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THE ORGANIZATION AND THE PHYSICAL IMPLEMENTATION OF
MARKETING FUNCTIONS IN THE DEVELOPING WORLD ^{1/}

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I. PREFACE

Progress and economic expansion of the developing countries is particularly related to their capacity of developing industrial and marketing policies and marketing management.

This applies to

- marketing within the local market,
- marketing in export markets.

In addition, we have to distinguish between different types of products:

- basic materials (oil, minerals, etc.),
- manufactured industrial products,
- consumer products.

Marketing means:

market-oriented efforts to design, produce, and to sell products

"Marketing is the Strategy of the Offer"¹⁾

Marketing starts with

type of product,
design of product,

includes

cost of product,
quality of product,

¹⁾ Definition by Professor S.P. Pedrotto

as well as

- sales force,
- sales strategy,
- price policies,

and ends with

- packaging of product,
- catalogues, price lists,
- advertising,
- public relations,
- sales promotion.

This lecture will deal with marketing of industrial products and consumer products within local markets and in export markets. It will not deal with those products which are sold by specific and internationally regulated channels, such as for instance oil, minerals, metals, coffee, tea, bananas, and other large-scale agricultural products.

2. THE MARKETING PHILOSOPHY

Marketing plays a necessary and essential role in countries, industries and markets where we have

- buyers' markets
- and
- competition.

In countries where there is central planning and programming of industrial production as in communist and socialist countries, marketing is of minor importance for the local market. In international markets, however, where also these countries meet competition, export marketing is necessary.

Also in fields where there is more demand than supply and no or little competition, marketing is of minor importance.

So marketing in general has to be oriented and designed to the specific needs of the markets and their consumers. The requirements of markets, however, are not fixed, they rather change with

- economic development,
- development of technology,
- development of purchasing power,
- development of consumer behaviour.

This can be illustrated briefly with the example of the Barzillon market:

In an early phase during the fifties there was much more need and demand than supplies. More or less everything could be sold easily as far as purchasing power was available. No sophisticated marketing, no aggressive sales force, no sales promotion, little advertising and only poor after-sales-services were needed.

In a second phase more purchasing power was created artificially by inflation and by various systems of part payment and instalment payment. Competition came up, but marketing instruments and arguments were simple and more directed to persuade the consumer than to convince him.

In the meantime consumers in Brazil have learned to compare, select, and choose carefully. Public education programmes by TV, lectures, articles, etc. inform the people that the consumer is the king, that he shall give his money only to those who deserve it for good products or services. As a consequence, marketing became more and more sophisticated and has now reached the international standard.

All of this means for industrial management that marketing is not a properly defined and fixed thing or measure; it is rather a basic management philosophy as well as a permanent process and permanent efforts to result in efficient market-oriented activities.

Marketing is often understood as a general designation for all sales efforts and activities. This is correct, but the meaning of marketing is not limited to sales. Marketing is a comprehensive management philosophy. The entire corporate strategy shall be market-oriented because the efforts to sell products profitably begin with finding the right product and end with public relations.

The product must meet the specific requirements of the consumer with regard to function, design, quality and price. To develop the right product for a specific group of customers it is necessary to bring to bear all ideas, skills, and methodological systems of value analysis.

We understand this philosophy easily when we bear in mind that the invention, design, development, manufacturing and also sales of a Mercedes is quite a different thing than the same for a Volkswagen.

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On the other hand, we all know that the buyers of a Mercedes and the buyers of Volkswagens are different groups of customers with different requests and purchasing power.

The comprehensive and thorough knowledge of the target group and their requests, their conscious as well as their unconscious or secret wishes and dreams, is the basis of the general market orientation as well as of specific decisions on strategy, tactics, and measures. Once the general objective and philosophy of an enterprise is set, all the following has to be market-oriented, has to follow the company's marketing strategy.

3. MARKETING STRATEGY

A marketing strategy can only be developed, designed and formulated on the basis of comprehensive and thorough knowledge of one's product and one's market. Therefore, market research and market intelligence have to provide all necessary information for the development of the marketing strategy.

On the other hand, market research has to control the effect and the efficiency of all marketing activities and to provide feedback for permanent improvement of the marketing strategy.

This does not mean that a marketing strategy shall be changed from day to day. On the contrary, a marketing strategy has to be followed consistently and systematically for a certain period of time - depending on the product and the market. It may be 6 months or 12 months - before the strategy can prove its success or failure. Strategy, means middle and long-range thinking, not day-to-day tactics.

When we are aware that a strategy influences essentially a company's efforts and activities and its success or failure for a longer period, it is clear that all available skill, know-how, experience, and last but not least all needed information have to be utilized in formulating a company's marketing strategy.

