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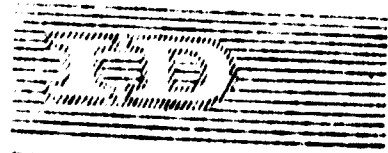
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United Nations Industrial Development Organization

Expert Group Meeting on Domestic Marketing of  
Small Industry Products in Developing Countries  
Dublin, Ireland, 29 May - 3 June 1972

REPORT OF THE EXPERT GROUP MEETING  
ON DOMESTIC MARKETING OF SMALL INDUSTRY PRODUCTS  
IN DEVELOPING COUNTRIES

Dublin, Ireland, 29 May - 3 June 1972

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## TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	3
I. MARKETING PROBLEMS OF SMALL INDUSTRIAL FIRMS	5
Advantages and disadvantages in marketing	5 - 6
Limitations due to the size of the market	6 - 8
Inadequacy of distribution channels	8 - 10
Pricing practices	10 - 11
Problems of product development, design and quality	11 - 13
II. PUBLIC AND PRIVATE ACTION FOR IMPROVING MARKETING	13
The role of the Government	13 - 20
Import substitution	13 - 15
Reservation of certain sectors or products for small-scale industry	16 - 17
Price controls	17
The public institutional market	17 - 19
State trading organizations	19 - 20
The role of industrial extension centres and other institutions	20 - 24
Training and advisory services for small-scale industries	20 - 22
Facilitation of financing	22 - 23
Promotion of subcontracting	23 - 24
Self-help	24 - 25
The role of chambers of commerce and industry	25
III. MEASURES OF PROMOTION AND ASSISTANCE	25 - 31
Assistance in market research	25 - 26
Assistance in product development and design	26 - 27
Assistance in quality control	27 - 29
Packaging	29
Promotion, publicity and exhibitions	30
Franchising and licensing	31
IV. INTERNATIONAL CO-OPERATION	32 - 33
ANNEX I   Agenda and programme of the expert group meeting	34 - 35
ANNEX II   List of documents	36 - 37

## INTRODUCTION

1. The Meeting of the Expert Group on Domestic Marketing of Small Industry Products in Developing Countries took place in Dublin, Ireland, from Monday 29 May to Saturday 3 June 1972. The Group was convened by the United Nations Industrial Development Organization in co-operation with the Irish Industrial Development Authority (Small Industries Division), the Irish Management Institute, the National Development Association for Irish Products and the Confederation of Irish Industries.

2. The Meeting was attended by 16 participants from 12 countries. The following persons served as members of the Group:

Joe Beirne (Ireland), Chairman  
Kipngeno Arap Ng'eny (Kenya), Vice-Chairman  
Baldev Singh Grewal (India), Rapporteur  
Philocles D. Assimakis (Greece)  
J. J. R. Burnham (Zambia)  
Neil Dean (Ireland)  
D. O. Dede (Nigeria)  
Vandi Hutasingh (Thailand)  
Ayhan Karlidag (Turkey)  
Noel Maguire (Ireland)  
Rodolfo Mier y Terán (Peru)  
Vivian Murray (Ireland)  
Sohrab Wehrir (Iran)  
Richard O'Farrell (Ireland)  
Alan G. Scharenguivel (Malaysia)  
Maruca Telles Almeida Santos (Brazil)

It was also attended by observers from the International Labour Organisation (ILO), the International Association of Crafts and Small and Medium Enterprises, the Research Institute for Management Science, RWB (Delft), the International Chamber of Commerce and the World Crafts Council, as well as by observers from various Irish organizations. A UNIDO staff member and a consultant also took part.

3. The Meeting, which took place at the Irish Management Institute in Dublin, was opened by Mr. P. J. Lalor, T. D., the Minister for Industry and Commerce of the Republic of Ireland. The opening meeting was also addressed by the Chief of the Technical Services Group, Small-scale Industry Section, representing UNIDO. Mr. I. Kenny, Director of the Irish Management Institute, chaired the opening meeting.

4. In opening the Meeting Mr. Lalor referred to the experience of Ireland in the development of new industries and spoke of Ireland's hopes for the future of its new industries in the face of becoming a full member of the European Economic Community. He mentioned the extensive financial and marketing aids that had been given to encourage the setting up of new industries. These have had considerable success as was witnessed by the fact that since 1960 manufacturing employment in Ireland had expanded by almost one third. Manufacturing output had grown by approximately 85 per cent in the decade

1970. Mr. Lalor stated that in his view the emerging developing countries could learn a great deal from Ireland's experience which showed that success could be achieved by the State taking on the role of a development broker rather than that of a direct entrepreneur. In Ireland the Government's industrial policy had been entrusted to the Industrial Development Authority which endeavoured to manage the natural resources of the country in conformance with the growth plan for industrial development. Mr. Lalor concluded by saying that it was his and the Irish Government's belief that by sharing ideas and experience in the sphere of development, Ireland could make a significant contribution towards solving the economic problems of the developing countries. It was in this spirit that the Irish Government welcomed the participants of the Expert Group Meeting.

5. The Chief of the Technical Services Group of UNIDO welcomed the Group on behalf of UNIDO and read out a message from the Executive Director of UNIDO. In his message the Executive Director mentioned his satisfaction that the Meeting would be focused on the subject of marketing since he believed that this aspect had been relatively neglected, emphasis having been given until then to the production problems of small and medium-size entrepreneurs. While this was inevitable at early stages of the development of industry, the time had come in many countries to pay increasing attention to the marketing of small industry products. Indeed, experience showed that success or failure in the field of marketing often determined the ultimate success of an industrial venture. He thanked the Irish authorities, in particular the Irish Industrial Development Authority and the Irish Management Institute, for their co-operation and help in arranging the Meeting.

6. The provisional agenda was adopted. The agenda is given in Annex I. The Group elected Mr. J. Beirne, Manager, Small Industries Division, Irish Industrial Development Authority, as the Chairman of the Meeting, Mr. K. A. Ag'ony, General Manager, Kenya Industrial Estates Limited, as Vice-Chairman, and Mr. Baldev Singh Grewal, Director of the National Small Industries Corporation, India, as Rapporteur. It was agreed that the Chief of the Technical Services Group of UNIDO would assist in the preparation of the report.

7. On 31 May, the participants visited an exhibition of the products of Irish small industries arranged by the National Development Association of Ireland. On 2 June, they visited the Shannon Free Airport Industrial Estate, and held discussions there with industrialists and the Shannon Free Airport Development Company. The visit was arranged by the Irish Industrial Development Authority.

6. A list of the documents presented to the Section is given in Annex I.

## I. MARKETING PROBLEMS OF SMALL INDUSTRIES

### Advantages and disadvantages in marketing:

9. The Expert Group agreed that efficient small-scale industries have a significant role to play in the industrialization of developing countries. To be efficient, they should make use of their advantages and overcome their weaknesses. In the field of marketing, one of their greatest weaknesses is their lack of resources for sales promotion. In the modern world, many consumer products require a considerable marketing and promotional effort before they become accepted by the consumers. This is the case of such items as cigarettes, food items, detergents, cosmetics and so on. Technically, some of these products can be produced by small firms, but the resources needed to promote such items on the market are beyond the means of small producers. It is therefore important for small industrialists to recognize this difficulty and to choose product lines where this inherent disadvantage would not be so manifest.

10. Apart from the shortage of financial resources to mount a marketing campaign, small industry is handicapped by its lack of functional specialization. There are many instances of the inability, and even the reluctance of small industries to maintain simple records that would enable the firm to follow adequately its sales records, to calculate its costs and to determine correctly the price of its products. In some countries, extension and service centres have been set up to give assistance in this field but although some success has been achieved there is still a notable reluctance by small industries everywhere to accept advice and the help offered is not on a sufficient scale.

