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06192



United Nations Industrial Development Organization

Distr.
LIMITED

ID/WG.173/11
13 February 1975

ORIGINAL: ENGLISH

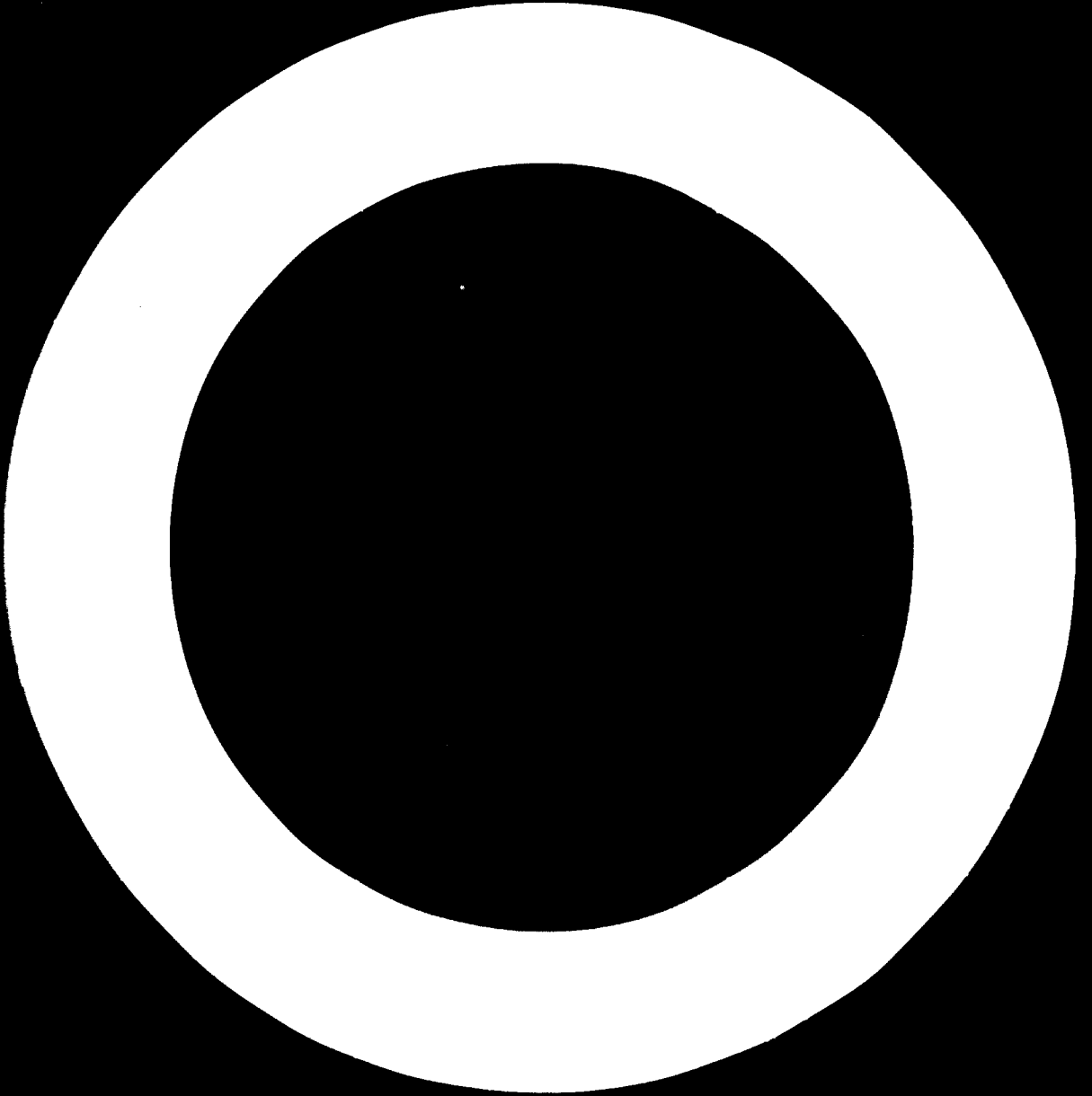
EXPERT GROUP MEETING
ON
MARKETING MANAGEMENT AND STRATEGY
FOR THE
DEVELOPING WORLD

Vienna, Austria, 2-7 December 1974

DRAFT REPORT ^{1/}

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Preface

The background

The rapidly changing industrial and socio-economic environment in the modern world has created many opportunities but also many hazards both in the public and private industrial sectors.

An industrial enterprise's basic objective is to attain the highest level of operational effectiveness, competitiveness and economic profitability within the national framework of economic expansion and technological progress.

Achievement of the above objective largely depends upon the adequacy of marketing policies and the effectiveness of marketing and distribution strategies, methods and facilities.

The industrializing countries need to adopt and develop such marketing techniques, in order to attain expected economic targets at enterprise, sectoral and national levels, as well as to improve the competitive profile and the demand for locally manufactured products.

The program

The Industrial Marketing Meeting was intended for government officials, industrialists, experts and other professionals concerned in the application and development of modern marketing concepts and techniques suitable to the environment of developing and least developed countries (LDCs).

The program was built upon a series of papers presented by highly-qualified marketing experts. These papers relied heavily on case studies and stressed the importance of the marketing function as a dynamic force for industrial expansion and socio-economic progress. The principal topics for discussion were:

- the interrelation of national development objectives and sectoral or firms' targets;
- the importance of marketing information and coordination when planning and implementing industrial development strategies and,
- the impact of competition and the importance of effective marketing policies and strategies based upon the

cooperation among national enterprises as well as among the developing countries.

