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MARKETING IN THE DEVELOPING COUNTRIES

TECHNOLOGICAL ASPECTS AND PROBLEMS OF PLANNING MARKETING STRATEGY 1/

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I N D E X

1. Introduction

The development of sciences and techniques and the dynamics of the economic and trade processes, at domestic and international levels, have resulted, in the recent years, in a consistent growth of industrial activities and in a parallel expansion of managerial responsibilities, particularly in the field of planning and implementation of marketing strategies.

The problem of how to accellerate the rate of economic growth of developing countries and, in particular, of least-developed economies, has led to increased interest towards the adoption of advanced marketing technologies.

In the developing world, where traditionally there is a tendence to concentrate on structural and technological aspects of industrial expansion the importance of developing marketing expertise still is, to a certain extent, misregarded. When this occurs, industries may lose their competitive strength, the investment programmes are discouraged, the production is slackening, the costs are magnified and the domestic market environment is, in turn, affected by crisis and stagnation.

Following these considerations, this paper aims at meeting the latent or expressed requirements of the industry of developing countries, as to the critical issue of "how to profitably expand the demand for locally manufactured goods". The aim is to provide an overall view of the most relevant aspects and problems of marketing strategy planning, identifying criteria and implications for its implementation.

The specific objective is to draw attention concerning the relevance of the local marketing environment and local policies upon the operational efforts of local industrial enterprises, in a context of aggressive competition.

Before all, it is however advisable to clearly define the marketing concept, so as to avoid confusion or misinterpretation, depending on the fact that "marketing" is a conventional expression identifying a rather complex context. The definitions of marketing are numerous and often are generic or restrictive and do not provide sufficient scope or elements to distinguish marketing from some of its own functional components (such as market research, promotion, selling, distribution etc.).

"Marketing is the management function which plans and directs the totality of business activities related to optimizing the flow of goods and/or services from producers to consumers or users, so as to translate the potenti demand of a market into effective demand, and satisfy it according to plan objectives.

In elaborating this paper, emphasis was particularly place on the way in which the marketing concept, originally formulated for developed economies, can be factually adapted and successfully adopted in the developing countries, taking into account their structural,cultural and economic environment.

2. Planning the Marketing Strategy

Planning marketing strategy is a major task of the industrial management function as it consists in anticipating possible future developments, formulating policies and objectives, mobilizing men and resources and organizing action programmes, to attain economic operational targets,at profit.

The question is not wheather industrial managers plan in terms of products, prices, promotion, distribution or investment, but how well they paln the marketing strategy and how accurate are the data they have collected to formulate the programme of action and to organize the available resources within a given marketing environment.

Marketing strategy is a comprehensive set-up which, on the basis of actual external and internal information and in view of foreseeable developments over a given time-span, shall enable an enterprise to adjust its output, its communication and its field action, so as to overcome critical factors and optimize the efforts within the context of its market.

The marketing strategy first of all includes a clear statement of objectives and the proper allocation of resources to attain such targets involving, therefore, realistic estimates of costs and benefits.

Planning marketing strategy is vital to minimize investment risks and to chart the future course for the economic and operational expansion of the enterprise.

It begins and ends with the knowledge of the structure of the market, and the identification and measurement of market potentials and competitiveness.

It consists in the clear determination of marketing targets, within a given market area and time-span, and is based on the design of the marketing mix(1), to achieve such objectives.

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(1) product, price, promotion, distribution

The marketing objectives include:

- sales targets,
- market share,
- pruduct penetration ratio,
- market or consumers coverage, in geographical terms,
- capital investments' return,
- value added per product or lines of products.

The determination of the marketing mix strategy is rather difficult as each component (product, price, promotion and distribution) are inter-dependent and each of them must be considered in strict relationship with the others. This means, for example, that it is erroneous to plan a distribution strategy or policy without taking into consideration its effects upon actual pricing or promotional policies or strategies.

The management decision in planning the marketing mix strategy must be designed to minimize risks and optimize results in terms of invested resources.

The marketing manager should be able to answer three questions before making any marketing planning decision:

- how will this decision affect the economic budget?
- how will this decision affect the image of the enterprises and/or its products?
- how will this decision affect the organization?

In most developing countries the distance between a producer and his customer is ordinarily much wider than one thinks.

By distance we do not mean only physical distance. More important is the marketing distance created by intermediaries standing between the enterprise and the ultimate consumers of the product, and the cultural distance arising out of the fact that the consumers can be members of different cultures, or social groups.

All these distances conspire to produce an information gap that must be overcome if a company is to plan its marketing strategy rationally. The way to narrow this gap is through a systematic study of the market environment, directed towards identifying and measuring potential and actual market opportunities.

3. <u>The Marketing Information System</u>

The information gap has always confronted industrial producers and it is a most relevant critical factor in business development. The rapidity of changes concerning buying power and attitude of consumers, the growing complexity of marketing operations, the intensity and quality of competition offer great advantages to the enterprise which has superior information about the identity and behavior of the market.

It is no longer possible to carry out marketing activities on a hit or miss basis, as in the days when a merchant exchanged his goods for whatever the "natives" offered him. Marketing has become today a highly complex and scientific operation, which cannot be planned and implemented unless it is based on market knowledge which only research can supply.

Marketing planning depends, in fact, upon a careful analysis and appraisal of markets, company strengthes and weaknesses, and the full range of the marketing mix. This is to say that marketing research is the basic input for strategy planning. This applies not only to market studies but also to research in advertising, pricing, distribution channels, and all other factors that may contribute or affect industrial expansion.

As we are here concerned with the "market", three basic questions must be answered by industrial management if he has to effectively plan a profitable marketing strategy:

- what is the actual and foreseeable potential of the market?
- what is the company's sales potential in the market?
- on what specific market segment should we concentrate our marketing effort?

Answers to these questions lead to the selection of market segments, focusing actual and potential consumers' behavior, demand structure, and performance standards.

The majority of enterprises in developing countries generally neglects estimating market and sales potentials and merely rely on past experiences, reports from distributors, credit and sales reports, and the like. There is nothing wrong with these information sources, but they should be interpreted in the light of systematic studies on markets and customer behavior. Otherwise, there is great danger that management will make decisions based on incomplete information often coloured by subjective judgment and prejudices.

A systematic study of the market should not be identified with high cost or the necessary use of outside consultants. Undoubtedly larger industrial companies make greater use of market research than the smaller ones. But the use of marketing research is only partly a question of company size. Basically, it is a question of management attitude towards research and towards planning in general. It is the approach that is most significant, not the money or the time involved into research. Useful market information can be gathered at a very low cost, that can be adaptable to all sizes of enterprises.

Preliminary surveys identify market opportunities that warrant further investigation. The techniques used in preliminary screening are simple ones, relying mainly on readily available information which, however, should be consistent enough to focus existing market opportunities within the widely diversified set of consumers segments.