11. Another disadvantage of small-scale industry is that it usually works with antiquated equipment and lacks the technical and managerial skills needed to produce a quality product.

12. A fundamental weakness of small-scale industry is its shortage of financial resources. Small firms are dependent on suppliers and on clients - usually middlemen - for credit. Unfortunately, middlemen, i.e. wholesale and retail dealers often delay payments on supplies from small

industries by two to three months. The lack of finance hampers efforts to modernize and diversify production.

13. Also small industries lack information on marketing outlets and on opportunities for launching and selling new products.

14. On the other hand, small-scale industries has some competitive advantages in the field of marketing. In view of its small scale of operation it can survive on relatively low inventories and can introduce product changes without too much difficulty. In most cases a small firm can maintain a close link with consumers and be flexible enough to change the product in response to consumer wishes.

15. Many small industries are in a position to specialize, which would enable them to achieve higher skills and lower production costs.

#### Limitations due to the size of the market

16. The Group felt that, although the market situation differs from country to country, there tend to be two distinct types of market situations in the developing countries. On the one hand, there are countries with very large markets and low purchasing power such as India, Brazil and Nigeria. In these countries the market potential is high. On the other hand, there are small countries where, even if the purchasing power should rise, the growth of market possibilities would still be very limited.

17. Most small industries sell their products on the domestic market. In some cases the market for small industry products is not even a national one; it often is confined to a particular region of the country. In the case of small countries with limited markets, even the products of small industries have to be sold on the national domestic market if a profit is to be made.

18. The market may be further limited by the scarcity of adequate distribution facilities for the products of small industry. In some countries commercial whole sale and retail distribution facilities are well developed, but in others there is a distinct shortage of experienced middlemen and of commercial undertakings. Some participants thought that in countries where the distribution framework is not properly developed, there is a need to assist in the development of small commercial enterprises, both in the retailing and wholesaling fields. Such small commercial enterprises could provide suitable outlets for the products of small



industries. These participants felt that, in general, small commercial enterprises were neglected and received little help from government.

19. It was also considered by some participants that a closer relationship than was usually acknowledged existed between the development of small commercial enterprises and of small industries. Examples were given of cases in some Far Eastern countries, e.g. Singapore, Thailand and Hong Kong, in which small entrepreneurs had started as retail shopkeepers and, in the course of time, had themselves begun producing the items in the back of their stores. This had proved efficient and profitable since the entrepreneur gained from both the manufacturing and sales margins. Thus there are cases where entrepreneurs should be encouraged to enter commerce and, in the course of time, to develop also into small-scale industrialists.

20. There was some discussion of the relationship between small industries and handicrafts. These should be considered as two distinct groups. In some countries, efforts have been made to develop national handicrafts for reasons of national identity and culture and because there was a latent potential in handicrafts products as foreign exchange earners. Handicrafts represent, from the standpoint of demand, a homogeneous group catering to a definite group of consumers. It is therefore possible to create stores and outlets which carry many different handicrafts - from metalware to textiles and pottery. In the case of small industry, the sale of many products should be made by separate distributing outlets according to the function of the item. In view of this it is usually difficult to combine market channels for small industry and handicraft products.

21. There was some discussion whether the same commercial organization could and should assist both handicrafts and small industries. Some participants thought that the relationship between these sectors of the economy was a dynamic, ever-changing one. In several countries at early stages of development the needs of the local market were first supplied by the products of the artisans. After a certain period of development these artisans expanded into small industries. Together with new small industries the transformed artisan establishments were now supplying an increased domestic market. The view has been expressed by some participants that it was not proper to make too great a distinction

between distribution channels for the products of handicrafts and those of small industries since the artisan of today may be the small industrialist of tomorrow. It should be mentioned in this connection that a distinction between the distribution channels will be necessary and justified in cases of handicrafts making traditional items and artistic or decorative products which cater for limited markets and tastes. It may be stated that State-retailing is quite suitable for such items, although not for the products of small-scale industries as such.

22. Not all artisan and small industry products are, however, different. There are similarities in the utilitarian products supplied by the artisan and small industry sectors. Thus, shoes, garments, etc., made by both artisans and small industries may be sold through the small retail outlets. This, however, will not be the case of artistic handicrafts.

23. Heavy freight costs may sometimes reduce the market area to such an extent that small industries may undertake the production of certain goods, e.g. equipment, where the cost of freight is high in relation to the value of the product.

24. One participant pointed out that the products of small industries are not necessarily items with limited technological content. There are examples of advanced stereophonic equipment, expensive specially designed furniture, certain types of equipment for electronic data processing which are produced by small industries. In these enterprises, however, the ratio of staff with high technical qualifications to workers is high.

25. The question was raised whether small industries should manufacture items requiring technical after-sales services. In general, such items do not easily lend themselves to the marketing possibilities of small firms, but there are cases where small industries have successfully manufactured such items, relying on distributors for the servicing of the equipment. In a few other cases small industries have solved the problem by forming a consortium to render after-sales service.

26. The Group concluded that small industries need a great deal of guidance in selecting their product lines. These should be chosen so as to make full use of the comparative advantages of small industry. Small industry can effectively find "niches" in the economy where the large industry does not find it profitable to go. Suitable items include products with a high labour content where mechanization is not of great advantage, large items where freight costs are heavy, items for which demand is low and the number of model changes high - all these and many other types of products are more suitable for small industry than for larger enterprises. On the other hand, small industries should not, in general, attempt to produce items where marketing costs - distribution, sale, advertising, after-sales service, etc. - are high, since these costs tend to be more easily absorbed when the product is produced on a large scale.

#### Inadequacy of distribution channels

27. There were some differences in opinion as regards the role of the middleman. Some participants cited instances of exploitation of small-scale manufacturers by middlemen. This is usually the case where a high retail price can be obtained from the consumer for a product produced locally because the superior imported product commands this higher price. In these cases the middleman pays a low price to the manufacturer and pockets a large profit. Other participants, however, considered that in their countries the distributor played an important role and in general helped in bringing down the price of goods to the consumer.

28. Yet there was agreement that where the distribution channels are not well developed the middleman can fulfill an important role. One participant maintained that in his country (India) the middlemen are usually people living on very narrow margins. If profits are made they are usually made by manufacturers. This, however, is not the situation everywhere. Much depends on the degree and quality of entrepreneurship in the country. In some developing countries middlemen make big profits, mainly because of a badly organized and inefficient distribution system allowing for little competition.

29. It was agreed that the middleman could perform an important service only if his operations were efficient. The major shortcoming in the distribution of products through middlemen is the lack of direct contact between the manufacturer and the consumer. It is therefore important that both middlemen and entrepreneurs develop suitable channels of communication so that market information could flow freely between the consumer and the manufacturer. This would require closer personal contacts between manufacturer and distributor.

30. There is a case for specialization in distribution although this is often only possible in market situations such as those prevailing in the industrialized countries. Yet efforts towards specialization in distribution should be made in the developing countries. There are distinct advantages in specialized distribution. Those who handle a special group of products, e.g. furniture, have usually a good understanding of the market's needs and special wishes. Specialization evidently obtains when industries of a sufficiently large size organize their own marketing and sales. However, some large industries prefer to distribute their goods through sales agencies and in several cases this has proved successful.

31. The problem of market feedback was also discussed. If there is a proper relationship of trust and rapport between the manufacturer and distributor, information on consumers' likes and dislikes is fed back quickly. In some situations, extension and advisory services may help firms by showing how they can get back information on the way their products are received.