Purposes and objectives

The objectives of the Industrial Marketing Meeting were the following:

- a) - to advise public and private enterprises and institutional bodies from developing/industrializing countries on practical aspects of marketing and distribution at domestic level in order to stimulate interest, know-how and expertise, by exposing the participants to modern marketing concepts and technologies;
- b) - to enhance industrial managers' ability to identify significant market characteristics and environmental forces influencing strategic decisions. These forces include industrial, economic, social, physical, technological, logistical and cultural factors;
- c) - to help national authorities and institutions in assessing the relevance of critical marketing factors within the context of socio-economic development;
- d) - to provide the participants an opportunity to exchange experiences and discuss practical marketing problems concerning:
 - Marketing strategy planning systems
 - Marketing organization methods
 - Pricing policies and methods
 - Promotional, communication and merchandising systems
 - Distribution and logistic techniques
 - Methods of forecasting demand potentials
 - Market segmentation techniques
 - Market research and information systems

- Marketing audit methods
- Value and impact of national marketing institutions
- e) - to develop in the participants the capacity for rigorous analysis of marketing problems, with particular reference to fundamental aspects of marketing strategy planning, including product planning, pricing, distribution and promotion and research. In this context, emphasis was placed on integrating the marketing factor in national industrial development plans as a revenue producer, as well as a vital element for the achievement of socio-economic objectives at national, sectoral and regional levels.

Methodology

Following an introductory phase, to familiarize participants with the meeting's scope and objectives and with the modern marketing concept, the programme developed along two principal lines:

- 1) it covered topics such as the role of Marketing in the context of the economic growth of the Industry Sector, inducing industrial investment, generating new and better employment opportunities, optimizing the use of local resources, reducing Balance of Trade and Payments gaps, encouraging the expansion of the demand and the competitiveness of locally manufactured products; and
- 2) it concentrated on techniques concerned with Marketing-Mix planning and the organization, implementation and audit of Marketing operations. In this phase relevant aspects of Market Information Systems, Forecasts, Distribution, Logistics, Pricing, Product Planning and Launching, Communications, Promotor, etc., were discussed to provide the participants with an opportunity for team-work.

The Meeting concentrated on panel discussions, with the experts acting as discussion-leaders, to induce maximum concentration on relevant topics, practical problems and the search for optimum solutions. It focused on actual needs, realities and experiences of least developed and developing countries.

Documentation and Language

During the Meeting a number of papers, including those prepared by the participants, was distributed.

The working language was English.

Introduction

Growth of the industrial structure in any country depends primarily upon expansion of the market demand for locally manufactured products. Careful planning is needed to avoid producing items for which there will be no market or such a feeble one that the misguided effort results in a loss to the economy.

Some basic definitions

A "market" is not merely an abstract or geographical concept. It means people and/or institutions, having manifest or latent needs and requirements, motivations and objectives which identify the dynamic profile of the demand, according to priorities and in relation with environmental specifications.

"Marketing" is the "strategy of the offer," which aims, on the basis of information on economic realities, at improving communication between the industry and the market so that actual or potential demand is followed by purchases of goods or services in accordance with the objectives and expectations both of producers and consumers/users.

The "marketing-mix" is a technical expression for quick reference to a basic compound factor in marketing strategy, i.e., the interaction of the four elements of product, price, promotion and distribution.

Usefulness of the above and other marketing concepts largely depends upon the drive and imagination of the individuals who seek to apply their principles. They should encourage marketing-men in developing countries to

enlarge their repertoire of marketing techniques.

Improving marketing policies and strategies

As observed in the preface, responding to changed environmental conditions is one of management's most significant tasks. Its success in achieving desired results is largely dependent upon its efficiency and expertise in planning and carrying out policies and strategies in such a way as to make maximum use of available resources to meet market demands.

Inasmuch as effective marketing policies and strategies are vital factors in economic and structural expansion of the industrial sector in developing countries, it is very important that these countries develop marketing skills especially in planning, promotion, and distribution of locally manufactured goods.

A major aspect of economic development is the balanced interaction of "supply" and "demand" or "production" and "consumption," operationally identified as the functions of "manufacturing" and "marketing." These factors are inter-related in such contexts as:

- forecasting demand potentials and production requirements;
- planning and development of financial, material and human resources;
- the kinds of output and marketing-mix strategies (product planning, pricing, promotion, distribution and service).

Given the high importance of marketing policies, strategies and technical know-how in encouraging demand for an increasing productivity and

competitiveness of products manufactured in developing countries, it would be extremely useful if managers and government officials spoke the same marketing language and appreciated the importance of the market impact as a generating force in industrial expansion.

In focusing on certain relevant aspects of market strategy, the Industrial Marketing Meeting had these principal objectives:

- to review and discuss marketing strategies and methods in the Third World;
- to illustrate marketing concepts and techniques for the use of industrial enterprises in industrializing/developing countries;
- to stress the importance of marketing in connection with phenomena and problems confronting industrial expansion in developing countries; and
- to suggest an action program to improve marketing know-how in developing countries.

This approach was intended to assist industries in developing countries to adopt and develop modern marketing techniques as an aid to profitable expansion of their activities and to achievement of economic and social objectives in accordance with the goals of national development plans.

Marketing in a human dimension

The whole field of marketing centers around a specific theme, i.e., how to design and carry out a "strategy of the offer" in relation to the prevailing pattern of the demand. Recent developments in such areas as consumers protection and conservation of the environment indicate clearly that more attention must be paid to the goals of society and not merely to

sound business considerations. There is a general expectation that the future will be brighter and that more products and services will be available to satisfy human needs and requirements. The developing countries, with rising economic levels and lifestandards, share with the most advanced societies the expectation of economic abundance.

Thus the marketing role extends well beyond mere profit considerations. Increasing expenditures are encouraged to help solving some of the fundamental problems that both developed and developing nations are facing today.

Among such problems are:

- the search for peace, since peace and socio-economic progress are strictly correlated;
- renewal of urban areas, closely related to marketing practices;
- reduction of the gap between "have" and "have-not" societies;
- preservation of national resources; and
- prevention of degradation of the natural and social environments.

Government agencies alone cannot cope with these tasks. They need direct cooperation of business enterprises, and business executives ought to face up to their social responsibilities. Consequently, development of a human dimension to marketing practices is required if everyone is to achieve to the full extent of his capabilities. Older people must be able to play their role in a dignified manner; the potential of the young must be recognized; and contributions of men and women must be equally acceptable. Marketing plays a two-fold role in this context:

- responding to social challenges in the same sense as the government and other institutions, and

- participating in cultural and economic efforts exceeding mere profit considerations.