Management seldom applies survey techniques to the domestic market, disregarding, for example, that for some products, climatic factors may exclude certain market areas from consideration in certain given periods.

Management may declare certain other areas out of bound because of past experiences, imagined fears or preconceived ideas.

At other times, it may be the marketing executive himself, who is responsible for a survey, that may limit screening to those areas he knows or which appear to him to have economies and demand most appropriate. Or he may take his cue from domestic competitors. And because he talks with other marketing executives and reads trade journals he may develop definite inclinations towards specific market segments or geographical regions.

Because surveying is a preliminary research, it should be as comprehensive as possible. Management should know why certain areas do not warrant further investigation. Otherwise, it may neglect excellent market opportunities, leaving them to more enterprising competitors.

The most useful technique for preliminary screening is an appraisal of official statistics showing performances of the product or product line.

Management should understand that small trade does not always indicate small markets. By failing to find out why trade is low, management may overlook opportunities that deserve consideration.

Information on trade restrictions is generally available, and estimates of consumption are all that is needed for screening purposes.

In this way, management can make a three-way breakdown of national market, that can be very helpful in preliminary screening. Import analysis can also be applied to assess share of trade. If the share is big, it is ordinarily a hopeful sign. A small share, on the other hand, raises questions on competitive strength.

Management completes its preliminary survey when has identified problems that justify further investigation. The number of these problems depends not only on factual analysis, such as we have described, but also on the judgment criteria used by management. In most cases, however, the number of problems identified for further study is far less than the number given in a preliminary screening.

When marketing management has evaluated the market potential, over the considered planning period, it may proceed on to a second question: how much of the market potential should the company plan to get? The answer to this question represents the company's "sales potential" in that market.

Sales potential is the maximum sales that an enterprise can reasonably plan for in the market. It is usually derived from an estimate of the company's maximum share of the market potential over the planning period, that is, its maximum penetration ratio.

The sales potential is not the same as a sales forecast. The sales forecast is used to determine the short-run sales goals of current operations by estimating actual sales prospects. In contrast, the sales potential is a basis for strategic planning and a projection of maximum sales opportunity. Sales forecasts have a important role in budget planning within the framework of objectives and policies laid down by the marketing plan.

To arrive at a good estimate of the company's sales potential, marketing management should evaluate the relative importance of various factors which may vary among areas, products and consumer segments. In some areas product design may be a key factor; in others, price; in others, distribution channels. In all cases, key factors should be identified and measured as to their impact on sales potential.

The major area of investigation should be an evaluation of trade policies and other pertinent government regulations that may influence marketing action pricing and the like. These include registration requirements for patents and trademarks, antidumping and countervailing duties, anti-monopoly legislation, resale price maintenance laws, trade practice legislation and labeling requirements, to name only the most prominent.

Another area os research involves a series of comparisons between the enterprise's product line and those of competitive firms in the market. In some instances, comparisons of quality, design or price will indicate that the company's product is highly differentiated from other products. Although this may enable the company to build a strong competitive position by appealing to specific segments of the market, it also makes the task of estimating sales potential more difficult.

Product comparisons should not be restricted to the product alone. The successful marketing of many industrial and consumer durable goods requires an after-sale service of various sorts such as technical assistance, installation, repair and maintenance, and the easy availability of spare parts. Competitors' performance on these auxiliary services should be carefully evaluated as to cost and effectiveness.

In replying the question: "at equal conditions, can our product line compete successfully against products already in the market"? answers may range over all aspects of the product price, design, size, quality, servicing, etc. However, such findings should be viewed in the nature of hypotheses to be tested by later research on relevant market segments.

It is also important to look beyond competitive products in the same industry. Comparisons should be made among all products - whether or not in the same industry - that serve the same function in the behavior of consumers. At times, inter-industry competition may be more severe than competition among similar manufacturers within the same industrial branch.

Market structure and the marketing efforts of competitors are a third area of study. An investigation of market structure raises these questions, among others:

- what is the degree of monopoly in the market?
- who are the market leaders?
- is competition rigorous or loose?

Competition structure is often a decisive factor in determining the expansion in the market. Some markets are characterized by strong associations of various producers who bend their collective efforts to keep our intruders. Sometimes markets are dominated by one or two large firms and a host of smaller, less efficient followers. Other markets may, instead, have no dominant firms and a loose competitive structure that makes expansion easy.

In evaluating the performances of competitors it is wise to focus on the market leaders. To expand in a market, the enterprise must necessarily come up against these leaders who can be expected to offer the stiffest competition. Apart from this basic consideration, the company can learn a great deal about promoting and distributing by studying the operation and policies of its competitors

A simple study of the performance of competitors is not enough. It is necessary to identify the particular sources of success of each competitor's in the market. Is it low prices? Patents? Product quality? Extent of product line? Brand image? Service? Location? Company size? Channels of distribution? Effectiveness of promotion and communications?

In some markets there may be only one or two distributors who can effectively handle the marketed line. When these distributors are tied to competiting companies by exclusive selling arrangements the enterprise is faced with a serious problem and is forced to use inferior distributors, hoping to improve their performance through training, promotional efforts and other devices. At times, the distribution bottleneck occurs at the retail level. This adds substantially to marketing costs and probably scares some producers. It is common to find inadequate distribution channels in the markets of developing countries.

Sales potential analysis also calls for research on the final consumer and is closely related to market segment analysis.

When carefully formulated, the sales potential can serve not only as a strategic marketing tool but also as a measure of performance. But to do this most effectively the sales potential should be broken down in terms of the different segments making up the market, by identifying the groups of consumers which offer the most profitable potential to the enterprise. This method is knows as "market segment analysis".

Segment analysis is necessary because market demand is never homogeneous. This is true even when markets are small in geographical extent. Consumers differ – often markedly – in incomes, wealth, education, social class, age, sex, occupation, race, culture and in innumerable other ways. Any of these differences may have a decisive bearing on consumers' willingness and ability to buy a product.

Because of these differences, seldom can a single enterprise satisfy equally well all consumers, This applies to even very large companies with extensive product lines. Furthermore, an attempt by a manufacturer to appeal to all consumers in the same manner can be a dangerous policy and the manufacturer may end-up with a product image that appeals to no one in particular.

Segment analysis is especially important in the marketing of industrial products. Often the manufacturer does not know which firm can use his product or, if they use it, why they do it and how.

Because of consumers differences, marketing management should break down the domestic market into segments (or sub-markets) in order to isolate the segments which have the greatest potential. This enables the enterprise to focus its marketing efforts on specific targets and avoid dispersing resources and energies on unprofitable segments.

An even-coverage, non-selective approach for the marketing of goods and services is wasteful. Segmentation research enables budgets and promotional campaigns to be directed in a specialized and rational way

In summary, segment analysis helps defining the marketing strategy related to the allocation of resources towards the sub-markets that together make up the total domestic market.