32. It was pointed out that in many countries the small industry is often handicapped by the lack of information. It is suggested that the information provided to the entrepreneur should be directed to small groups of entrepreneurs.

33. It was pointed out that the small industry is often handicapped by the lack of information. It is suggested that the information provided to the entrepreneur should be directed to small groups of entrepreneurs. The help, advice or training do not need direct application to the entrepreneur's problems at the moment they are given. However, the training and advice may be applicable after the entrepreneur has received it. The entrepreneur may then recall the advice given or the techniques he was shown and be ready to apply them. However, there is a danger in many countries that an entrepreneur would not wish his enterprise to grow because, for a variety of reasons, he considers his present situation to be satisfactory. In such circumstances, supplying market information would have little results.

34. One participant told of the success achieved in Ireland in setting up retail co-operatives. These have helped to keep price levels down for the consumers and have improved considerably the efficiency of retail marketing. There was general agreement that co-operatives could play an important role in the distribution process. This is true of both wholesaling and retailing co-operatives. However, in developing countries co-operatives should be set up only after an educational program has been carried out so that those who join the co-operatives understand fully the step they are taking. It was noted that in Western European countries all distribution is directed either by the state or through co-operatives. The co-operative system was proved successful in these countries.

#### Pricing practices

35. The Group acknowledged that the prices of the products of small industries are usually influenced neither by costs nor by market information on the price which the consumer would be prepared to pay. Most small industries have an inadequate costing system and are usually unable to determine exactly their costs. At the same time, their knowledge of the market is insufficient and they have little concept of the price level which would create maximum demand. They are usually governed in their decisions by the price of a competitive, usually imported, product.

36. As a rule, in the developing countries, the cheapest products sell the most. Some participants thought that for a long time the price of local products would be lower than that of competing imported products, if the former were to gain access to the market, especially since consumers may continue to be prejudiced on the quality and durability of the local product. This, however, is very difficult to achieve, since local products in developing countries usually cost more to produce because of smaller scale of production and lower productivity. This is also in part due to the high costs of imported raw materials. In general the higher costs result in a demand for tariff protection or import restrictions which, in many cases, are to the detriment of the consumer.

37. One participant from an African country related how a small furniture manufacturer in his country was producing low-priced furniture which by all accounts would be recognized as of poor quality. However, there was a ready market for this man's products and, if he made higher priced furniture, even if of better quality, he was not sure that the local population would buy his products. The participant concluded that in countries of low purchasing power, low-priced, less sophisticated products are what the market wants. Another participant considered that it was important to generate a competitiveness between local producers in respect of prices.

#### Problems of product development, design and quality

38. All too often, the products of small-scale industry in developing countries are not of high quality and design. Since the consumers are unsure of getting good quality and in any case their purchasing power is low, they usually buy the cheaper goods, feeling that at least in that way they have not paid too much.

39. There was some discussion on what constitutes good design and good quality. Aesthetic norms differ widely from country to country and from people to people. Several examples were given by participants of how certain products had been widely accepted by consumers in their countries though aesthetically the design would not be considered by better informed persons to be of a high standard. In the developing countries manufacturers are not catering for a sophisticated market. Consumers do not demand high standards in design and quality of products. In some developing countries the supply of certain items trails far behind demand

and people are prepared to accept new designs, particularly in the case of household goods, as long as they are of a similar standard function.

40. Small-scale industrialists in developing countries cannot afford investments in product development. They find it easier to copy well-tried designs or in the best circumstances to pay royalties for an existing design. Some participants thought that small industries cannot afford to produce consumer items requiring too much original design. This, however, is not necessarily the case of handicrafts for which very fine designs have been developed by simple artisans and which have been very well received by customers.

41. Small industries cannot in general afford a great deal of advertising and sales promotion. It is therefore unlikely that they would be able to create new demands on the part of the public and to influence consumer acceptance of new designs.

42. As regards quality, several participants stressed again that quality and price are closely related and that most attempts to improve quality involve a rise in costs. Yet costs can often be met by simplifying design. The design of certain consumer products sometimes contains some special features that can be eliminated in order to keep prices down. In most cases, in the developing countries, a reliable standard durable product is what is needed.

43. The Group agreed that in practically every case quality can be improved through better management. If extension and advisory services would help a small entrepreneur to improve his management through better utilization of plant and labour and through more effective controls, they would contribute also to raising the level of quality of the products. Small industrialists should be made aware that they can do more to control the quality of their products.

44. In the developing countries there is little room for "built-in obsolescence" features in products. This approach is more suited to the affluent developed countries. In the developing countries marketing promotion should not be aimed at creating "inessential demands" on the part of the wealthy. It is better to produce and sell durable reliable products with as low a price as possible so as to reach the maximum market.

45. Certain ill-aid practices such as undersizing, misrepresentation of specific items of origin, and infringement of trade mark and patents occur in both developed and developing countries, but the problem is perhaps more acute in the latter countries. The only way of overcoming these problems is to educate both the manufacturer and the consumer. One should educate the manufacturer to realize that in the long term the effects of such malpractices would recoil on them. One should educate the consumers to beware of cheating on the part of the producers and the distributors.

## II. PUBLIC AND PRIVATE ACTION FOR IMPROVING MARKETING

### The role of the Government

46. There was general agreement that in the final analysis success in marketing depends essentially on the initiative of the entrepreneur or manager. The government can assist with advice on such matters as quality, promotion of products, design, market surveys, etc., but it cannot replace the manager or industrialist who has to put into practice the advice he receives. The government has a role to play in determining policies in such matters as import substitution, import restrictions, price control, state trading and the public institutional market. The government should also set up extension or advisory centres to help small and medium industries to overcome their marketing problems.

### Import substitution

47. The Group agreed that when a country was starting the process of industrialization, import substitution was the usual first stage policy followed by the government. It is a logical approach that the first local industries should replace imported products by locally produced items. However, this policy does not afford the same possibilities in all countries.

48. Countries having a large domestic market can maintain an import substitution policy for a long period since it takes a long time for the domestic market to become saturated. In countries having a more limited market, whether because of small population or low purchasing power, it is difficult to build a substantial industrial base solely on the basis of a policy of import substitution.



49. Some participants considered that, unless properly controlled, an import substitution policy could adversely affect the development of a healthy local industry. Experience shows that, in practice, an import substitution policy appears to work only when it is conducted along with a policy of restricting imports. When this happens the local product is sold in the market almost without competition and it may result in high prices, poor quality and limitation of choice for the consumer. In several countries an import substitution policy is interpreted by the government to mean that as soon as a manufacturer claims that he is producing an item, all imports of this item should automatically be stopped. This is done without ensuring whether the manufacturer can satisfy local demand or produce the full range of sizes and types that had been previously covered by imports. The result is shortage and inadequate supply and the consumer suffers.

50. One participant remarked that, in practice, import restriction policies are not always fully effective because certain items can be brought into the country through contraband. This can hardly be stopped by administrative measures of control.

51. The Group considered whether it was better to stop completely the import of an item or to set up tariffs allowing the import of the item on payment of duty. It felt that the latter method was generally preferable. Though it gives protection to locally produced items it does not completely eliminate the choice by the consumer. A solution intermediary between total import restriction and free import with tariffs is to import through licences so as to provide limited protection. The latter approach is used by countries as a regulator to ensure that prices of local products do not rise too high and that minimum quality is guaranteed.

52. As already pointed out, in the first stages of manufacture the local product faces great difficulties in becoming accepted by domestic consumers who in general prefer well-known brand names. There is a widespread belief in developing countries that the foreign product is always superior and it takes a great deal of time and effort to dispel this even when the local product has achieved a comparable level of quality. Sometimes a special campaign should be launched to encourage the domestic market to buy locally manufactured products. Such a campaign, using all the mass media, was carried out in Ireland over many years and produced good results.