Industry faces a dilemma in every country. On the one hand it must make a profit to survive. In so doing, it provides work, which in turn contributes to improving the living standards of the population. On the other hand it must meet its social obligations, which at times may conflict with the profit motive. New marketing concepts and tools are needed that encourage production and achieve socio-economic goals of stability, welfare and employment.

The dilemma of the affluent society

At this time, as in the past, the amount of income available to the individual determines how much he can spend. This situation is likely to change by the year 2000, so that with greater wealth the major constraint upon individuals will be time and not money. As time takes on greater utility, affluence will permit the purchase of more time-saving products and services. Related to this is the concept that many consumers now desire the use of products rather than ownership. The symbolism of ownership appears to take on less importance with increasing wealth and welfare.

What will happen when people will have surfeited their needs, after acquisition of the third automobile and the third or fourth house? They may then become concerned with higher values and the spiritual life, those intrinsic concerns which lie above safety, self-satisfaction and survival.

The world may reach this stage of affluence without having developed an

acceptable justification for its present economic system, and for the eventual abundance and relative leisure which it will supply. Here is a challenge for marketing. What is needed is a set of norms and a concept of morality and ethics that correspond to our conditions. This suggests that basic concepts must be changed, a real difficulty because people have been trained for centuries to expect little more than subsistence.

In thinking of abundance, one usually considers only the physical resources, capabilities and potentials of our society. But abundance also depends on the society and culture itself. It requires natural and sociological environments that encourage and stimulate achievements. In large measure, economic prosperity results from certain institutions in our society which determine our pattern of living, and not the least of these institutions is marketing, as it is expressed in new approaches to product development, the role of credit, the use of planning and research and the management of innovation.

What are the boundaries of marketing in human society?

This important question has no simple answer. But surely these boundaries now extend beyond the profit motive, for the trend is toward a broadening recognition of greater social responsibilities -- the development of marketing's social role as human dimension.

The emerging view is one which does not take issue with the ends of customer satisfaction, the profit focus, the market economy, and industrial growth. Its premise seems to be that the tasks of marketing and/^{its} concomitant responsibilities are wider than purely economic concerns. It views the

market process as one of the controlling elements of the world's social and economic order, because marketing is a social instrument through which a standard of living is transmitted to society.

Marketing's social role has been stressed in recent years by such concerns as those involving safety standards, pollution control, packaging rules, etc. A proper appreciation of the marketing concept will recognize its creative values in its human dimension as a tool of socio-economic progress.

The marketing environment

Marketing strategy requires attention to the marketing environment, not only to whom the people are and how numerous they are, but also to how they live, where they live, what are their special needs, interests and motivations. Population is an important factor of the market economy, but is far from being the most important. If it were, China and India, with their vast populations, would be the largest markets in the world, which they are not.

The types, quality and quantity of goods and services required by a society mainly depend upon the economic structure of the market, which is generally identified according to one of the three following classifications:

- 1) subsistence economy, characterized by a market environment where the large majority of people are engaged in agriculture, consume most of their production, and exchange the rest for necessary goods and services. Such a market environment may also be characterized by the availability of natural resources, which are generally exported as raw material.

- 2) industrializing economy, characterized by an increasing number of domestic manufacturers and a growing middle-class, demanding types of goods and services generally not required in the above mentioned economic area;
- 3) advanced industrial economy, characterized by very large industries and capitals, advanced specialization, skilled man-power and predominant exports.

The marketing environment is additionally identified by the income level, which is also distinguished in 3 specific categories:

- i) very low individual income, particularly present in the subsistence economy areas, where starvation is present and home grown food and home made goods and services constitute the bulk of the market;
- ii) very low and very high individual income, where most of the population is poor and a minority is very rich, the masses live on subsistence farming and the rich live on the import of goods and services;
- iii) medium and high incomes, which is characteristic of industrialized nations, low income tend to decline, workers are organized in unions and the result is a generally large middle-class, called class-less society, where the possession of consumer values is greater and where taste and individual status operate the basic choice for products and services.

Recommendations

The representatives of the Developing Countries participating in the UNIDO sponsored Expert Group Meeting on Marketing Management and Strategy for the Developing World, held in Vienna during the period December 2-7, 1974 unanimously approved the following Resolution, comprising series of recommendations respectively submitted by the representatives of Jamaica and of Jordan:

" We, the participants in the UNIDO sponsored Expert Group Meeting on Marketing Management and Strategy for the Developing World:

- Considering the present state of development and conditions prevailing in our respective countries, and in general in the Developing World,
- Stimulated, enlightened and rewarded by the various presentations and discussions provided during the meeting,
- Recognizing the need for awakening both public and private sectors in the Developing Countries to the benefits to be derived from effective marketing information which relates to present and potential consumer trends, activities of successful competitors, and rural and urban customer needs and aspirations,
- Realizing that effective marketing policies, institutions and systems are necessary to improve and develop industrial and socio-economic conditions as well as the quality of life of the peoples of developing countries,
- Appreciating that knowledge, application and practice of marketing is today a prerequisite to successful expansion of domestic and

external markets as well as to maximize investment returns at both public and private industrial sector levels,

- Noting that Developing Countries and Least Developed Countries require stabilization of the markets of raw materials, commodities and industrial products, and also need more rational production, distribution and promotion methods, in order to expand both the offer and the demand in the internal as well as external markets,
- Recognizing that UNIDO, through its Industrial Marketing Programm of technical assistance and with the support of all U. N. Member States, can help the Developing Countries improving their marketing facilities, techniques and know-how,
- Aware that Industrial Marketing Centres already established or to be created in Developing Countries with UNIDO's help would represent an invaluable body of experience to study, encourage and coordinate local marketing initiatives, as it can be required to improve the national, regional or sectoral marketing conditions, in accordance with the objectives of national development plans,
- Mindful that the Expert Group Meeting on Marketing Management and Strategy for the Developing World has fully focused upon the need and urgency for UNIDO's technical assistance in all areas of marketing development in the industrializing countries,

Resolve that:

- the Governments of all developing countries as well as the United Nations Development Programme (UNDP) should consider as a matter of priority the provision of technical assistance through UNIDO for the establishment of Industrial

Marketing Centres at national and/or sub-regional level to carry out the following tasks:

- Assist both government agencies and public as well as private enterprises in all aspects of planning and development of marketing policies, strategies, facilities and techniques,
- Develop a body of local marketing specialists, consultants and researchers operating as a national marketing advisory service,
- Collect, select and distribute marketing data and information bearing on all phases of planning and implementation of industrial development projects, and build up a Marketing Data Bank for the use of national enterprises, institutions and Government agencies,
- Encourage cooperation among local industries, institutions and educational bodies, at national and international levels,
- Identify all possible marketing opportunities related to cooperation, subcontracting or joint ventures in order to maximize existing national assets and act as a marketing clearing house on the occasion of specific negotiations, at national or international levels.