4. MARKETING PLANNING

Marketing planning or marketing programming means to work out a detailed scheme, using all marketing tools and instruments in order to transform the marketing philosophy and strategy into a plan of activities and measures including time and costs. It starts with the precise and detailed definition of market targets with regard to region, sector and segment as well as sales and revenue forecast; it includes the integrated activities of all marketing instruments (marketing mix), and it ends with the control and steering system.

While developing a marketing strategy is primarily a problem of creativity, optimism or pessimism, readiness of risk taking and entrepreneurial engagement, marketing planning is more a problem of technical skills, experience and realistic calculation. To find the best marketing strategy can be a matter of a few moments by genius imagination of a brilliant mind, to elaborate a marketing plan is always hard work.

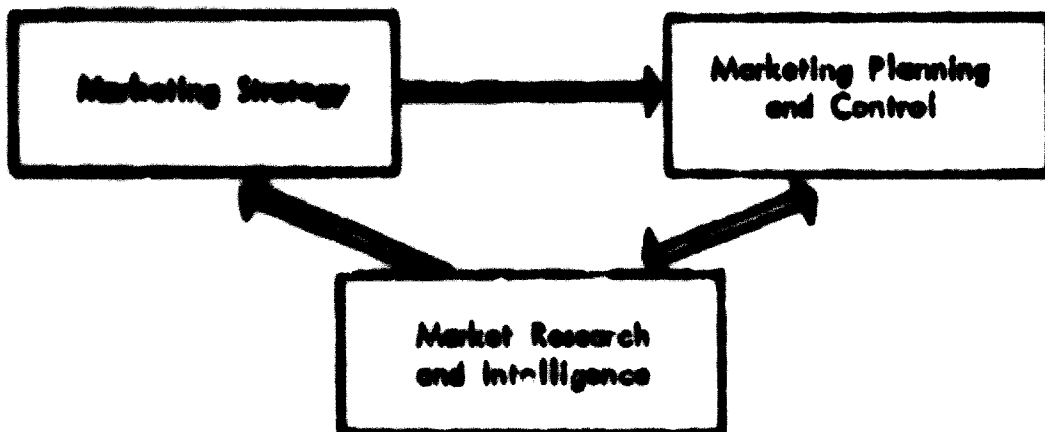
Like in developing the marketing strategy all marketing planning has to be oriented by the results of market research and intelligence. Here again we see the key function of this marketing instrument.

On the other hand, market research and intelligence is one of the instruments, and marketing planning includes also planning the activities of market research. If you like, you may call this a cybernetic feedback system.

Even the results of the first theoretical plan may lead to a readjustment of marketing targets. If for instance it is found that the conquest of a certain market share or of a specific new market would require excessive efforts and costs which the company cannot afford, the targets have to be revised and the whole planning process has to start again.

No plan should be implemented and followed without permanent control. The same applies to marketing planning. The criteria of control are provided by market research. Therefore, I should like better not to talk merely about Marketing Planning but rather about Marketing Planning and Control.

Of course, also a marketing plan has to be followed consistently for a certain period of time. Nevertheless, parts of it should be adjusted if the feedback of market research proves it advisable.



5. THE MARKETING INSTRUMENTS

I do not deem it necessary to explain in detail the theory of marketing and its standard instruments. This has been described in many books and papers. Marketing in practice, however, must always be adapted very closely to the specific needs. It depends on size and type of the company and is different for every type of product, for every national or regional market.

Furthermore, I think we should not discuss general theories of marketing but rather specific problems of marketing in developing countries. This we should do on the basis of these general outlines and of our general knowledge of the principles of marketing by discussing realistic cases brought up by members of our group.

If we look at the range of marketing instruments, there are

- market research and intelligence,
- marketing strategy,
- price policy,
- sales and revenue planning,
- marketing planning,
- marketing mix,
- programming of sales activities,
- sales organisation,
- distribution,
- packaging and presentation,
- sales promotion,
- advertising,
- public relations.

In addition, marketing has to influence
product planning and design.

Although it is self-evident, it should be mentioned that the whole planning process and all corporate planning, i.e., of capacities, personnel, materials, finances, etc. have to be based on the sales and revenue planning.

While the market research and intelligence instrument has a key function in the whole marketing process, some additional remarks shall be made on this essential factor, all the more so because I am convinced that a man who has understood the central function of market research and intelligence will use consistently also the other marketing instruments properly.

It has already been outlined how important it is to offer the right product in the right way to the right buyer. Therefore, it is necessary to use market research and intelligence for every company. It is a great misunderstanding that only big corporations could afford market research. In an adequate scope and form every small company can do it, must do it, in order to be successful. And when we bear in mind that market requirements are continuously changing and developing and that wishes and demands change faster than you can change a product and its production, we see clearly that market research is inevitably needed to avoid that an obsolete product is produced too long and product development and diversification are neglected efforts while misdirected sales activities are maintained.