Here is an example showing the influence of different market segments motivations in the Venezuelan market, concerning taste in industrial design:

Three panels of housewives, drawn from three different local classes (upper-middle, lower-middle, and upper-lower) were shown various designs for a number of products, including beer cans, air conditioners, table lamps, and cookie packages. The same designs were presented to each panel: the first design was severely controlled in form and pattern, the second design was spontanesous and free but coarse, the third design was sentimental in style. The upper-middle panel chose the first design by large majority; the lower-middle panel was divided between the second and third design; and the upper-lower panel unanimously rated the third design as its first choice.

Product planning should be guided by a careful analysis of market segments. It is illogical to decide on marketing strategy before research has identified and located those market segments having the highest sales potential. Only after this is done can marketing management make a decision as to how, given the resources, it should allocate its marketing effort within the market. Market segment analysis also helps marketing management plan for an expansion of its present market coverag

We have outlined a systematic approach to identify and measure market opportunities, and emphasized the use of official data and secondary data, which normally are the least costly and time-consuming to gather. Only when secondary data is not available to answer specific questions about markets should marketing management undertake specific field studies.

4. Planning the Product Strategy

Once marketing management has identified and measured its market, it must plan the marketing mix that will enable the enterprise to reach its objectives. We have already mentioned the difficulties of planning the marketing mix, and the interdependence of the mix elements.

Product planning is the systematic determination of the manufacturer's product line, that is, the number and variations of products to b offered by the enterprise to the market it serves. Product planning tries to answer two basic questions:

- what, if any, products should be added to the company's current product line?
- what, if any, products should be dropped from the company's current product line?

All enterprises run the risks of adding or retaining products that are not profitable, and of ending up with a product line that does not match the requiremen of the market. Product planning seeks to minimize these risks through a careful appraisal of actual and potential markets (market position, sales potentials, buyer characteristics, etc.) together with an evaluation of the company's resources (technical, production, financial, manpower, etc.).

Product planning must also take account of what the company is selling now and its capacity to change the current product line.

The complexities of product planning are heightened by the many dimensions of a product. After all, what is a product? This question can be rephrased: what is the company selling? In the final analysis, it is selling the satisfaction that buyers expect to get from the consumption of its "product". Thus an airline is not selling air services, but space and time convenience; a toothpast manufacturer is not selling toothpast but health, cleanliness, and social acceptability. Broadly conceived, a manufacturer's products is what contributes to the satisfaction of his customers. His product is the output of the whole company's effort and is not "fully produced until consumed" by the market.

In more specific terms, product may be viewed as having three dimensions:

(1) the physical structure;

(2) the packaging structure, including brand name and trademark; and

(3) the service structure, such as performance guarantees, use instructions, installation assistance, spare parts availability, etc.

Accordingly, product planning involves not only planning the physical structu (product core), but also the ways in which it is identified and presented to the consumer (product package), and its consumption is facilitated and made effective (product service).

As is true of planning in general, product planning must be guided by a profit yardstick, which is the expected profit contribution over the life of the product. The use of this standard may be considerably modified by company objectives, other than profit, and supplemented by other standards relating to how a new product or product improvement fits into the existing product line and capacities of the company.

Often the refusal of some companies to adapt their products to market requirements is more frequently a question of management's attitude than strategic or financial considerations.

Although management may be constrained from planning new products, there is much it can do to adapt existing products to market demand. Managementshould also strive to adapt the many elements of packaging to the requirements and preference of customers. Finally, it should decide what auxiliary services will facilitate sales and consumption.

Whether and how the many dimensions of a product should be adapted to the requirements of markets can be decided only after answering the questions relating to potential consumers, environmental conditions, government regulations, competition and expected profit contribution.

Product planning begins with a consideration of the physical properties of the products from the perspective of potential customers and total market environment.

The vast majority of products can be adapted to markets on one way or another with a resulting improvement of their image and their profit contribution. Such adaptation may refer to size, function, materials, design, style, color, taste, specifications standards, etc.

It is not however necessary to change the standards of the product to conform to the buying behavior of consumers, often the same result may be obtained through packaging. Also, the preference of a consumer for big sizes may be satisfied by multiple-unit packages such as those commonly used in the sale of soft drinks and corn-flakes.

Differences in technical skills, labor costs, the availability of manpower, climate and other factors often change the functional requirements of industrial products in developing countries, and adaptation may generate satisfactory results. Although it is possible to speak of international designs in certain products there still exist wide disparities in the style preferences of different people.

The color of the product may be a critical factor. Although color is usually less important for industrial products, it bears directly on the saleability of certain products such as office equipment.

Differences in taste are pertinent to the sales of manufactured food products.

Industrial equipment is particularly sensitive to variations in standards. Manufacturers of industrial equipment should adjust their products to the measurements, calibrations, voltage, and other specifications if they are to take full advantage of market opportunities. Often such adjustments can be made easily and at low cost; in other cases, they may require substantial changes. Undoubtedly, differences in systems of weight, measure, and industrial standards are an obstacle to trade, but can often be overcome through product adaptation.

This brief review of some of the many aspects of the product core that may be adapted to the requirements of markets suggests the complexity of product planning. It also points to the necessity of testing products in the market before undertaking substantial and constly production and marketing programmes.

This involves a careful and systematic analysis of the consumers' reaction to the product and how they use it.

In addition to adapting the physica product to the requirements of the market, management should also plan the presentation of the product at the "point of sale". For most consumer products and various industrial products the most important element in this presentation is the package.

The product package should be distringuished from the shipping container because they have different functions. The purpose of the shipping container is to protect the product (and its package) against various risks such as physical damage and pilferage during handling and transport.

The product package has a dual function. Like the shipping container it protects and preserves the physical product, especially at the point of sale. But the distinctive function of the consumer package is its role as a "silent salesman", attracting attention to the product, indentifying it, and persuading customers to buy. This promotional function of product packaging and its planning is the subject of a research.

The promotional use of packaging has determined a remarkable development in the marketing of consumer goods. The expansion of self-service has created new point-of-sale conditions that greatly enhance the marketing significance of the package, as most items are generally bought on impulse. In these circumstances the product package assumes a critical importance.

If the package is to promote the product in the market, it should be adapted to the behavior, attitudes and preferences of potential buyers. One obvious adaptation is the printing of the package label in a language that is agreable to consumers. In spite of its obvious nature, quite often marketers ignore the language factor in package labels. As a results these labels lose much of their value to inform buyers about the product and persuade them of its merits.

A less obvious form of package adaptation is color. Certain colors have a symbolic value in all cultures, and the use of these colors may affect the sales of a product. It is known that people in Pakistan, Israel and Venezuela dislike yellow. In the Far East white is the color of mourning and blue is the color of sorrwo, but Greeks like both of these colors. Moslems favor green, and so on. In summary, the color of the package should not offend or repel his potential buyer, but attract him.