Further, it is also resolved that the fullest advantage be taken of UNIDO's Industrial Marketing Programm, both in its short-term and long-term technical assistance activities, such short-term help to include, in principle, the following projects:

- special advisory or exploratory missions to study the actual state-of-marketing in a given country, region or sector of industry,

thereby discovering needs and priorities and recommending appropriate action programs to improve the marketing performance of local products:

- ad hoc market or consumption studies, to determine the actual or potential aspects of the demand and the strength of competition prevailing in the domestic market, as well as the feasibility of new industrial investment or diversification programs;
- specific field or desk research designed to collect relevant marketing data at quantitative or qualitative levels so as to guide local authorities or enterprises on opportunities, changes or other critical factors tending to hamper or stimulate the industrial offer or the expansion of the domestic demand (product specifications, distributor packaging, logistic facilities, methods of promotion, credit and collection systems, prices, market information methods, etc.);
- short-term assignments of marketing experts, to give direct consulting assistance to Government agencies, departments and private or public enterprises in specific areas of strategic or operational marketing (marketing planning, pricing techniques, purchasing, sectoral cooperative promotion campaigns, national fairs, merchandising, cooperative distribution systems, marketing audit techniques, research marketing management seminars, etc.);

and such long-term assistance to include formulating and implementing larger projects, such as:

- creation and/or development of Industrial Marketing Centers, i.e., integrated research, consulting, promotion and training institutions, having the purpose of sustaining industrial growth by improving marketing facilities and expertise through the provision of services and data to Government agencies and local enterprises, as well as by

stimulating and coordinating marketing efforts of national, regional or sectoral interest; and

- Marketing Consulting Services, to old and newly established enterprise of any dimension, as well as to Government agencies, development corporations, financial institutions, industrial associations, sectoral cooperatives, etc., with special reference to improvement of methods, systems and expertise in the areas of:
 - product planning, diversification and new product launching;
 - marketing costing and auditing;
 - marketing research and marketing information system (MIS);
 - marketing segmentation and promotion strategies;
 - organisation and control of marketing functions;
 - selling and post-sale services systems,
 - distribution methods and logistic systems (deposits, warehousing, etc)
 - marketing incentives schemes and credit systems;
 - techniques for assessing the feasibility of new ventures (new markets, new or revised product lines, new prices, new distribution policies, expansion of production, joint-ventures, mergers, etc.);
 - methods for pricing products;
 - marketing management development;

Conclusions

The Expert Group wishes to place on record its deepest sense of gratitude to Mr. Eduard Napoliello, Director of the Industrial Services and Institutions Division of UNIDO, for his leadership and foresight in making available UNIDO funds to hold this meeting on a subject of such vital importance to the Developing Countries.

It also wishes to record its debt, and that of the whole marketing profession, to Mr. S.P. Padolechia, Chief of the Industrial Marketing Unit of UNIDO, for his selfless, dedicated, and highly professional services to the cause of economic development of Developing Countries by encouraging use of marketing technology.

The Expert Group is also deeply indebted to the able speakers who have contributed so much to making the meeting a success, and to the observers who have enriched the proceedings by their contributions to the deliberations of the meeting.

Part One

1. Organization of the Meeting

Participants

The Expert Group Meeting on Marketing Management and Strategy for the Developing World was attended by representatives of Colombia, Cyprus, Egypt, Ethiopia, Gambia, Ghana, Hungary, Iraq, India, Jamaica, Jordan, Lebanon, Mauritania, Mexico, Pakistan, Panama, Romania, Senegal and Somalia, as well as by observers from various international organizations, within or without the United Nations system (F.A.O., I.T.C., I. I. M. T., etc).

Agenda of the Meeting

The Agenda involved presentation of a preliminary report by Mr. S. Padolecchia of UNIDO, and of six papers by marketing experts, with intensive discussions of their contents, as well as panel discussions on all aspects of marketing in the developing and the Least Developed Countries (LDCs). It proceeded as follows:

AGENDA

- | | |
|-----------------------------------|---|
| 2 December 1974
Morning (9.30) | 1. Welcome and presentation of participants, discussion leaders and observers. |
| Afternoon. | 2. Opening address by the Executive Director of UNIDO. |
| | 3. Objectives and structure of the Meeting and review of the Programme. |
| | 4. Marketing in the developing countries. The concept of Marketing in the context of the industrial and economic expansion of the developing world. |
- (Mr. S. P. Padolecchia)

5. Discussion.

3 December 1974
Morning

1. Planning industrial expansion through domestic marketing in the least developed countries. (Mr. T.C. Trancu)

2. Discussion.

Afternoon

3. Development of Marketing Supporting Services in developing countries. (Mr. W.A. Gohar)

4. Discussion.

4 December 1974
Morning

1. Researching and methodological problems of the long-range planning concept of the distribution system of Budapest. (Mrs. Magdalene Hoffmann)

2. Discussion.

5 December 1974
Morning

1. The organization and the physical implementation of marketing functions in the developing world. (Mr. H. Mylenbusch)

2. Discussion.

3. Planning marketing policies and strategy for industrial growth. (Mr. P. Duenas Bernal)

4. Discussion.

6 December 1974
Morning

1. A framework for marketing strategies in the developing countries. (Mr. H.H. Hinterhuber)

2. General panel discussion on specific aspects and problems of marketing and distributing in the developing countries.

Afternoon

3. Continuation of general panel discussion, followed by drafting recommendations and conclusions.

7 December 1974
Morning

Special session for discussion of specific marketing and distributing problems requiring UNIDO technical assistance.