Market research and intelligence have to answer many questions, some of them are easily forgotten, as for instance:

- Who are the potential users of my product?
- Is the product all right or should it be improved in its function, service value, quality design, or other aspects?

- Who are the potential buyers of my product?
- How do potential buyers make up their minds to buy my product?
- What image has my product with the buyer?
- What do they think are special advantages of my product?
- What are the answers to all these questions when raised by main competitors?

These and other specific questions beyond the "normal" objects of market research provide the qualified basis for all marketing strategy and planning work. Only when the specific target group (sector, segment, share) is defined and either this specific target group is found and defined for a given product or the product is improved or changed to the specific requirements of the target group, sales and revenue planning can be started. This methodological approach avoids misinvestments and misdirected activities and contributes essentially to the effectiveness of the whole marketing effort in its proper sense.

The form on the following page may help to work out a definition of the market potential for a given product. Of course, all questions have to be detailed according to the specific problems of the product.

DEFINITION OF MARKET POTENTIAL
FOR A SPECIFIC PRODUCT

Analysis of	Aim	Sources of Information	Method
1. Structure of consumers			
2. Specific demand			
3. Specific requirement			
4. Quantitative demand and purchasing power			
5. Purchasing decision process			
6. Buying motivation			
7. Competitors			
8. Strategy, policy, pricing, etc. of competitors			
9. Future developments			

5. PRODUCT-ORIENTED MARKETING.

Industrial products are usually defined as

- consumption goods (rapid consumption),
- utility goods (longer range),
- production goods,
- investment goods.

Another definition distinguishes between

- raw materials,
- intermediates / components,
- finished goods.

We do not want to discuss systematisation or standardisation problems, but we have to face the fact that different types of products require different marketing strategies and marketing activities.

While it is evident that a great difference exists between selling T-shirts to teenagers and electric meters to industrial users, you may find that some so-called marketing managers seem not to distinguish between selling tooth paste and selling refrigerators.

Both latter products are sold to housewives, but the motivation to buy a specific tooth paste is different from that to buy a specific refrigerator, and also the decision-making processes are essentially different.

7. MARKETING FOR NEW MARKETS

Entering a new market involves many problems and risks. Basically it seems to be the same question as "What efforts are needed to conquer that market share?", but as a matter of fact and experience the risks are more numerous and greater in new markets. Everything is new, not only the volume of one's market share.

When entering a new market usually a certain level has to be overcome. If you stay below this level there will be no chance at all. Once that level is overcome success is more or less sure.

The problem is not only a question of effort or money. It may also be a problem of size and capacity.

Some years ago the German company Constructa wanted to sell their automatic washing machines also in the US market. They were lucky to engage a good market research company for the needed analysis. The results of the study showed that great efforts would be necessary to compete with local suppliers and to get at least a first step into the market. The marketing efforts including advertising, TV spots, etc. would cost a considerable amount of money. It was easy to calculate which sales volume would justify these expenditures. It came out that 120% of the existing manufacturing capacity of the German Constructa plant were needed for the production of this sales volume. Developing countries are facing the very same problem when they decide to start supplying to highly developed countries.

8. EXPORT MARKETING

Many manufacturers in developing countries send their products to fairs and exhibitions in potential export markets. Some countries maintain general public relations or sales promotion bureaus in European and other industrialized countries. When these measures are not part of a comprehensive export marketing strategy for this specific market, but merely a means of "trial and error", they usually are too costly or just a waste of money. If direct or at least medium-term results are expected by participating in a fair or exhibition, systematic preparation and performance as well as intensive follow-up are needed. Everything, first of all contacts with genuinely interested visitors, must be organized and arranged. Nothing should be left to good luck.

An important requirement of selling in foreign markets is meeting the specific standards of dimensions, quality, packaging, etc.

Another "must" in exporting is continuous flow of supply. No sales agent or dealer can sell a product "from time to time"; he is in an awkward position to say "sorry, not available", once the marketing effort had results and demands have been created. Supply contracts must be fulfilled with regard to timing, quality and, of course, price. If the manufacturing and supplying capacity of a company is insufficient to meet this essential requirement of export marketing, all money for analyzing and conquering an export market is wasted.

This again shows that the whole marketing strategy of a company must be integrated and well balanced.