53. Most participants held the view that any import substitution policy should be temporary and that import restrictions should be kept under constant review. The interest of the consumer should always be given prime consideration. There is a danger that industries may become accustomed to protection against competition from imports and that such protection is given to them long after it ceases to be in the national and consumer's interest. Prices can be brought down and quality raised by exposing the local industry to competition when the right moment comes. Local manufacturers should be educated to expose their industries to competition from imports; this would prepare them to expand into exports where they would face similar competition.

54. Some participants pointed out that notwithstanding the general agreement that full protection should be kept under constant review and should not be allowed to become a permanent feature, there were situations where no local industry could survive without protection against imports. Every country has the right to take the necessary measures to protect its local market against dumping or unfair competition against which local industries cannot be expected to compete. Even when the period of general import restrictions has passed, protective measures may be necessary from time to time to overcome a special social or economic situation prevalent in a particular industry. However, the government policy should reflect the principle that tariffs alone or protective measures are not sufficient; they should be accompanied by positive measures of assistance and incentive to encourage industrial development.

55. The example of Ireland was given where, at a certain stage, government policy had created a situation which forced local industry to face competition from abroad. Those industries that were able to adapt, faced the challenge, survived, and went on to flourish. They succeeded not only in maintaining their share in the market but also in exporting. Government institutions such as extension and advisory services could and should assist small industries to face competition from import and also to widen their sales beyond the domestic market. There are situations where opening the local markets to imports make local industry more ready to accept assistance in the field of marketing from such institutions.

Reservation of certain sectors or products for small-scale industry

56. The Group agreed that developing countries need to favour all local industry whether large or small. While certain measures should be taken specifically to help small industry to overcome its handicaps, they should not set forth legal privileges for small industries as against the larger ones. The Group did not support the reservation of certain sectors or products for small-scale manufacture. An example was given of measures taken in India to ensure that small-scale industry obtained a share in the national market. In that country some of the products of large industry were taxed (e.g. those of the textile industry) in favour of the products of the handloom cottage industries to ensure the survival of the latter. Most participants did not feel that such measures would be appropriate in their country. They preferred a policy to give help to the small industry sector without actually differentiating legally in the tax field between small and large industry. A fear was expressed that any undue preference for small-scale industries might inhibit their growth since they would not wish to expand for fear of losing their special concessions. One participant pointed out that if small-scale industry was defined by a relatively low ceiling on employment, the fear of losing privileges might prevent a small enterprise from taking on more workers. This would be undesirable in an economy which needed the development of employment opportunities - which was the case in most developing countries.

57. According to information given to the Group, the restrictive measures mentioned above have not had an adverse effect on the development of large-scale industry in India. There have been some indications that too many privileges for small industry could sometimes act as a disincentive to growth. Some individual firms have made arrangements to operate through small family units so that they could still obtain the privileges of the small-scale industry sector. However, this has not been very widespread.

58. Participants from African countries explained that the situation in their countries was somewhat different. In these countries it was necessary to ensure that the small-scale industry sector was in the hands of indigenous entrepreneurs since practically all the large-scale industry sector and commerce were in the hands of expatriates. The small-scale industry sector was the only one that could still be developed through the private initiative of the local population, hence its impor-

tance. Reservations of certain relatively less sophisticated products for small-scale industries in these countries will no doubt give a fillip to the process of industrialization and industrial growth.

#### Price controls

59. The Expert Group did not consider that price control was necessary to stimulate or protect the sale of small industry products. In most economies the prices of small industry products are regulated through competition within the sector or with the products of large-scale industries and imports. Only in very few cases is there a need for government action. In such cases opening the economy to imports or even the threat of doing so could effect a reduction in price to the consumer. Some participants thought that prices of small industry products could be brought down by providing this sector with raw materials at more reasonable and controlled prices and by helping them to market their products more efficiently.

60. The difficulties being experienced in some countries by small industries in the procurement of the raw materials they need have created a "black market" for such raw materials with the result that exorbitant prices are paid for them. The resultant effect of this situation on this sector is that its products are dearer.

61. One participant recounted how in his country prices in the handicraft sector paid by consumers had been reduced considerably and the prices paid to the producer improved when the Government entered the field of trading and set up its own large retail outlets. In his view, this could in certain circumstances be a means of regulating consumer prices of small industry products. Several participants doubted whether this was applicable to the small industry sector.

#### The public institutional market

62. An American observer, formerly an adviser to the United States and Indian Governments on procurement from the small business sector, explained how, during the Second World War, special legislative provisions had been made in the United States to ensure that the small business sector received its share of government defence orders. Price differentials for small business were once permitted, but were so seldom found to be necessary that they are no longer even authorized. They have been replaced by the "set-aside" scheme, whereby selected procurements within

small business performance capability are restricted in whole or in part to competition among small concerns only. Experience in India, where similar schemes involving either price differentials or set-asides were set up in 1956, paralleled the findings in the United States that there was little need to use price differentials. **In straight** bidding for tenders from purchasing authorities, small industries had obtained their share of defence orders without there being need for the authorities to pay higher prices. It was found that set-asides for small businesses benefitted not only the small entrepreneurs but the Government as well.

63. The Group generally agreed that the public institutional market could represent a most important outlet for small industry products. Small industries should be encouraged and assisted to manufacture products needed by this market. However, there are certain difficulties in selling to the public institutional market. In many developing countries the whole system of public procurement needs reorganizing.

64. Most participants held the view that in order to develop the public institutional market, all government departments and government agencies should adopt unified purchasing regulations and procedures. Also a central purchasing organization should be set up, which should consider as its duty to buy locally produced items. This organization should give preference to small industry to ensure that this sector obtains a fair share of public orders.

65. If the normal procedures of putting out orders for bids and tenders by the central purchasing organization do not result in giving small industry a fair share of the orders, there may be need for a price preference system, under which the products of small industry would be purchased even if they were more expensive by a certain percentage, e.g. 10 to 15 per cent. Most participants did not believe that such a price preference system needed to be operated for very long since they were convinced that small industry products could be competitive in price. In most cases, in addition to the price preference system or because it does not have the desired results, there may be need for a set-aside system.

66. One of the problems of small industries in selling to the public institutional market is the fact that in most cases the orders are large and a single small-scale producer cannot usually undertake to manufacture the whole order himself. In such cases a number of small-scale producers could be brought together to bid jointly for an order and then share out the production amongst themselves. Advisory and extension services could assist in grouping small industries together to make a common bid. They could also assist small industries to carry out the order properly. The promise of assistance by the extension or advisory services might, in some cases, influence the central purchasing body or a public institution to give out orders to one small-scale manufacturer or to a group of small industries.

#### State trading organizations

67. The Expert Group felt that retailing and wholesaling in a market-oriented economy was best left to the private sector. From accounts given to the Group of experience in India, Peru and other countries, it appeared that the handicrafts sector did lend itself successfully to State retailing as had been evidenced in a number of countries. However, there was no parallel in state wholesaling and retailing of the products of small industries in market-oriented economies.

68. There are definite difficulties in establishing government organizations for retailing and wholesaling. For instance, it is difficult to provide incentives to sales staff within the rigid framework governing the remuneration of civil servants. Another difficulty is in adopting flexible positions on price and inventories. Few government organizations are equipped for quick decisions in these matters; yet these are necessary if retail business is to be successful.

69. Thus, it was agreed that, in general, state trading organizations led to many difficulties. However, where there is no efficient distribution system for certain products of local industries, a state trading organization could be established on a temporary basis to fill the vacuum. Such systems may be necessary in the less developed countries for instance in Africa, where hardly any local distribution system exists. However, the preference in most developing countries was for co-operative marketing societies.