Officers

Mr. J. Singh (India) and Mrs. Magdalene Hoffmann (Hungary) were unanimously elected Chairman and Vice Chairman of the meeting. The UNIDO Secretariat was represented by Mr. Siro Padolecchia and the Rapporteur was Mr. Theodore C. Trancu.

II. The concept of Marketing in the context of the industrial and economic expansion of the developing world

Marketing defined

In the context of the process of industrialization in the developing countries, marketing has not yet received the recognition and attention that it merits.

Basically, the concept of marketing is very simple, being based on the fact that no matter how excellent the product, it will not sell unless there is a demand for it. Experience shows that a large number of valuable products have failed to sell simply because not demanded by or not appealing to potential consumers or users.

Various are the definitions of marketing. We define marketing as "the strategy of the offer". In other words, marketing is a strategy based on constant observation and interpretation of the actual and potential characteristics of a market, which induces the creation and/or adaptation of policies, systems, structures and methods for improving communications between producers and consumers, in order to satisfy the demand for specific goods and services, thus achieving continuity of work, profits and balanced expansion to the sector making the offer.

Marketing in the developing world

Most activities related to the process of industrialization in developing countries have occasionally touched on marketing factors, inasmuch as every industrial development project has to take into account the market potential and the marketing environment. Everyone will agree that there

cannot be production if there is no market. Nevertheless, only in those countries that are more advanced on the road of industrialization has a need been felt for improving marketing technology and expertise. In general, the main concern in the developing world is still to set-up factories and to increase production output and/or productivity. It is only when a number of local industries develop, competition grows and demand increases that there is an awareness that the marketing factor is no less important than the financial or the production factors, and that action is needed to improve marketing methods, systems and structures.

The Far East is probably the area where developing countries have recognized more fully than elsewhere the need for improving marketing policies, structures and strategies, even if in the recent times several countries in Africa and Latin America have requested UNIDO technical assistance in the marketing field. UNIDO experts have been sent to such countries to make specific studies and to design and implement projects concerning the creation of local marketing institutions, the establishment of marketing information systems, the improvement of product design, the development of distribution or promotional methods, and the improvement of marketing management expertise.

Marketing is one of the fields of management; poor marketing is usually an indication of industrial management difficulties on a wider front.

In the developing world, the struggle for economic and industrial development is fought on many fronts, of which marketing is only one, but certainly one of the most critical. The importance of marketing as a development factor is fundamental to its role in contributing to structural

and economic expansion of the industry sector, as well as to the formation of the G.N.P.

Industrial marketing strategy normally takes place in the context of industrialization and is a consistent part of a country's economic development process.

Since industrial marketing development takes normally place in the context of a broad and comprehensive industrial development program, sound marketing strategy requires consistency with sectoral plans, at quantitative and qualitative levels, in adherence to an established system of priorities and in relation to actual objectives of the National Development Plan.

Both objectives and priorities can arise only out of a careful study of market and consumption trends. The time and money spent in obtaining a complete view of the market environment within which the industrial development plan is to proceed is the least costly investment that can be made. The complexity of the market environment requires that every industrial investment decision must be open to revision in the light of changing market factors so as to take advantage of any possible modification in the demand pattern.

Marketing as an aid to industrial development

The substantive elements of an industrial marketing strategy are the most diverse and specialized according to the changing market situation, even if, however, experience validates some principles of general applicability.

It is likely that more significant waste has been caused in industrial

development programs from decisions taken with inadequate knowledge of the market than from any other single factor. Industrial decisions, in fact, are necessarily based on market and consumption studies, which focus upon conditions, opportunities and trends so as to achieve socio-economic and industrial targets and to minimize investment risks.

It is clear that the formulation and implementation of industrial development projects are linked to market conditions. Consequently, adequate marketing policies, strategies, structures and information represent the key-factors in successfully achieving industrial development objectives.

Analysis of market demand

The analysis of market demand to verify the acceptance or the consumption level of a product and the benefits that an enterprise can expect from marketing such product is an essential but sometimes neglected factor in developing countries. While there are cases where the market appears sufficiently promising to a specific industrial initiative, there are other situations in which there may be a great difference between the value of such initiative at the level of a single industry and of the national economy as a whole. In fact, the marketing of products having low profit margin contribution to the individual enterprise may have a surplus of value to the national economy, or vice versa.

The preliminary screening of a market, to identify negative factors or potential opportunities, can enrich and orientate the decisions of both government administrators and industrial managers.

Industrial marketing strategy

An industrial marketing strategy will almost certainly fail unless it furnishes the preconditions for improving marketing policies, structures and methods. More subtle, but more far-reaching and fundamental, is the improvement of a marketing attitude and expertise at all decision-making levels. To the extent that this occurs, all other measures will be facilitated.

UNIDO's experience shows that one of the key institutional elements in implementing industrial marketing strategy is creation of specialized institutional facilities having high professional marketing competence. In some developing countries such institutions already exist; in others, their functions are present but are being exercised by a variety of sectoral promotion offices scattered throughout the governmental structure. Successful marketing development requires that these functions be centralized, placed in competent hands, and backed by effective policies, as well as supported both by the government and industry.

Industrial marketing centers

The establishment of such marketing institutions, sometimes called Industrial Marketing Centers, normally has a positive impact both inside and outside the country. It demonstrates that the country is seriously concerned with marketing-oriented industrial development, and also indicates that the expansion of both the producer and consumer sectors is considered as something that is not expected to take place without major, co-ordinated effort, at national, regional and sectoral levels, in accordance with the objectives of the country plan.

The role of a marketing center is primarily to provide stimulus and leadership in mobilizing resources for economic and industrial expansion, working closely both with the government and the industry sector as advisor on a wide variety of policy and operational questions, including credit, tariffs, standardization, quality control, research, management education, distribution, promotion and development of logistic and transportation facilities. The marketing center normally operate as a monitor, from the point of view of industrial development, to identify barriers to expansion of both the demand and offer, at domestic and external levels.

Such a central marketing institution normally is located midway between government and the industry sector, with a mixed government-industry governing body.

The marketing center may develop a range of regional specialized offices providing direct technical assistance and marketing consulting services at regional level. In economies where this kind of central marketing institution is not present, or where its effectiveness has been limited for any of a variety of reasons, early attention to setting it up or strengthening it where it exists is vital to industrial development strategy.