The vital part of the promotional package is its trademark. It is the trademark (a name, mark, design or other symbol) that confers a unique identity to the product by distinguishing it form similar competitive products. In brief, a trademark is the product's commercial signature.

Marketing management gains several advantages from trademarks. Most important, it can focus promotional efforts on product identity. In the absence of trademarks only large companies with dominant market positions could gain from promotion. Trademarks help small-scale enterprises to develop a market by promoting brand preference among customers. This process also induce the repetition of sales and permits to concentrate promotional efforts at the point of sale.

When a trademark gains wide acceptance among consumers it becomes a valuable property.

In many countries brand names may be difficult to protect (even when they can be registered) because of loose administration of trademark policies. In others, the reputation of the product may be compromised because of its possible identification with inferior imitations which can seriously endanger the image of a product or of an enterprise.

The effective marketing of industrial equipment and consumer durable goods normally requires auxiliary services both before and after sale. There are just part of the product as the product core or the product package.

When an industrial user considers the purchase of industrial equipment he is mainly interested in how well and how long that equipment will operate in his plant. The proper installation of the equipment, the training of workers in its use, and the maintenance and repair of the equipment to keep it in order, are all important factors, on which often depend the sales.

An enterprise can improve its market position by demonstrating and making known the effectiveness of its auxiliary services.

In developing countries, enterprises should develop appropriate service-mix to expand market demand, considering the conditions which may call for auxiliary services: changes in specifications, market ignorance of the product's use, unavailability of spare parts and maintenance facilities, and so on. Only by knowing these conditions can marketing management plan an optimal service strategy that can facilitate sales and lead to repeat orders.

In addition to studying and planning the adaptation of product core, package, and auxiliary services according to the requirements of consumers, marketing management needs to plan the product line it will offer to the market.

How wide should the product line be - how many different products? How deep should the product line be - how many variations, models, styles, etc. for each product?

Product line planning must take into account the characteristics of the market, the differences among potential buyers (social class, income, sex, industry, etc.), the consumers' expectation about assortment and quality range, the competitive product lines, and other powerful marketing factors such as distribution structure and economies.

When all products can use the same channesl it may be, in fact, possible to achieve economies in distribution by spreading fixed costs. On the other hand, when the addition of a product to the product line requires a new channel of distribution, marketing management needs to carefully weigh costs against profitability. Economies in distribution system may influence product line planning. In certain cases, is possible to make economies in distribution by taking on complementary products of other (not competing) enterprises. This is known as "allied company arrangement", and offers numerous opportunities, particularly to small enterprises with limited product lines, which thus may be able to gain advantages by co-operative distribution systems.

. Planning Pricing Strategy

Whatever product strategy is adopted, it has repercussions on other components of the marketing plan. Marketing management needs to relate product policies to price, distribution and promotion policies to get a comprehensive strategy for the entire marketing effort.

Planning pricing strategy is a difficult job. Marketing management must make judgments on a broad variety of conditions which are often known only imperfectly and with varying degrees of probability.

One difficulty is the concept of price as the ratio between goods and money, as determined by the interaction of supply and demand in the market.

To the businessman, price is the money he gets from selling a product unit, and it determines the profitability of that product. The product, however, has several prices because of many kinds of discounts (functional, cash, seasonal, etc and frequent gaps between list prices and negotiated prices. To speak of the price of a good is an abstraction.

For the marketing manager price should be merely one of the several elements of the marketing mix. Pricing is, in fact, a marketing tool and a means for attaining the sales potential and other objectives in the marketing plan.

The starting point in planning pricing strategy is the determination of the basic price. This is the price that the final buyer pays for the product. For consumer goods the basic price is the retail price; for industrial goods it is the price to the industrial user.

The determination of the basic price of a product involves three logical steps:

- estimating the demand of final buyers, over a planning period;
- estimating the manufacturing and marketing costs to achieve projected sales volumes; and
- selecting the price that offers the highest profit contribution.

It is the job of market research to supply the data needed for estimating demand. The information may come from a variety of sources: past sales records, competitors' prices, consumption analysis, surveys of the trade (retailers, industrial distributors), etc. Most difficult is the projection of possible shifts in the demand, over the planning period, in relation to the probable life-cycle of a product.

In estimating the costs of projected sales volumes, all costs should be included. This means that the final determination of the basic price can be obtained only after decisions have been taken on the rest of the marketing mix. For example, when one decides on a distribution channel comprising independent agencies (distributors, agents, etc.) one should be certain about the margins required by those agents to distribute the product.

The determination of the basic price involves also an evaluation of the expected profit contributions in relation with the choice of strategies promising the highest. This indicates that the forecast maximum depends on the accuracy of the information on projected costs and sales revenues.

Once determined, the basic price guides marketing management in planning the discount structure and the pricing strategy.

Strategic factors other than profit, may however modify the profit contribution approach. These include considerations concerning market share position, price stabilization, investment risks, special arrangements with important customers, etc.

Such considerations and other factors may lead to a departure from the basic price. Should we use price as an active promotional tool? Should we price above, below or at the same level as competitors? When the product is new to the market, should we enter with a high price or a low price? Should we price to minimize the profit of the whole product line, or of each product taken alone? Such questions underlines the complex nature of pricing and why determination of the basic price is only the first step in planning marketing price strategy.

Pricing strategy may, in some cases, influence the discount policy by affecting the size of distributors' margins. Aside from this consideration, the fact that enterprises often use channels involving intermediaries to reach final consumers means that their marketing prices are not final-buyer prices but intermediate prices.

None of these observations mitigate the value of the basic price as a guide. When the basic price is determined, marketing management can assess the impact that decisions on pricing are likely to have on profit contributions and market expansion.

Before taking up these further aspects of pricing, however, we should make a brief comment on value-added pricing because of its apparent appeal to marketing management.

Value-added pricing is pricing a product according to the following formula: cost of materials and labor plus allowance for manufacturing overhead plus selling expenses plus allowance for general overhead plus fixed profit margin. This formula is attractive because of its simplicity and its seeming assurance that th company will make a profit on each unit sold.

But value-added pricing has several disadvantages:

- it completely ignores the market demand;
- it ignores competition;
- it uses an arbitrary allocation of overhead costs which are not affected by current sales;
- it involves circular reasoning because price influences costs which, in turn, affect sales volume; and
- it offers no guidance to maximize profit or to reach other indirect profit targets.

The selling price is normally a compromise between the value-added which the seller would like to get and the amount which the buyer is willing to pay.

The proper use of cost analysis in pricing permits to measure the profit contribution of different projected prices and to establish a discount policy.

The most important discounts are the functional discounts to distributors, as they serve as:

- payment to middlemen, and
- incentives to encourage distributors to give extra promotional effort to the product.