70. In some circumstances, it might also be the function of the state to train sales personnel who could develop distribution networks in the form of retail shops. These might be started by the state, but, by providing skills and experience, might lead eventually to private commercial entrepreneurship. A programme of setting up commercial estates at focal points or growth centres would also help in expanding private retail outlets, particularly in areas outside the big cities and State capitals.

The role of industrial extension centres and other institutions

Training and advisory services for small-scale industries

71. Some participants thought that much of the type of advice given by government technical advisory services to small-scale industries is not given in a form in which these could apply the advice to their own business situations. The same is true of management training programmes. If these activities are to be of real use to the small-scale manufacturer, he would have to be given tools that he could apply to his own business, bearing in mind the limited time at his disposal and his lack of background and of formal education. The Group felt that it was important for these advisory services to include market counselling.

72. In most cases training for small industries should be addressed to the individual owner-manager who carries out practically all the functions himself. It is rare that a small industry has any specialized marketing or accounting staff to train, although one participant described cases in his experience where members of the family were used for these functions and could have been given training. Another participant was worried by the limited impact that advisory services would have if they started to go too deeply into the problems of each enterprise. In his country (Iran) he had found that all the advisory services together could only assist about ten to twelve firms each week, and considering the thousands of firms that needed help, this had little effect.

73. The solution to this problem, it was suggested, might be that training and advisory services should be devised so as to have a multiplier effect, that is, that efforts should be made to train the trainees so that they could pass on their knowledge and training to others. For instance, to groups of small-scale industrialists. Thus, in the course of time, the number of small industries actually assisted would be widened.

Efforts should also be made to develop models in the field of accounting, sales forecasting, break-even charts, checklists, controls of sales, inventories, etc. that could be used by groups of small industries, perhaps on a sectoral basis. In the course of time the small-scale industrialist could use some of these tools for himself. There was a general feeling that the best results could be achieved both in training and in the provision of advisory services by using the sectoral approach, for instance, assisting groups of woodworking factories, shoe factories, establishments, food processing firms, etc.

74. A participant from the Irish Management Institute disagreed with the views expressed by some participants on the limited results of training courses. He told the Expert Group that, in his Institute's estimate, it had made a penetration of 40 per cent of the small firms employing more than five people in Ireland. In view of the results achieved, the training programmes provided by this Institute to small industries were now given more and more on a sectoral basis. There was also some success with working over and over again on different levels with the same group of small-scale industrialists.

75. It was agreed that, both in training and in advisory services, a great deal depended on the homogeneity of the group. In the marketing field, as in others, to achieve results one had to get together a group of small industries having similar problems.

76. One participant related that, in his country, efforts had been made to widen the impact of training programmes by inducing existing educational institutions to provide management training. First, the regular instructors of these institutions had been given training in the special problems of small industries. Several participants felt that, while this might have some merits, chances of success were slight in many countries because educational institutions were too academic and too divorced from the practical problems of small industry to give practical and useful training to this sector.

77. The size and background of a country would evidently influence considerably the type of training and advisory services provided. In a large country it would be necessary to set up several institutions for providing these services in the regions of the country; this was done, for instance, in India and Brazil. In some countries it might even be necessary to have institutions servicing specific towns. The degree of



development of a country would also have an effect on the type of training and advisory services that the country would need. In some situations, training and advice for small industries in the marketing field might be arranged with the help of some existing large-scale industries, though certain participants doubted whether the larger industries in their countries would be willing to participate in such programmes.

78. In the field of marketing, one of the dilemmas facing a small-scale industrialist intending to produce for the consumer market is whether he should employ his own sales force or rely on outside distributors. This is a key question and there is no doubt that, in order to make a decision on the most effective marketing method, a small-scale industrialist may need the advice and help of the advisory or extension service. There are many factors that enter into this decision. One of the most important is whether the small-scale industry can recruit an active sales force and keep it fully occupied. In most developing countries good salesmen are rare. There may be need for the institutions concerned with training to develop practical courses for salesmen. Small industrialists should also be instructed on methods of remunerating sales personnel so as to obtain the best results. Clearly there is need for powerful incentives in the form of commissions or bonuses to make sure that the sales force achieves the results desired.

#### Facilitation of financing

79. In general, the main problem of financing as related to marketing concerns the availability of working capital. Most participants related that in their countries working capital for financing sales was not easily available to small-scale industry. In most countries there was more money readily available for fixed assets than for working capital.

80. Assistance should evidently be given to small industries in obtaining credit from commercial banks for their working capital needs. If necessary, commercial banks should be given credit guarantees either from the reserve bank or through credit guarantee organizations. Such guarantee groups are set up in some countries by trade associations or by groups of small-scale manufacturers but in others it may be necessary for the government to take a hand in facilitating their creation. Some participants thought that guarantee co-operatives might assist in solving this problem.

81. Some countries provide the same type of financial assistance for working capital as for fixed assets, but usually the working capital loans are of shorter duration. In one country small-scale operators and artisans are given special financial assistance to enable them to purchase raw materials and to market their products. There have been complaints in some countries that although credit schemes were available, the procedures for obtaining such credits were cumbersome and took a long time.

82. In developed countries consumer credit is an important tool for creating a mass market. It is usually extended by commercial banks. It is very unlikely that consumer credit would be widely developed in developing countries in the near future. However, this is an important way of increasing sales. If small-scale industrialists were to give themselves credit to consumers to increase demand, they would need assistance in the form of loans for working capital. Even in countries with low purchasing power there is a small affluent class and a growing middle class that could be encouraged to purchase more through increased consumer credit.

#### Promotion of subcontracting

83. The Group noted that, although there is considerable scope for expanding subcontracting in many developing countries, only a few of these have taken active steps to assist small factories serving as subcontractors. India, for example, has raised the capital ceiling of eligibility solely for those small industries engaged in ancillary, i.e. subcontracting production, so that they would continue to benefit from the special measures in favour of small-scale industry. Normally only firms with capital investment equivalent to US\$ 100,000 in equipment benefit, but in the case of subcontractors, US\$ 150,000 is the limit. Also in India some "satellite" industrial estates have been set up with the specific aim of providing facilities for those small industries that are producing components for some large public plants. However, the Group was told that this type of initiative had only had limited success since several of the industrial established on the satellite industrial estates had not engaged specifically in subcontracting. The demand for subcontracting had sometimes been too irregular and had not provided a continuous base for the healthy development of small plants.

84. As regards the advisability and justification for forcing large industries to subcontract some parts and components to small-scale industries, there was general agreement that such measures of compulsion would not prove effective. The Group noted that in the United States small business obtained a bigger share of the subcontracting market because large "prime contractors" of the Government, as they are called in the United States, were required to develop and conduct small business subcontracting programmes approved by the contracting agency of the Government. But the Group doubted that, in developing countries, the small industry sector was sufficiently developed in respect of pricing, quality and delivery to justify compulsory subcontracting by large industries. Information provided by large firms setting up in developing countries indicated that, in general, they would be willing to subcontract more, provided the small industry sector was sufficiently developed to carry out the work successfully. Helping the small industry sector to achieve this standard could achieve better results than using methods of compulsion.

#### Self help

85. The Group was of the view that too little had been achieved until now to get small industrialists to help themselves. Practically all efforts to assist small industries had been undertaken by governments and public institutions. In the early stages of industrial development there was not too much scope for having small industrialists group together to help themselves. But as development continued there arose more possibilities for encouraging this.

86. Some examples were given of successful marketing through co-operatives of artisans and small-scale manufacturers in developing countries, in particular in the field of handicrafts. In one country - India - a number of industrial estates have been successfully established through co-operatives although the initiative actually came from the government.