The marketing center, as a specialized institution for the improvement of communications between the sectors of the offer (producer) and of the demand (consumer), ideally provides the following services at a high level of skill and a low level of cost relative to value: marketing policies advice, product quality and image development, collection and dissemination of consumption and market data, distribution logistics improvement, marketing

management consulting and development. It follows that, although initially it may be subsidized by government, it can be so organized as to achieve substantial financial independence at the earliest practicable date.

So far as experience may be relied upon as a guide, it suggests the importance of some basic procedural elements for successful results:

- a) early formulation and use of quantitative objectives;
- b) adherence to a system of national, regional or sectoral priorities for development;
- c) reliance on sound market information to assist policy decisions;
- d) energetic promotion and co-ordination of marketing and distribution activities at national and regional level;
- e) creation or development of adequate marketing and distribution facilities and structures; and
- f) improvement of marketing management expertise and skills.

Sub-regional marketing activities

Another aspect of marketing development strategy concerns the improvement of sub-regional marketing activities. During the late 1950s and early 1960s a number of developing countries in Asia, Africa and Latin America decided to follow the example of Western European countries which had, within the framework of economic integration schemes, recovered rapidly from the devastating effects of the Second World War.

Through sub-regional market integration it was hoped to achieve higher rates of economic growth and to accelerate industrialization processes.

The attractiveness of economic co-operation, or common sub-regional markets, is considerable to governments of many developing countries, since most of them are characterized by small domestic markets.

It must be stressed, however, that rapid economic and industrial growth based on small domestic markets alone is rather difficult. On the other hand, merely to rely upon foreign markets for exporting massive quantities of raw and finished products is far from being the solution to economic and industrial development problems, since it increases the dependency of developing countries on the outside world and exposes their economies to the risks of international inflation. In addition, both production and marketing of goods in developing countries are characterized by standards and costs which generally are non-competitive, which indicates that they would hardly be successful in competing with aggressive and sophisticated international competitors.

In this context, entirely new schemes of marketing strategy need to be designed at national and sub-regional levels, which take into consideration functional marketing factors liable to induce economic progress and industrial expansion.

Most developing countries have actually achieved a fair level of industrialization and the major effort venture, at this stage, should be directed towards the identification and promotion of the demand at domestic and sub-regional levels which has already, in various cases, proved effective and profitable.

In Central America, for example, the establishment of the Andean sub-regional market has had a rather positive effect as a stimulant of industrial expansion in the partner countries. Several industries were established which

probably would not have been set up without the guarantee of regional common-market opportunities for their products. In most cases, however, industrial development plans have continued to be based on the national market pattern rather than on the sub-regional one.

Sub-regional cooperation and the developing world

The question arises whether sub-regional market cooperation is a convenient scheme to promote economic and industrial growth in the developing world. This is a topic to be carefully studied.

In some of the least developed countries (LDCs) the possibility of economic and industrial expansion based on the domestic market alone still exists since the import-substitution potential is not yet exhausted. Capital technical skills and managerial ability are much more important constraints than the limited domestic market. However, the effectiveness of well considered import-substitution policies and strategies on a sub-regional basis is bound to be greater because of the advantages of economy of scale, which can be secured through the viability of sub-regional marketing projects as well as by improving communications between producers and consumers of partner-countries.

What seems in this context to be lacking in the developing world is not so much the awareness of potential benefits, but the lack of well-designed marketing mechanisms, policies and strategies, which would guarantee that each country gets its fair share of regionally based marketing activities.

The success of a sub-regional marketing program depends, however, on the technical ability to implement such strategy. It is likely that sub-regional

marketing centers could help co-ordinating individual and combined efforts, expertise and resources of partner-countries.

Designing a marketing development strategy is not equivalent to executing it. As in all economic affairs, sound knowledge of the market environment and of demand conditions is vital if plans are to result in achievements.

Conclusions

Market means "people", and the objective of any development strategy or plan, is and remains the one to grant economic progress and to improve the quality of life, in the developing world.

The overall theme of this Meeting focuses upon the adaptation of marketing strategy to the particular requirements of the Developing World.

Our purpose here is to provide an analytical framework of marketing technology to find specific answers to concrete situations, in a cross-fertilization scheme, bearing in mind that defining a problem is the single most important prerequisite to solving it.

In the text of the Declaration on the Establishment of a New International Economic Order and of the Programme of Action, as approved by the General Assembly of the United Nations at its Sixth Special Session, among other, it is stated that (quote) "all efforts should be made to:

I/a take measures for the recovery, exploitation, development, marketing and distribution of natural resources, particularly of developing countries, to serve their national interests, to promote collective self-reliance among them, and to strengthen mutually beneficial

international economic co-operation, with a view to bringing about the accelerated development of developing countries;

II/b facilitates the functioning and further the aims of producers associations, including their joint marketing arrangements, orderly commodity trading, improvement in export income of producing developing countries and in their terms of trade;

III/c continue and expand, with the aid of the developed countries and the international institutions, the operational and instruction-oriented technical assistance programs including management development of national personnel of the developing countries, in the light of their special development requirements;

IV/d expand significantly in assistance from developed to developing countries in programs of research and development and creation of suitable indigenous technology.

In addition, para. VII (Promotion of co-operation among developing countries) indicates that further steps should be taken in order to:

- e) promote and establish effective instruments of co-operation in the field of industry, science, technology, transport, shipping and mass communication media (marketing).

In our experience all developing countries have one characteristic in common; they are looking for impulses to stimulate their own action rather than for patented medicines which allegedly will solve their problems.

This Expert Group Meeting is intended to meet this need, by enabling each participant to make his own diagnosis on the critical factors influencing

the industrial development of his own country and to help in designing guidelines for the implementation of new and more effective marketing strategies, in the context of UNIDO's technical assistance program.

The whole concept of marketing revolves around a single key question: how to plan and implement marketing strategies in a manner consistent with prevailing local market conditions. Whoever has the answer to this question carries the key to socio-economic progress and industrial expansion.

The market environment may vary appreciably from one country to another, due to such factors as differences in infrastructures, living-standards, policies, economic conditions, style and value of life, industrialization, population characteristics, purchasing power, habits, traditions, etc.