Quantity discounts also have a promotional function. Marketing management needs to decide whether to give quantity discounts considering profit contributio and investigating their effects on sales and the savings in transportation, handli and order costs. Pressure by buyers and competitive practice enter into this evaluation.

When auxiliary services are offered, a decision should be made on whether to cover their costs out of sales or whether to charge customers for each specifi service. The latter policy may be implemented in the form of discounts.

Cash discounts are also offered to accelerate payment.

This short discussion on discount policy makes clear its dependence on product, channel and promotion as well as pricing decisions - and confirms the need to plan marketing strategy comprehensively, with full regard to all componen of the marketing mix.

Marketing management has wide pricing discretion when its product is known to the market and has no competitive substitutes. The degree of pricing flexibility hinges on the degree of product differentiation. When consumers show a preference for a product because of its quality, style, performance or any other property, marketing management has some degree of pricing authority and the opportunity to develop an optimal pricing strategy.

The degree of pricing discretion determines marketing management's capacity to use price as a marketing tool. What is needed is an accurate assessment of the profit contribution offered by each and every part of the marketing mix, so that management can plan a strategy with a maximum profit contribution. A low-price policy, for example, is likely to vitiate a quality product image which management wants to promote.

Each product has a life-cycle. The life-cycle starts when a company introduces a product new to the market which is differentiated from older products. In a word, the product is a speciality. At this stage the marketing job is mainly promotion and distribution, stimulating demand and making the product available to people. There is little or no price competition, giving management broad pricing discretion.

Few products can however remain specialities indefinitely as, sooner or later, they are duplicated or even improved, by competitors.

The producer may seek to maintain his market position through promotion emphasising the distinctiveness of his product. But as competitive pressure grows more intense and products become more alike, he is forced to lower price. His pricing discretion is much less and he must pay closer attention to competitors. The product is no longer a speciality and becomes a standard commodity.

Although companies are not usually successful in preventing a speciality from becoming a standard product, they should be able to forecast the transition. Skillful promotion can sustain brand preference. Product improvements and new packaging are commonly used to stop a drift towards standard commodity status. Indeed, much of modern marketing may be viewed as a continuing effort to keep up product from slipping to a standard commodity level.

Marketing management should carefully study what stage of the life-cycle its product occupies in the market.

When a product is new in the market how should it be priced in view of its probable life-cycle? We can distinguish two basic strategies.

The first strategy is to enter the market with a high price to select the demand. Later, when the speciality becomes a standard commodity the price is lowered to maintain and increase sales.

The second basic strategy is to enter the market with a low price serving as a spearhead in order to penetrate the market as quickly as possible. Here the strategy is to build up a dominant market position in a short time. Penetration pricing may also keep out competitors because of low profit margins. In following this strategy marketing management wants to built up a mass demand for its product and prevent others from competing in the market. It expects its profits to come from volume sales rather than profit margins.

Which strategy is better? It depends on the enterprise, the product and the market. Let us simply note that pentrating pricing is more daring than high pricing because it relies on a build-up of volume sales.

In pricing its products marketing management should always take into account the expected reactions of competitors in the market. When the company has only a small market share, competitors are likely to ignore its initial price or subsequent price changes. But when its market share is sizeable, then changes in price are quickly matched by competitors. In these circumstances management may well decide to follow a stable price policy, relying on product adaptation, promotion and other non-price measures.

The pricing strategy must leave room for tactical flexibility. It is most unwise to require marketing management to keep to a specific price with no margin for negotiating with customer prospects, meeting shortrun market developments, or countering competitive activity. In this way, pricing strategy offers the best protection against tactical victory bought at the cost of economic defeat.

6. Planning Distribution Strategy

If marketing management has made planning decisions on product and price strategy he must develop a distribution strategy, getting the product to consumers at the place and time they want it.

Channel of distribution is the chain of marketing agencies linking the producer to the final buyers in the market. These agencies negotiate sales transactions and direct the physical movement and storage of the product so as to place it ultimately in possession of final buyers where, when and in the quantities they want it. The agencies comprising a given channel of distribution may be independent middlemen or owned by the producer. They may be many or few in number. Since the first and last links in a channel are the producer and final buyer respectively, it is logical to consider them also a part of the distribution channel.

In making these decisions marketing management should think in terms of the entire channel of distribution stretching all the way from the company to the final buyer in the market. Too many enterprises think their distribution channels end with their distributor, ignoring the section of the channel linking those intermediaries to final buyers. This is a faulty attitude because a distribution channel is only as effective as its weakest member. Transactions and physical flows may be blocked or slowed down at any point in the channel. Marketing management should plan channels that minimize obstructions, regardless of their location in the channel. And to control channel operations, marketing management should get an information feedback that covers the whole channel.

Several questions are pertinent for the determination of distribution channel performance, including:

- what geographical coverage do we want? How intensive should it be?
- what selling effort do we want from channel members?
- what promotional efforts do we want from channel members?
- what should be the performance of channel members, the volume and location of inventories, the delivery systems?
- how and in what way should we support channel members?

Specific answers to these questions depend on the nature of the market and competition, the nature of the product, the resources available to marketing management, and the over-all marketing strategy. From such answers enterprises should be able to design distribution strategy, which relate to other components of the marketing plan.

A critical element in distribution strategy is the degree of market coverage. If management wants intensive coverage, it needs many channel members. Management is generally inclined to use any type of channel which gives intensive coverage. Total market coverage also encourages heavier reliance on advertising and promotional support.

Sometimes marketing management pursues a strategy of selective market coverage In its extreme form this strategy uses a single distributor, having exclusive rights: the channel member agrees not to sell competitive products. A policy of exclusive distribution gives the company much more opportunity than total market distribution, in terms of control final-buyer prices and the distributor's performance. Such a control is particularly important when the enterprise wants channel members to push products aggreesively, to maintain large inventories and to provide auxiliary services, such as installation and repair. Exclusive distribution calls for the protection and full support of the channel member and more promotional effort than in the strategy of intensive distribution. Because of their role careful selection of exclusive distributors is critical to the success of the manufacturer's marketing programme.

Distribution channel planning is closely associated with promotion planning because channel members can be used to carry and intensify promotional messages directed towards consumers. The emphasis placed on the promotional activities of channel members is another ingredient of distribution strategy.

Distribution strategy is also influenced by the company's decisions on the size of margins to be offered to channel members, as well as credit, inventory, promotion and customer service. These decisions determine the performance specifications of the channel of distribution and the basic distribution strategy.

It is not easy to choose the optimal distribution channel. The true problem is not channel multiplicity but the difficulty of estimating the profit contributions of alternative channels. It should start with an appraisal of the performance of alternative channels. This leads to a rejection of many types of channels that fall short of the performance specifications, greatly simplifying the job of channel selection.

