truly national balance to the growth process.

There are four major jobs that must be done, and they should be done simultaneously as part of a conscious national strategy, shared by the public and private authority. The four tasks are these:

1. A build-up of agricultural productivity.
2. A revolution in the marketing of agricultural products in the cities.
3. A shift of industry to the production of simple agricultural equipment and consumers' goods for the mass market.
4. A revolution in marketing methods for such cheap manufactured goods, especially in rural areas.

This is the four-point program for making a national market and thus solving the typical structural distortions of developing nations. If successful, this program would expand industrial production, increase industrial efficiency, and make plowing back of profits into industrial expansion economically attractive. It would increase productivity in agriculture and raise the level of income in the cities by providing cheap, higher grade foodstuffs.

Rostow suggests that initiative must come from within the country itself and within the private business sector of the developing nation.

**Rostow, Walt W., «The Concept of a National Market and Its Economic Growth Implications», in: Marketing and Economic Development, ed. Peter D. Bennett (AMA Proceedings, Fall, 1965), pp. 11-21.**

In this paper, Rostow argues that the role of marketing in the economic growth of the developing nations was ignored by

economists on both sides of the iron curtain, and this created big differences between rural and urban areas.

To close the gap, he insists that marketers must play an active role in the diffusion of technical agricultural information; both productivity - promoting goods, and consumer goods as incentive to effort, must be effectively distributed to rural areas; efficient marketing institutions must be developed to solve the farmers' problems in which marketing skills are needed for the development of both Western and Communist nations.

**Shapiro, Stanley J., «Comparative Marketing and Economic Development, in: Science in Marketing, ed. George Schwartz, (New York: John Wiley and Sons, Inc., 1965), pp. 398-430.**

Shapiro explores the certain controversial topics on which economists and students of marketing have implicitly or explicitly disagreed among themselves, and he calls attention to important, heretofore neglected, issues in comparative marketing and economic development.

According the author, capital formation, the characteristics and growth rate of the population, and the availability of trade have each been presented as the decisive ingredient in economic development. Examination of the pertinent literature, however, reveals an almost complete neglect of marketing problems and institutions. Students of marketing have also neglected to explore the possible contribution of the marketing system to economic development.

It is the author's belief that Peter Drucker's article was thought provoking. He agrees with Drucker that marketing is a teachable discipline which by its ability to develop entrepreneurs and managers can make a significant contribution to economic development.

Nevertheless, he feels that many important problems in the field remain unsolved, and he suggest a coordinated research program which will facilitate comparative marketing analysis and indicate the conditions under which marketing can contribute to economic development.

**Sherbini, A.A., «Marketing in the Industrialization of Underdeveloped Countries», Journal of Marketing (Jan. 1965), pp. 28-32.**

Sherbini critically discusses that the lack of attention given to marketing has resulted in serious imperfections in planning and implementing new industrial projects- such as improper productive equipment, excess or inadequate plant capacity ,and uneconomical plant location.

He points out that marketing problems are not restricted to the planning phase of new manufacturing projects; they remain much at work once the manufacturing process has started. They often turn into obstructive forces leading to the stagnation and decay of ventures that looked hopeful at first.

Therefore, according the author, marketing is a key factor in the success or failure of industrialization programs.