87. There is more scope for co-operation between small industrialists on a horizontal level, e.g. for a group of furniture manufacturers or pharmaceutical producers to group together to develop "self-help". In one successful instance, a "vertical" co-operative had been formed to enable a group of manufacturers to process further the materials they used. The Group was of the opinion that co-operatives for procurement

and arrangements which would be desirable to be carried out, though at the moment the most important of these would be the marketing of small-scale industries, and the following are suggested:

#### The role of chambers of commerce in industry

83. The meeting noted that so far chambers of commerce had played little or no role in assisting in the marketing of small industry products and felt that more could be done by these and similar institutions. These could assist in promoting products of small entrepreneurs through exhibitions and by developing a service to assist small-scale industries in obtaining better market information. Yet the participants doubted whether in the foreseeable future the chambers of commerce of most developing countries would engage in assistance of this type. They tended to confine themselves to protecting narrow sectional interests. However, efforts should be made to induce chambers of commerce to provide help in the marketing field. The Group felt that apart from using chambers of commerce it might be appropriate to form associations of small-scale industries covering related groups of manufacturing lines who could help in the marketing of small industry products by holding exhibitions, undertaking joint publicity, collecting and disseminating useful market information to their members.

### III. MEASURES OF PROMOTION AND ASSISTANCE

#### Assistance in market research

84. There were some differences of opinion as to the value of market research for the small industrialist. Some participants observed that market research or market surveys are costly and often give a picture of market potential of little use to the small industrialists in planning production. It is difficult for a small industry to take account of consumer tastes and demand as regards shape, size or quality of a given product without carrying out surveys. These are usually costly and beyond the reach of small industrialists. Also there are great variances as to the results achieved in applying market research techniques. (One participant told the Group that, in his country, market surveys conducted through extension service centres had provided useful information for guiding the product planning of several small industries. Other participants thought that the data on demand for products of small-scale industry were needed, if such industries were to be planned properly.

Others pointed out that in some developing countries even large-scale industries did not engage in elaborate market surveys and research. Apart from the fact that small industries could not afford such research the lack of confidence in the competence of such services was also a factor. It was suggested that such demand surveys or market research should be carried out by extension services or development centres with a view to getting a picture of the types of products in demand. This would provide useful information to small industrialists on the planning of new products. Some participants suggested that a useful and simple form of market research would be the analysis of market feedback from distributors and sales outlets. This could be obtained relatively cheaply and yet would be most useful. The general conclusion of the Group was that some simple forms of market surveys should be developed regarding the products of small-scale industry but that great care should be taken not to involve small-scale industry in elaborate techniques which would prove too costly for them.

90. An observer expressed the view that motivation surveys could be carried out with very limited means and would be of great help in assisting small-scale entrepreneurs to decide how and where to market their products. Such surveys, when carried out, could be followed by the more usual type of market surveys. The motivation survey would explain how people were motivated in their purchases. The market surveys would then show exactly what was the demand for certain products. These surveys could be carried out relatively cheaply by using young commercial assistants or even students. This had been done in various relatively less developed regions of France. The Group agreed that market surveys through house-to-house visiting were expensive for small-scale industries but if the whole survey technique were suitably simplified it could be of value for small enterprises. This had been shown not only in less developed areas in France but also in Spain and North Africa.

#### Assistance in product development and design

91. The Group observed that, in developing countries, there were neither the experience, the training nor the facilities to assist small industries to improve the design of their products. Also there was little demand in these countries for improved appearance of products. Small industries in developing countries tend to copy designs. There is little hope that in the near future there would be any move towards creating

original designs. One participant thought that there were simple innovations in design which did not require complete redesign and which could be very effective. Very often this type of innovation develops as a result of feedback from the market giving information on customers' complaints and therefore on their wishes.

92. Most participants thought that it was cheaper and more effective for small firms to purchase designs and all their technical details, especially in the case of machines, appliances or accessories. Sometimes only obsolete designs are available although this does not always constitute a major disadvantage since the technological level of the developing countries is lower and there exists no special demand for the latest type of equipment. Products having performed successfully over years in developed countries can be well accepted by developing countries in place of more modern items, especially if the older products are cheaper. Furthermore, since these products are well tried, no major technical problems are likely to arise.

93. In a more general way, the Group stressed that developing countries cannot afford the waste often prevailing in the developed countries. Products have to last longer and costly experiments should be avoided.

94. Although there is little hope that small industries in developing countries would be able to develop original designs in the near future, efforts should still be made to make the consumer design-conscious. There are certain types of products where the design problems are simple. Even small industrialists with limited technical resources could introduce innovations but, in order to do so, the industrialists have to become more aware of the need to fit consumer tastes. There will be a need, for a long time, for expert advice and assistance to show small-scale industrialists how innovations in design could lead to increased sales.

#### Assistance in quality control

95. The Group stressed the importance of quality in achieving market acceptance for the products of small industries. Quality is a relative concept and there is no reason to aim at a very high standard of quality if this is not demanded by the local market. There is a certain minimum quality regarding the durability and functional performance of a product which clearly should be related to the price paid for the item.

96. The problem is how can the small industrialist be influenced to improve quality. The quality of some products, such as those involved in subcontracting, can be improved through the help given by the large contractors to their small subcontractors. Here generally, extension and advisory services can do a great deal to assist small-scale enterprises to improve their quality through better control and inspection procedures.

97. There was some discussion on the value of introducing systems of quality certification. While recognizing the value of such systems, some participants doubted whether they would be as effective as they should be unless they were fully accepted by the consumer. No quality marking or certification system can achieve results or really raise quality standards unless the consumer demands quality-marked products. Developing countries need more national standards and better specifications especially for the products of small industry. In one developing country, India, a large number of standards have already been established and efforts have been made to introduce quality marking on a pilot basis. It has been found that the scheme was very costly and that few people actually bothered to ask for quality markings so that these did not greatly increase the sales of the products involved.

98. The general opinion of the Group was that small-scale manufacturers would raise the quality of products only when the consumers would demand quality products. Certain quality factors to which great importance is attached by manufacturers really have no significance to the consumers. As already mentioned, quality is related to price and if, as is the case in many developing countries, there is a market for a low-priced product, a low quality item would usually prove acceptable. In such circumstances there is little incentive to raise quality standards especially if this results in higher production costs.

99. One participant thought that an improved way of overcoming the quality problem was to create a "brand image" for products. Once a brand name has acquired reputation, quality problems usually disappear.

100. Another participant referred to the comparatively new subject of value engineering which he considered could be very important in raising the quality of products in developing countries. This new technique makes it possible to detail more clearly those factors in a particular product that affect quality. Then special attention can be paid to these points during manufacturing. Value engineering can be helpful

to small industries. It would help to achieve maximum quality for a given cost.

101. One aspect of quality improvement is related to the quality of the raw materials with which the small-scale industrialists have to work. If these obtain only inferior raw materials, they cannot be expected to produce high quality products. A quality certification and marking scheme might be introduced for certifying that the raw materials are of the required quality standard. Again such a scheme would only be successful if the small-scale industrialists insisted on being supplied only with quality-marked raw materials. An independent body should supervise the marking of such raw materials from the point of view of quality and other standards.

#### Packaging

102. Great importance should be attached to good packaging especially for certain types of products. In developing countries this is a neglected area. There is a great gap between the packaging provided for products in developing and developed countries. Sometimes the products manufactured in developing countries can be recognized by their packaging.