Unfortunately, marketing as a technology has not yet been developed to the stage where one can scientifically apply standard prescriptions about what marketing strategy to implement under given market conditions. This does not mean, however, that it is not worth thinking about marketing in a systematic way. In effect, the absence or inadequacy of marketing policies, systems, structures and expertise may hamper any attempt to accelerate industrial and economic progress.

A modern marketing system, appropriate to local market conditions, is a vital factor for industrialization. Only when marketing, in its basic aspects of product planning, product pricing, product promotion, product distribution and consumption research, is given at least as much emphasis as production planning, investment promotion or productivity improvement, can developing nations hope to achieve the twin goals of rapid economic progress and

competitive industrial expansion.

There is an enormous challenge in the context of industrial and agro-industrial marketing development. It offers, first of all, an opportunity of improving the local quality of life, making the best use of local resources, and achievement of economic independence to the developing nations.

In organizing this Meeting on the subject of Marketing Management and Strategy for the Developing World, we have endeavoured to secure an integrated mix of highly qualified inputs, based on factual experiences and professional expertise of distinguished personalities, at governmental, industrial and inter-governmental levels.

The general scheme of this Meeting deals with the following topics:

- the conditions of the markets in developing countries and the impact of marketing strategy development as the key to success in industrial operations;
- the close linkage between government policies and industrial strategies within the framework of marketing technology;
- the role of marketing in regulating and developing local market structures and practices in the context of actual and future demand for locally manufactured goods;
- the harmonization of marketing policies and marketing strategies as a practical means to induce economic and industrial expansion, improving the competitive image of national products, encouraging new industrial initiatives and, last but not least, determining better standards of living and the fulfilment of expectations of the developing nations.

UNIDO considers that there is scope for increasing the number and type

of technical co-operation projects relating to marketing in the developing world. In countries at an early stage of industrialization, help might effectively be provided by carrying out market and demand studies or analyses of market opportunities for new or expanding local industries. In more advanced developing countries, UNIDO technical assistance might tend to improve local marketing policies, strategies, structures, as well as methods of product planning, pricing, promotion and distribution, including such allied fields as partnerships, sub-contracting, industrial design and quality improvement.

There is also scope for increasing the number of fellowships in marketing which until now has been negligible. A greater emphasis on marketing in the programs of local training centers and educational institutions in developing countries is desirable, as well as the creation and development of Industrial Marketing Centers, at national or sub-regional levels.

If this scheme is successful and well received, at government and industry levels, it could in the course of time considerably raise the degree of marketing expertise and the competitive image of local industries, in accordance with the established objectives of progress of the developing world.

PLANNING INDUSTRIAL EXPANSION THROUGH DOMESTIC MARKETING IN
THE LEAST DEVELOPED AMONG THE DEVELOPING COUNTRIES

by
Theodore C. Trancu

The problem

A vastly complex discipline, marketing contains such ingredients as "market production," "capital intensity," "technological content," "technical skills," and "product merchandising" as well as others in various mixes and proportions. Since its problems vary from product to product and from country to country, consideration of its implications in the developing country context is a particular challenge because of the varying degrees of development within this category.

Individual countries vary in degree of development within their own borders. This fact can be well illustrated by most oil producing countries, which usually are characterized by a highly developed extracting and possibly processing industry, joined to a relatively weak industrial infrastructure. Even some highly industrialized nations show two faces, e.g., Italy, with its highly industrialized North and its relatively poor and backward South.

Focus can now be placed on ways in which industrial expansion in one of the least developed countries must be planned through domestic marketing - marketing being understood as the complex strategy which commences with an assessment of need for the product, and continues through its production and ultimate sale to consumers.

Definition of an LDC

It is not easy to define the term "Least Developed Country" (LDC), for an LDC may dispose of some industrial structures which place it, from this single viewpoint, in a higher development bracket than a neighboring. For this paper's purposes, an LDC has an essentially agrarian economy, is run by farmers with very low per capita income, and has only the bare rudiments of an industrial infrastructure. Therefore, the major planning effort must concentrate on increasing food productivity, both in quality and quantity, not only to feed the local population but to have a surplus attractive to foreign markets.

Fallacies and dreams

It is clear that any planned industrialization in an LDC must have as primary goal increasing the standard of living and improving the quality of life of the rural population which constitutes the vast bulk of its citizens.

Nevertheless, many governments of LDCs attempt to depress rural unemployment or underemployment by setting up industrial projects, often near large urban settlements. The insidious dangers frequently inherent in such projects cannot be overlooked.

In Europe and elsewhere, it has been shown how congregation of uprooted rural laborers at the periphery of urban conurbations creates a negative and congested situation which tends to have a snow-balling effect -- to the detriment of the quality of life and the environment in general. Costly

expenditures required by governments to improve conditions and provide needed additional services are by no means offset by small gains in terms of employment. And there usually are limitations on funds available for expenditure, so that large numbers of people are unhappy over being constrained to live squalid lives in an unaccustomed and unwelcoming milieu. "Bidonvilles" mushroom and crime and vice spread because governments are not financially prepared to meet the increasing demand for social investments in terms of better housing, schools, public transportation, recreation facilities, etc.

This rapid and ill-considered industrialization is a dubious solution to an LDC's economic program. Short range benefits may be badly offset by permanent damage to the social fabric. An individual or family may be poor in his or its own village but forms there part of an integrated society. Translated to an urban dormitory slum, life frequently becomes alienated and degraded.

Many developing countries and some LDC's have ambitious industrial programs. Some provide the indispensable minimum for an industrial base. Many, however, are what we might call macro-projects -- construction of hydroelectric dams, establishing steel mills, developing mining operations, etc. Some of these macro-projects must be accepted, although one wonders whether more modest projects would not only be less costly in terms of capital expenditure but also in social disruption.

To use a metaphor, too rapid industrialization can resemble throwing a large stone into a shallow lake -- it produces a wave effect highly damaging to life in the lake and possibly fatal to the lake's natural surroundings.