Ordinarily, marketing management finds more than one channel type that can meet the performance specifications. For example, it may decide that either a distributor or a sales branch can do the job. In this situation the choice becomes a question of relative cost. If a company could ignore channel costs, it would invariably decide to sell directly to final buyers. This would give the manufacturer full control over his distribution system and would bring him into intimate contact with his market, possibly covering all possible buyers by adopting a policy of intensive distribution. But, of course, distribution is not costless. In many cases the higher costs of direct, intensive distribution far outweigh its advantages.

In estimating the relative costs of alternative distribution channels, marketing management should take into account the probable effect of each channel on other components of the marketing mix. Different channels often require different degrees or kinds of support such as credit, promotion, inventories and training. These support cost money and should enter into the cost evaluation of alternative distribution strategy.

Once marketing management has estimated channel performance (expressed in terms of expected sales) and channel costs, it should calculate the profit contributions of alternative channel types. It may be found that the channel which promises the biggest sales volume or the lowest-cost does not grant the highest profit contribution over the marketing planning period.

On the other hand profit contribution can be rejected because the required financial outlay for controlling it exc eds company resources. By appraising alternative channels in terms of their profit contributions one can also avoid choosing a channel simply because it is the lowest-cost channel, a common mistake in distribution planning.

Information on distributors may be obtained from banks, government agencies, credit agencies, trade associations, and other sources. Armed with profile specifications and a prospect list, management is much better prepared to make the final selection.

It goes without saying that marketing management does not always get the channel members it wants. Distributors with the desired qualifications may simply not exist in the market, or they may be tied to competitors, or they may not want to handle the product. Concerning this last point it should be remembered that the selection of channel members is two-sided: the enterprise selects the distributor but, at the same time, the distributor selects the enterprise. Depending on the circumstances, one or the other party is usually in a stronger bargaining position.

When the enterprise can not get the channel members it wants, it must either use inferior people, hoping to improve their performance, eventually by providing credit and technical assistance, or establish its own distribution network. This last choice may involve a change in marketing strategy and eventually call for a capital investment beyond the financial capacity of the manufacturer.

In planning physical distribution it is a mistake to think in terms of transportation or inventories alone. Thinking should be in terms of the entire logistical system (plant location, materials handling, transportation, storage, and information).

Logistic distribution planning should start with a study of consumers: where are they located? How much of the product do they buy at one time? How often do they buy? What physical supply services do they need in terms of inventory assortment, delivery time, etc.? Starting with the requirements of final buyers, marketing management can proceed to design a logistical distribution system by working backwards from the market to the place of production.

The interrelationship among transportation, stocks and customer services are many and sometimes hard to detect. A shift from ground to air transportation may add to distribution costs, but these may be offset by lower inventory and packing costs or the sales advantages of quicker delivery to customers. Larger and more varied stocks closer to customer may increase storage costs, but they sometimes make possible less frequent shipments and improved customer service. This demonstrates the need to plan the distribution logistical system in its entirety.

Good logistical distribution planning pays off not only in lower costs but in higher customer satisfaction and, therefore, determines sales expansion and competitiveness. Technological changes in transportation and communication and better methods of inventory control offer new opportunities for improvements of distribution systems. The manufacturer who overlooks these opportunities risks to jeopardizing his marketing programme.

A last remarkd on distribution channel planning pertains to the need for periodically reviewing the adequacy of the channels already in use. Changes in market demand, in competition, in products, in company resources and in external factors can contribute to make existing distribution channels obsolescent. Once the distribution channel is set up, there is a tendency by marketing management to regard it as fixed and to avoid any changes until they assume an emergency character. But, in truth, nothing is fixed in marketing. Management should plan its distribution channels for change, and change them according to objectives.

Planning Promotion Strategy

Promotion takes many forms: personal selling, advertising, sales promotion, and public relations. However different they may appear, each is an effort by the producer to communicate with consumers, distribution channel members, or the general public.

Promotion consists of messages to the market to inform about the product, persuade to buy it, develop positive attitudes towards the product and the company, and induce changes in people's behavior. The scope and effectiveness of promotion are highest for branded products because the product of each manufacturer is identifiable by the buyer.

Promotion is communication and involves five elements: a sender, a message, a medium or message-carrier, a receiver and a feedback from the receiver to the sender. Communication is effective when the receiver understands the message, in the way intended by the sender, and takes the action desired by the sender. Feedback information acts as a control, letting the sender know about message failure or success.

We can distinguish two major kinds of media or message-carriers. The first, and oldest, is the human face-to-face contact. It is the most effective medium because the sender can adjust his message in response to an immediate and continuing flow of feedback information.

The second class of media includes some mechanical forms of message-carriers, such as printed symbol (word, number, picture, etc.) or electrical, photographic, and electronic devices (telegraph, cinema, telephone, radio, television, tape recorder, etc.).

Communication may fail for a number of reasons:

- the message does not get through to the receiver. The medium may break down or not link the sender to his intended receiver. More commonly, the message is not received by the intended receiver because of disturbances in the communication channel that takes the receiver's attention away from the message;
- the receiver perceives the message, but does not understand it in the way intended by the sender (this is a common failure when sender and receiver belong to different cultures);
- although understood, the message does not persuade the receiver to take action as wanted by the sender. Also the receiver may have little or no interest in the message content. Or he may not believe the message. Even when the receiver believes the message and has an interest in its content, he may not take the desired action because he is not convinced it would benefit him. Finally, the appropriate action may be not feasible, however willing the receiver to take it. In the case of promotional messages this can occur when the product is not physically available to the receiver, or he lacks money or credit to buy or he does not have the facilities necessary to use the product.

Promotion is only one of many forms of communication in marketing. Actually, all marketing activities have a communication aspect. As we have already observed, promotion decisions require information flows from several sources: markets, competition, governments and other functional groups outside or inside the firm (research, production, finance). To become operational, promotional decisions must be communicated to the members of the organization responsible for their implementation, including channel agencies. Finally, continuing feedback information is essential to control results in accordance with planned objectives. The flow of such information, internal and external, may be however stopped or distorted for the reasons above indicated.

Communication may also be hindered by economic cultural and language factors. When one thinks of cultural differences, one probably thinks first of language differences. This may lead to view the problem of cross-communication as a linguistic one whose solution is a simple translation from one language into another. It has been wisely said: "To kill a message, translate it".

What is needed is much more than a translation of promotional messages. Promotional messages should fit the ideas, attitudes, motivations, experiences and ways of life of the receivers.

It should be realized that often consumers are likely to know little or nothing about products' brand name or company, however well-known and accepted they may be.

Knowledge about product image in the market can be very helpful in designing the text of the promotional message. By appealing to cultural factors and doing what is necessary to neutralize or reverse negative attitudes, the enteprise stands a much better chance to develop an attractive image for its product.