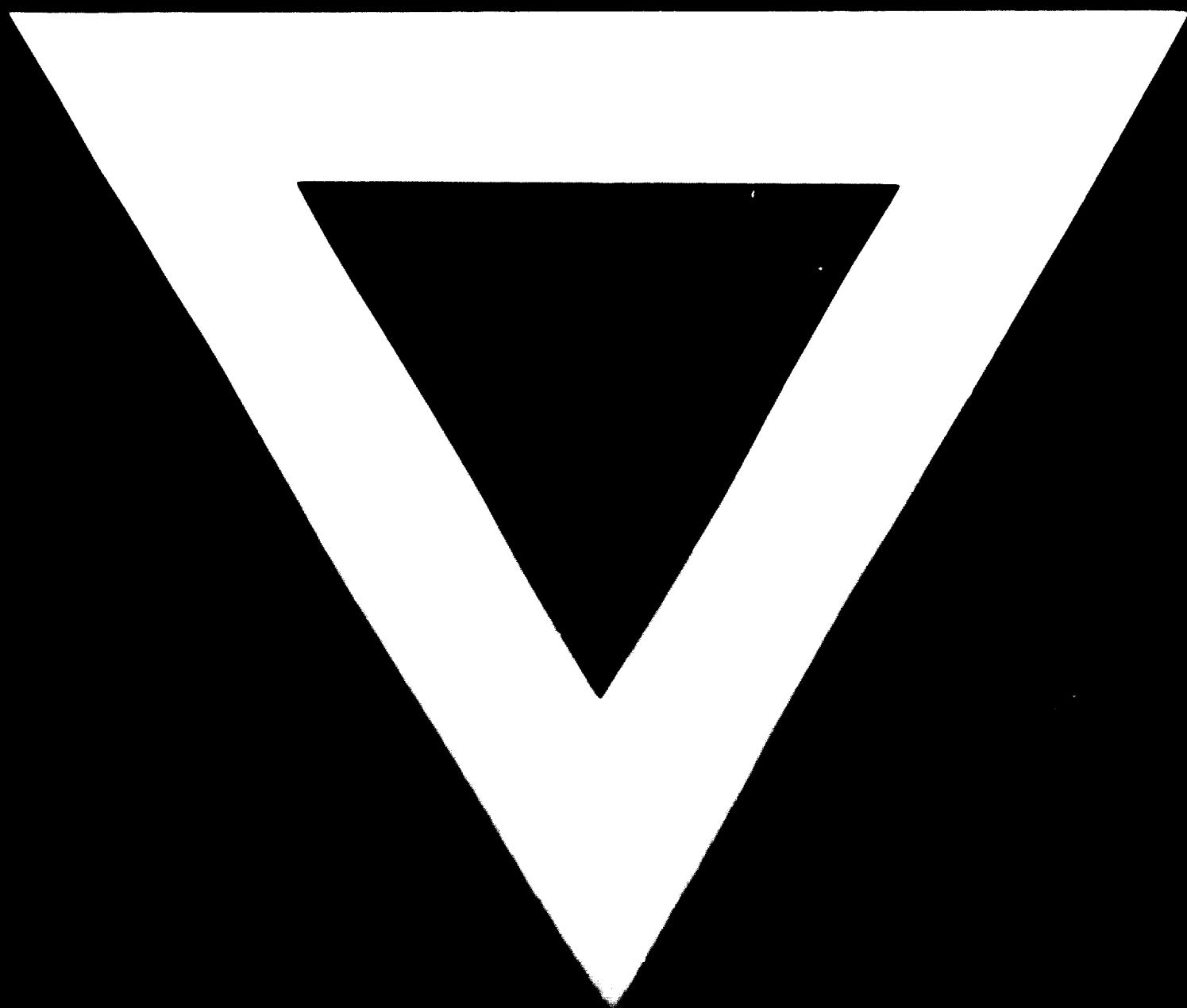
Selling in foreign markets requires special efforts and special skills. Usually small and medium-sized companies cannot afford to perform the whole range of marketing and sales activities in foreign markets themselves. An easier and less expensive way is to use well-established exporting and/or importing agencies. Another possibility is direct selling to a big wholesaler, a chain or a big consumer within the export market on the basis of at least a medium-term contract. Such ways are also used by medium-sized companies of highly industrialized countries, and these proven channels are a possible way also for companies in developing countries starting export activities.

9. THE ROLE OF MARKETING IN ECONOMIC DEVELOPMENT

We all know the famous and controversial book of Vance Packard "The Hidden Persuaders", but I think we all do not believe in and are not satisfied with this definition of marketing. As mentioned in the beginning of this lecture, marketing is a counterpart of competition. Marketing is a challenge to competition. In a free enterprise system with strong but fair competition marketing helps the best product to the best success. So marketing contributes to technological as well as to general economic development.

The great potentials of developing countries must be sold. Investments are necessary, there is no doubt, but every product is worthless if it is not sold. Excellent marketing is the tool.





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