103. There are special difficulties in reaching a higher level of good packaging in the developing countries. Packaging materials are not readily available and packaging is particularly expensive. There is little "know-how" in this field, especially on the part of small-scale industries. Help should be given to small industries so that they would solve their packaging problems, using the cheapest but most effective materials available. Packaging should take into account not only appearance but also functional utility and such matters as ease of transport of the product.

104. One participant observed that, in developing countries, most small industries were not producing products lending themselves to mass packaging. Small industries should nevertheless realize that sooner or later, if they were to produce certain products, poor packaging would adversely affect their sales. This participant also thought that small-scale industrialists could be made to realize that good packaging could increase their profit margins too, since the product might fetch a higher price when well packaged.



### Promotion, publicity and exhibitions

105. In general small-scale entrepreneurs do not have the financial resources to spend a great deal on advertising their products. However, the Group considered that some form of sales promotion was indispensable and that even small industries should be prepared to spend some funds for this purpose. They should be helped to calculate the budget they could afford to spend on advertising and sales promotion and then to work out promotion campaigns through publicity media for their type of products. Too often small industrialists waste their limited promotion budget on ineffective forms of advertising and publicity. They should know exactly where their market is if they are to make the best use of a very limited budget. It is also important to educate small entrepreneurs to realize that unless they make their firm, brand and products known to consumers and to the market as a whole they cannot expect great improvements in sales. In addition, developing countries' large-scale enterprises are entering into co-operative agreements with small-scale units on a selective basis to take over the marketing of their products under their own brand names.

106. One effective method of making the products of small industries known is through exhibitions. Several successful exhibitions of small industry products have been held in developing countries. Participation in exhibitions is sometimes costly and there is a case for assisting small industries in taking part in such displays. It is also important that the exhibitions be visited by the right people - those who could give orders for the products displayed. There was some discussion whether it is better to have exhibitions open to the public or only to those who can actually give orders. One compromise proposal was that the exhibitions should be open to the public for some time but that during a given period, possibly at the opening days, only trade representatives would be permitted to visit.

107. It is sometimes useful for small industries to participate in foreign trade fairs. When a small industry has shown that it can successfully compete both in the local and export markets it should be assisted through special public funds to participate in foreign trade fairs and so make itself known in overseas markets.

Franchising and licensing

108. Purchasing licences from foreign firms to obtain technical guidance on the production of new products is a way for small industries in developing countries to introduce new products. Experience shows that manufacturing licences can be acquired by relatively small industries. There are difficult legal problems in entering into licensing agreements and developing countries need help in this field. Some participants related how industries in their countries had been charged exorbitant royalty payments when making such agreements - up to 20 per cent of income from sales. Firms in developing countries should examine very carefully the licensing agreements into which they enter.

109. In most cases developing countries should aim at licensing agreements having a time limitation, that is, after a certain period the firm in the developing country would be free to produce the product without paying royalties. Also, those in developing countries who negotiate licensing agreements should beware of imposed territorial limitations as regards the marketing of products produced under licensing. Such limitations may sometimes prevent exports of products and restrict the market to the point of making it unprofitable to produce the item.

110. The consensus was that although fraught with many difficulties, licensing and franchising are significant ways of expanding industry in developing countries and of overcoming manufacturing difficulties both in the technical and marketing fields. Franchising could allow firms to produce or operate under a well-known brand name, which would greatly facilitate the entrance of the products on the market. However, in negotiating agreements of this sort every effort should be made to keep a reasonable level of royalty payments.

111. Some participants raised the question of what should be considered as a reasonable level of payments. Some examples were given of payments between 5 and 10 per cent of income from sales. It was felt that, in most cases, this should be the limit of an agreement, however, the final payment level would evidently depend on scale of production and other conditions.

#### IV. INTERNATIONAL CO-OPERATION

112. The UNIDO representative explained the types of technical assistance given by UNIDO in the field of domestic marketing. In relatively less developed countries, most of the work has been to study the market with a view to preparing feasibility and pre-investment studies on products that might be economically produced by small industry. In some relatively more advanced countries, assistance has been given to improve the marketing of small-scale industry products.

113. Assistance has also been given by marketing experts in more specialized fields. One expert developed a scheme for government purchasing of small industry products in Iran; another helped in setting up subcontracting exchanges in India and Turkey; industrial design experts have been sent to a number of countries, the latest of which was Thailand.

114. Mention was also made of the work of the International Labour Organisation (ILO) in providing experts in the field of marketing to work in teams assisting productivity centres and management development centres. Such experts had worked and were working in a number of countries, mainly in providing training for marketing personnel.

115. The Group expressed its conviction that there was need for increased technical assistance in the field of marketing of small industry products. Much more should be done in order to set up extension centres, advisory institutes and centres, development organizations etc. Such organizations should be able to help small-scale industries in the marketing field. Requests from governments for help in all the fields mentioned at the meeting should be stimulated; this would include organization of channels of distribution, subcontracting, public institutional market development, industrial design, market surveys, product development, quality improvement and licensing and franchising.

116. There is also room for expanding the training of personnel from developing countries in the field of marketing. The Group noted that UNIDO plans to increase the facilities for training in this field but is limited by the few available institutions where marketing training could be obtained. The Group recognized the value of courses in marketing training in such institutions as the RVD in Delft and the Irish Management Institute in Dublin, but felt that other appropriate institutions in the developed countries should devise programmes to give practical experience

in marketing work to persons from the developing countries. More efforts should be made in this direction.

117. The Group took note of the new UNIDO scheme for promoting partnerships between small-scale and medium-sized industries in certain developing countries and industries and certain institutions in the developed countries. It felt that such partnerships could do a great deal to improve the domestic marketing of small industry products. Several of the participants spoke positively of the scheme and hoped that the scheme would get the support it deserved. The Group urged a greater exchange of information on ways and means in which small industry is assisted in different countries in the field of marketing and in allied fields. International organizations have a role to play in collecting and exchanging such information.

118. The Group held the view that more use could be made of the services of associate experts or United Nations volunteers in the field of marketing. There are many activities related to marketing, such as data collection, surveys, dissemination of marketing information etc., in which young qualified persons can be of great assistance to senior experts in improving the level of marketing in a developing country.

119. Finally the participants stressed that expert personnel sent out in the field should understand the background, culture and distinctive features of the country in which they serve. While this is true of all experts, it is particularly required of those who are to assist in the field of marketing where an understanding of habits, tastes and ways of the local population is indispensable.

AGENDA

AGENDA

AND PROGRAMME OF THE EXPERT GROUP MEETING

Registration of participants

- Item 1. Opening addresses
- Item 2. Election of officers
- Item 3. Adoption of the agenda
- Item 4. Marketing problems of small industrial firms
  - 4.1 Advantages and disadvantages due to the size of the enterprise
  - 4.2 Limitations due to the size of the market
  - 4.3 Inadequacy of distribution channels - dependence on middlemen and wholesalers
  - 4.4 Pricing practices
  - 4.5 The problems of product development, design and quality
  - 4.6 Other problems
- Item 5. Promotional and assistance action - The role of the Government, of extension centres and of self-help
  - 5.1 The role of the Government
    - 5.1.1 Import substitution and import restriction policies
    - 5.1.2 Reservation of certain sectors and products for small-scale industry
    - 5.1.3 Price controls
    - 5.1.4 The public institutional market - bidding and preferential procedures
    - 5.1.5 State trade and marketing organizations
  - 5.2 The role of industrial extension centres and other institutions
    - 5.2.1 Training and advisory services for small industrialists
    - 5.2.2 Facilitation of financing
    - 5.2.3 Promotion of subcontracting

- 5.3 Self-help
  - 5.3.1 Self-help at the plant level
  - 5.3.2 Co-operative procurement, marketing and financing
  - 5.3.3 Role of chambers of commerce and industry and other business organizations