The decisions made by marketing management on the over-all strategy to be adopted in terms of product, price and distribution channel policies have a bearing on planning promotion. Promotion should serve the strategic marketing plan and support the other components of the market mix.

In planning promotion strategy, two fundamental questions confront management: whom do we want to communicate with? and what do we want our communication to accomplish?

The first question relates to promotional objectives and the second to specific promotional targets.

Promotional targets fall into three main groups:

- potential buyers (household consumers, industrial users, government);
- distribution channel members (agents, distributors, wholesalers, retailers); and
- the general public.

The promotion directed toward potential buyers tries to transform them into actual buyers; promotion to distribution channel members aims at developing orders by persuading distributors that they can sell the product at a good profit; and promotion to the general public endevours to build good will and a good image concerning the enterprise and its products.

Marketing management need to go beyond this three-way targets classification to identify the best promotional strategy to implement. This is mainly a question of research, which should help identifying the economic, structural and cultural differences of promotional targets.

Once promotional objectives and targets are defined, management can begin to plan its promotional strategy. It may use any one or a combination of four major tools of promotion: personal selling, advertising, sales promotion, and public relations:

- Personal selling uses salesmen to communicate face-to-face with prospective customers. Although salesmen may use the telephone, mail or other media to send and receive messages, the essence of personal selling is the face-to-face contact. This differentiates personal selling from all other forms of promotion.

  Personal selling does not merely concentrate on "order-taking" which does not concern the generation of new sales.
- Advertising is a non-personal presentation of marketing messages through various media, such as newspapers, magasines, motion pictures, outdoor posters and signs, direct mail, radio, television, catalogues and directories.
- Sales promotion covers all sales activities that supplement the functions of personal selling and advertising. It includes displays, shows and exhibitions, demonstrations, sales contests, samples, and other activities which are usually non-recurrent but geared to generating new sales and develop market demand,
- Public relations is any kind of news about a company or its products which has commercial significance. It is a kind of publicity that cultivates good will toward products and company's images. To get it, enterprises shall supply media with interesting news items, without payment for space or time given by such media. It may, however, involve payments to an outside public relations agency.

Each of these forms of promotion has special strength, but also some limiations. Personal selling is usually the most effective promotion, as the ratio of sales related to the number of sales prospects contacted is normally higher than in impersonal promotion. The major limitation of personal selling is its high cost per sales contact, if compared to impersonal promotion.

Advertising offers the advantage of reaching a larger number of potential buyers at a relatively low cost for each contacted buyer. It is the form of publicity best suited for mass-promotion. The main limitation of advertising is its possible failure to persuade a fraction of prospects exposed to advertising messages to buy the advertiser's product. Because advertising is impersonal is can seldom rival the impact of personal selling.

Sales promotion is generally used to improve the performance of channel members or salesmen through sales aids, displays, contests, exhibitions, and the like. Participation in trade shows is a traditional form of sales promotion and frequently a very successful one, because it combines the face-to-face contacts with a large number of buying prospects.

The advantage of public relations is its credibility. People who do not believe advertising appeals about a product, often believe the same appeals when they read or hear about them as news item. The use of public relations as a promotional tool is relatively developed and mostly used by medium and large-scale enterprises or co-operatives of small-scale companies.

In planning the promotional strategy, decisions must be made on the allocation of efforts among personal selling, advertising, sales promotion and public relations. Decisions on the promotional-mix are guided by prior decisions on promotional targets and promotional objectives.

We look first at personal selling. How much and what kinds of personal selling efforts does the company need to achieve its marketing targets? The answer to this question is greatly dependent on the structure of the channels of distribution. When a company uses distributors it turns over to them the bulk of personal selling effort in the target market. On the otherhand, if the company distributes through its sales branches directly to final buyers, it assumes the full responsibility for whatever personal selling effort may be needed to reach its targets. For this reason an important consideration, in choosing a direct distribution channel, is the cost of doing the personal selling job.

Because channesl are likely to be more direct, personal selling is more common in the marketing of industrial goods than consumer goods. Here the emphasis is on highly-trained, creative salesmen who are able to communicate and explain the often complex nature and advantages of industrial products. Generally, the salesman must use rational appeals, and may have to deal with several people in a company such as the production manager, the chief engineer and the financial officer in order to negotiate a sale. This creative selling job makes essential a very careful selection of sales representatives.

In this context, promotional planning decisions relate to the number of sales representatives needed, sales territories, sales quotas, sales training, sales messages, and other factors that determine the scope and intensity of the personal selling effort. Marketing management should weight all implications in terms of expected profit contributions, even though such estimates can seldom be precise.

Advertising may be used in place of personel selling or as a supplement to it. In planning its advertising strategy, marketing management faces several questions.

- Do we need advertising? The need for advertising is mainly dependent on the product, the nature of target consumers and what competitors are doing in the market. Marketing management should make a judgment on the opportunities of sales at different levels of advertising expenditure.
  If the decision is to go ahead with advertising, it should be clearly defined the characteristics of the advertising targets.
- What is the best media mix? Obivously, marketing management should choose advertising media that reach marketing targets. It is, however, difficult to evaluate the effectiveness of the available media.
  Marketing management should also consider direct mail advertising as many promotional programmes can be successfully implemented by sales letters sent to distributors, industrial users and consumers.
  Considerations related to objectives, promotional targets and the product require factual information, persuasive appeals in advertising texts.
  Co-operative advertising arrangements whereby the enterprise pays for part of the advertising done by channel members are frequently used.
  Advertising should be a dynamic tool of promotion, taking account of changes in demand, competition, company resources and other elements of the marketing mix. When such changes are projected and incorporated into the strategic plan, marketing management should also plan appropriate adjustments in advertising, particularly when the product is expected to enter a new phase of its life-cycle, during the planning period.

- How much to spend on advertising? This question is the great problem for marketing management, because it is very hard to measure advertising effectiveness. But even rough estimates are better than none. Too many enterprises decide to advertise up to a certain percentage of past or expected sales. When sales go up, advertising goes up and when sales go down, advertising goes down. Clearly, this approach to advertising budgeting has no logic basis and makes advertising the result of sales rather than sales the result of advertising.

Another faulty approach occurs when advertising is considered a marginal activity. Then the company spends on advertising what it thinks it can afford. Usually this is too little, sometimes too much, but seldom the right amount.

The most reasonable approach is the one we have above outlined: set the advertising objectives and then spend what is necessary to attain those objectives, using profit contribution analysis as a measure. Good control over advertising comes from good planning. Some enterprises avoid this problem by letting channel agents make all advertising decisions "on the spot". The result is apt to be a very "spotty" performance, some members doing a good job, others a poor one. Furthermore, there is little co-ordination between advertising and other components of the strategic marketing plan.

The ideal solut is a control that insures that advertising conforms to the marketing strategy, but at the same time encourages active participation b channel members.