**Item 6. Measures of promotion and assistance (private and public)**

- 6.1 Assistance in market research and prospection
- 6.2 Assistance in product development and design
- 6.3 Assistance in quality control; quality certification and marking
- 6.4 Assistance in accounting, cost accounting, pricing and other managerial functions
- 6.5 Organization of direct sale, market places, wholesale depots, mobile shops, emporia, supermarkets and chain stores
- 6.6 Packaging
- 6.7 Promotion, publicity and exhibitions
- 6.8 Franchising and licensing
- 6.9 Organisation of market and marketing information

Travel to Limerick and Shannon

Visit to Shannon Industrial Estate

Return to Dublin

**Item 7. International co-operation in the field of marketing of small industry products**

- 7.1 UNIDO technical co-operation
- 7.2 Co-operation by other organizations

**Item 8. Adoption of the conclusions of the meeting**

**Item 9. Closing addresses**

## ANNEX II

## LIST OF DOCUMENTS

## Conference Papers

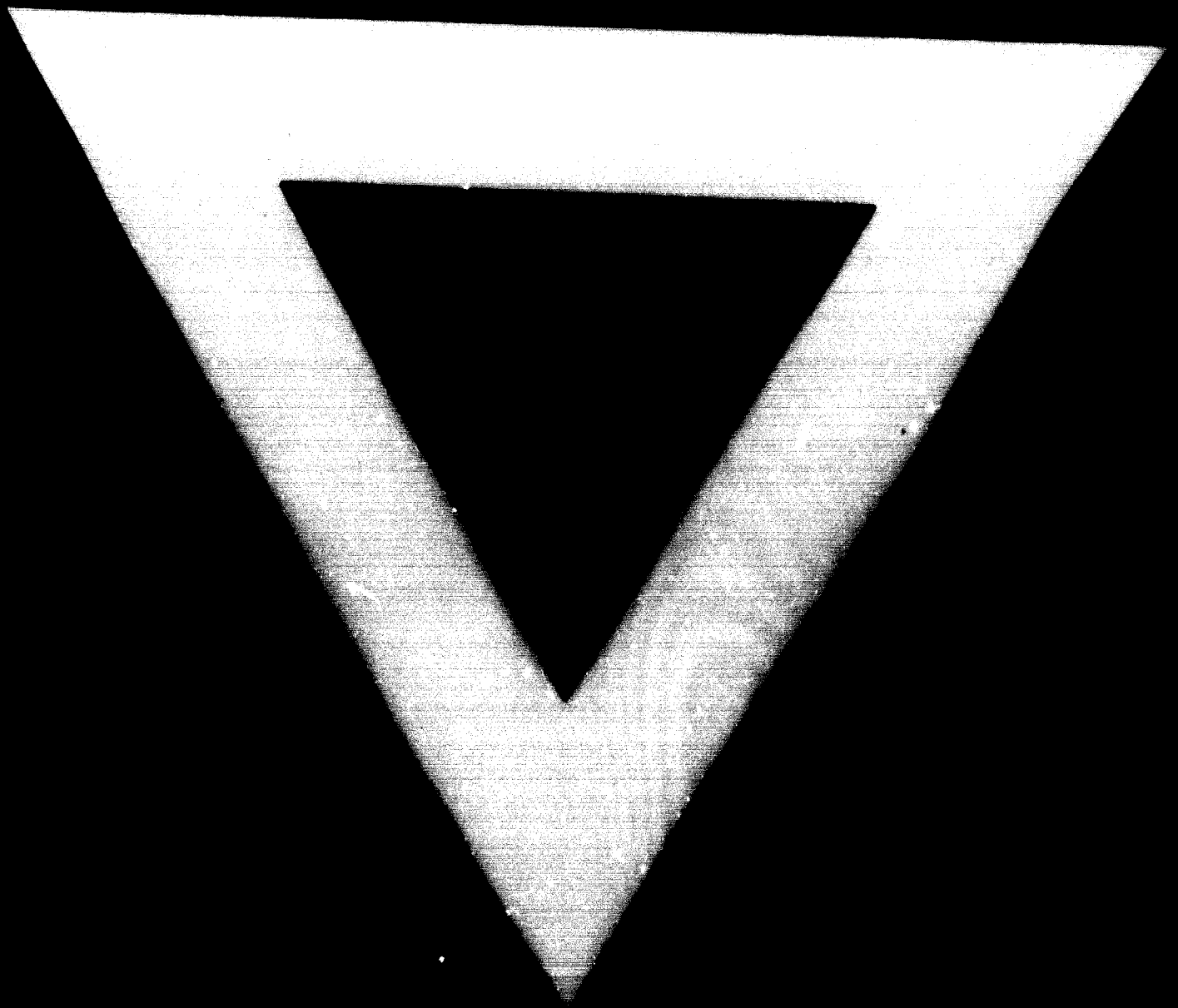
<u>SYMBOL</u>	<u>TITLE</u>
ID/WG.124/1	Provisional Agenda and Programme of the Expert Group Meeting
ID/WG.124/1 /Add.1	Provisional Agenda and Issues for Discussion
ID/WG.124/2	Selected Marketing Considerations for Small Business Managing in Developing Countries by Russell Loftus
ID/WG.124/3	A Study of Domestic Marketing of Small Industry Products in India by Baldev Singh Grewal
ID/WG.124/4	The Public Institutional Market prepared by the Secretariat of UNIDO
ID/WG.124/5	Improving Product Quality in Small Industries in Developing Countries by David J. Desmond
ID/WG.124/6	Marketing Problems of Small Industrial Firms in Thailand by Vandi Hutasingh
ID/WG.124/7	UNIDO's Technical Co-operation Activities in the Field of Domestic Marketing of Small Industry Products prepared by the Secretariat of UNIDO
ID/WG.124/8	Marketing and the Small Industries Division prepared by Industrial Development Authority, Ireland
ID/WG.124/9	Training and Marketing for Small Industries at the Irish Management Institute by Neil Dean
ID/WG.124/10	Irish Small Industry - A Case History and Future Domestic Marketing; by National Development Association, Ireland
ID/WG.124/11	Government Purchases from Small Industries by Sohrab Mahrir
ID/WG.124/12	Domestic Marketing of Small Industry Products in Turkey by Ayhan Karlidag
ID/WG.124/13	Domestic Marketing of Small Industry Products - Role of the Government by D. C. Dede
ID/WG.124/14	A Note on Import Substitution and Import Restriction Policies and other Related Topics by K. A. Ng'any
ID/WG.124/15	List of Participants
ID/WG.124/16	List of Documents

- ID/WG.124/17 Marketing Problems Faced by Small-scale Industries in Malaysia  
by Alan S. Satharongkivil
- ID/WG.124/18 Small Business Revisited  
by Horacio Filles Almeida Santos, Universidade de Sao Paulo
- ID/WG.124/19 How Marketing Research can help Developing Countries in Increasing their Trade  
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- ID/WG.124/20 Domestic Marketing of Small Industries Products in ILO Activities Relating to the Development of Small-scale Industries and Handicrafts in Developing Countries  
by Z. Podzelewski, ILO, Geneva
- ID/WG.124/21 Some Considerations on Marketing of Handicrafts and Small Industry Products in Peru  
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#### Background Papers

- ID/STR.A/12 Promotion of Small-scale Industries through Government Purchasing  
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- ID/WG.A1/34/  
Rev. 1 General Conclusions of the Expert Group Meeting on the Role and Promotion of Subcontracting in Industrial Development
- UNIDO/ISID/16 Partnerships - A Note on Co-operation between Developed and Developing Countries in the Field of Small-scale and Medium-sized Industry in African Countries





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