Many sales promotion activities are of a special, non-repetitive character with short-run, tactical objectives. As such, they fall outside the realm of strategic marketing planning. Even here, however, marketing planning can offer guidance concerning the intensity and kinds of promotional support to give to channel members, and in co-ordinating it with advertising and personal selling. For sales promotional activities that are costly and have long-run effects, such as expositions, trade fairs, annual sales conventions, etc. it is necessary to determining their importance and integrating them with the over-all marketing plan.

After marketing management has made preliminary decisions on specific promotional efforts, it should draw them together to form an harmonious promotional strategy which, in turn, needs to be brought together with product, price and channels strategies, to finalize the actual marketing plan-strategy. As competitive pressures push enterprises towards more sophisticated forms of marketing, promotion of all kinds, carefully planned and ably executed, has become indispensable to create or sustain the economic expansion of industrial activities.

8. Organizing for Marketing Planning

Planning, directing and controlling are the major components of the management function. These activities are effected through the organization, that is itself subject to planning and control.

What, then, can we say about organizing for marketing planning? Who should do the planning? At what management level? Who should control operations according to the plan?

Strategic marketing planning starts when the man in charge of the enterprise, (president, general manager, managing director, owner) sets the planning wheels in motion. He does so when he strives to develop markets and to forecast the future of the enterprise's progress rather than to merely react on a basis of critical events.

The chief executive's contribution to marketing planning is mainly represented by his enthusiastic support. But he can do much more. He can set company-wide objectives to guide marketing management; he can indicate where he wants the enterprise to be in the next three, five, ten years. He can make sure his best marketing people do the planning, not delegating the job to other non speciali sed executives who lack expertise or analytical powers.

Marketing management must have both the responsibility and the authority to formulating and implementing the strategic marketing plan, for several reasons.

First, marketing management should have confidence in the plan, if its is to succeed. Second, marketing management has a general acquaintance with many aspects and problems of marketing, and, most important, he has the power of judgment in the market place.

Sometimes, management lacks of the technical skills needed in marketing planning. But these can be obtained by using experts and consultants from outside the company.

Top management can learn a great deal from marketing planning. Training in conceptual problems, testing assumptions against facts, integrating many diverse factors and looking beyond everydays' business operations is an important by-product of corporate planning.

Marketing management is in a unique position to control if operations conform with the strategic planning. Ultimate control, of course, is exercised by top management, but marketing management should bear the responsibility and have the authority for achieving marketing targets.

In some enterprises, marketing planning is a function carried out by persons with no responsibility for marketing operations, but having expertise in planning.

No doubt there are merits in this decision. Our own judgement, however, is that planning specialists should only assist marketing management in planning.

Marketing management, in preparing its strategic plan needs the co-operation of executives from other functional areas of the company. Financial officers must be consulted about expenditures and company resources. Marketing management must also work closely with production management on questions involving physical capacity to meet sales potentials, and possibly on product adaptation. Engineering and research people can offer invaluable assistance in planning products characteristics.

Marketing management shall also seek the advice of these people for a second reason. Approval of the marketing plan by top management will commit all executives of the company, in one way or another. They are more likely to accept their commitments in a co-operative spirit when they feel a sense of participation in the marketing planning process. Planning activities also encourage mutual assistance and understanding among executives in different departments because then everyone can visualize that the entire enterprise is working in view of common objectives.

In this case, organizational planning - like marketing planning - starts with a consideration of the markets that the company presently serves and expects to serve in the future. The goal should be an organization that can exploit market opportunities and that can conceive and carry out the approved strategy.

The kinds of decisions that enter into marketing planning help determining the organizational structure needed to carry out the plan.

Marketing management shall participate in all top-level decisions concerning product development, capital investment and other vital matters that may have a bearing on the success of marketing strategy.

It takes a major effort to formulate, organize and implement marketing strategy, as it was described. But rewards can be great. Given the full backing of company leadership, with the authority and resources to plan, execute and control the marketing programme, marketing management can develop market demand, directly contributing to the progress of the enterprise, and indirectly of the industrial sector and of the national economic environment.

8. Conclusion

Marketing is "the strategy of the offer".(1) Marketing is, however, a rather neglected area in the economic life of developing countries. It is manufacturing and financing which occupies the attention in these economies.

Yet, marketing holds a key position in the developing countries, as a propeller of economic development with particular emphasis on its ability to promote much-needed managerial expertise.

Marketing shall be, in fact, regarded as a systematic management function, indicating how to go about in a planned and purposeful way to find, create and develop demand, integrating and satisfying needs, wants and preferences in relation with the economic capacity of a progressing society.

Marketing has its focus on the consumers or users and represents, thus, the process through which economy integrates with society to serve human requirements. Marketing occupies a critical role in respect to economic expansion of the industrial activities of developing countries, as a stimulator of economic development. It is, however, the least actually developed and most backward technology of the economic system of the Third World.

The advancement of Marketing expertise is bound, above all, to contribute to fullest utilization of whatever assets and productivity capacity an economy already

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(1) Definition by Prof. S. P. Padolecchia, adopted by the European Institues of Marketing and by the International Federation of Management Associations.

possesses. It mobilizes latent economic potentials. It contributes to enhance the entrepreneurial function, through its own conceptual and technological effort.

The essential aspect of an "underdeveloped" economy is the inability to organize economic efforts to bring together resources, capacities and needs, so as to convert a self-limitating economic system into a creative, self-generating one.

Marketing might, by itself, go far toward changing the entire economic tone of the actual national system, without any change in methods of production, socio-economic distribution of population, or infrastructural schemes.

It would only make the producers capable of manufacturing marketable products, qualified by standards, style, prices and specifications capable to expand and satisfy local demand, even if characterized by limited purchasing power.

Marketing is also the most easily accessible "multiplier" of managers and entrepreuneurs skills in an "underdeveloped" growth area. And managers and entrepreneurs expertise is the need of developing countries. Economic development, in fact, is not a force of nature, but the result of the responsible action of men, as managers or entrepreneurs.

In most developing countries, markets are rather small, to make it possible to organize distribution and promotion in an appropriate manner. As a result, without a marketing organization and an effective marketing strategy, many locally manufactured products, for which there could be adequate demand, cannot be distributed, or are produced and marketed only under monopolistic or unprofitable conditions.

A marketing system may, thus, serve as a co-operative channel for promoting, distributing and developing products of small enterprises, granting them the conditions for survival and expansion.

Marketing is, obviously, not a cure-all. It is only a technology needed particularly in developing countries precisely because it first looks at the values and wants of people, and because it helps developing management expertise and skills.

The marketing management role goes beyond getting the product off the factory and sell it at most profitable prices to consumers. In an economy that is striving to break the age-old bondage of underdevelopment, marketing is the catalyst for the transmutation of latent resources into actual resources, of desires into accoplishments and to develop responsible economic leaders and informed economic citizens.

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