The obvious alternative seems to be a well-planned, low-keyed effort, with incentives to encourage growth of micro-production units almost at craftsman, workshop scale, situated in rural areas or in the vicinity of small urban centers, and designed to:

- assist in developing local skills;
- provide work on the spot or within its natural surrounding for the rural population;
- supply such population with the products it needs, both in terms of quality required and price.

Such a process, given adequate incentives, can be compared to casting a hundred pebbles into the waters of a dormant lake. Each pebble would stir up some water, but the total stirring effect would neither constitute an overpowering upheaval nor be completely nugatory. It would evoke the desired response.

Or, to put it another way, why erect a cathedral in the desert? Building 100 chapels would make a lot more sense.

This way of putting the problem is especially useful when looking at professional formation of skills and encouragement of private talents and initiatives. Building a cathedral may require 1,000 workers using diverse skills, some digging the foundation, others cutting the stones, others doing the masonry work, etc. Their concentration on specialized skills, especially at the lower levels, will not enable them to understand the complexity of the whole. Developed skills will remain narrowly compartmentalized. The same reasoning can be applied to large industrial complexes set up by

multinational enterprises in an LDC, with questionable benefit to the LDC.

Development of "chapels" or mini-industries, on the other hand, would have totally different effects upon the economy and the social fabric, the kind that would grow naturally from within and reach such a size as to satisfy immediate demand -- with room for growth as need for expansion was felt. Workers on small projects would develop a wide variety of skills and all would have an understanding of the overall manufacturing process. With a growing market, experience acquired could be used to set up new "chapels", etc.

A development very similar to that just described occurred during the last 20 years in Italy, and has led that country from an agricultural economy to a highly industrialized one.

Where and how to start industrialization

To raise his standard of living, the farmer in an LDC needs the proper work tools and to be shown how to use them. To go a step further, the "proper" tools are those fabricated to meet his needs and priced so he can afford them. He does not need and does not want powerful and expensive tractors or other complex farm machinery. Such items are intended for operations in a much more sophisticated environment.

Thus tool requirements for the LDC farmer are simple -- they can be produced locally and their degree of sophistication must be a gradual development.

The first need will be production of what might be called Generation I tools -- such hand-operated items as steel forks, rakes, hoes, sickles, scythes, etc., which could take place in small workshops because of the low input required -- small capital investment, relatively cheap semi-fabricated raw materials, relatively low professional skills and slight technological content. On the output side, the products would be for local requirements and priced accordingly to be within the means of local consumers. Distribution would be simple because such implements would readily find their way to local markets.

Then there would be a gradual development to Generation II equipment, and the same workshops would be ready (either by their own power or with outside assistance) to produce power-driven (horse or motor) equipment such as steel plows (single or multiple furrow), cultivators, spinners, dung spreaders, harrowers, planters, hay rakes, mowers, etc.

Aside from liberating man from hard toil, Generation II tools would increase productivity and eventually output. Their use implies that the farmer is acquainted with more complex machinery and knows how to use it, and also that repair shops exist and that repair skills are being developed.

By now, the way is ready for Generation III equipment, with the increasing complexity which it implies. Its requirements, such as higher manufacturing skills, better professional preparation, higher investments, etc. can be met either locally or by introduction of foreign interests or a combination. Typical of Generation III farm equipment is the mechanically very simple, one piston, low or medium-powered tractor, and other farm

machinery capable of responding to the now available horsepower.

The fine thing about the process described is that industrial growth is attained gradually and naturally from within and not artificially induced through outside pressure. This growth has a snow-balling effect on the whole economy, for a number of side benefits result. To mention a few:

- work and repair shops begin cropping up in the villages and small towns, operated by workmen who will have learned their skills step by step in developing an ever increasing ability to handle and repair sophisticated equipment;
- these workshops will stimulate demand for workshop tools, and the process will follow an evolutionary pattern, growing from Generation I hand tools through the following generations of power tools.

Another example comes to mind, having to do with tires and motorization. In LDCs, all vehicles are highly valuable investments which cannot easily be replaced or written off in too short a period of time. Yet the rate of wear and tear is such that they deteriorate more rapidly than elsewhere.

Two solutions are available:

- invite a big multinational tire producing company to set up a tire plant on the national territory. This obviously would be located close to a large harbor or large urban area. The plant would be capital intensive, would require a reduced labor force and would have production capacity well beyond local needs, the idea being to export the surplus. Such a solution might have considerable appeal to local government officials, yet it is insidious;

- the second and infinitely more modest solution meets better local needs and capabilities. It consists simply in encouraging establishment of one or several locally owned tire recapping units.

Among its benefits are:

- + technology is simple and can be mastered by local technicians assisted by manufacturers of tire recapping equipment or by those who make the rubber required to recap tires;
- + capital could be found locally, and in any case would be negligible;
- + production would easily find its way to the local market;
- + cost of the product would be well below the cost of a new tire, with roughly equal performance; and
- + the plant could be set up where most needed, possibly well in the country's interior.

It is obvious that water plays a vital role in all our lives. This is particularly true in the economy of an LDC. Without water there can be no agriculture, no animal husbandry, and of course no industrial activity. In the case of many LDCs, water may be hard to reach and therefore technology must come into play. The Dutch have lived with a water problem throughout their history. Although Holland's problem has been how to get rid of water, while the LDC's is likely to be how to get more water, the Dutch provide an example of how ingenious the human mind can be when it faces up to a challenge to survival. Holland has gained invaluable experience over the centuries in pump engineering, land reclamation, etc.

In facing the problems of water handling equipment, the well-digging tools and equipment for an LDC should be made locally. Water extraction by hand must gradually be replaced by water extraction with pumps. These pumps need not have a high technological content but can be simple hand-operated piston pumps, which cost little, are easy to keep in repair, and are easy to install where needed.

Water pipes need not be made of expensive steel, since modern technology makes it possible to produce plastic pipes from cheap materials easily available on the market, in a variety of gauges, large and small. Mounting such pipes, laid on the surface of the ground, requires a minimum of equipment and technical skill.

Through the above simple techniques, water recovered from a well, lake or river and pumped through pipes to a centrally located tank (covered to prevent evaporation) will be available for a number of purposes beneficial to the economy of an LDC at a relatively low cost. I cannot emphasize enough how important it is to begin fostering a water-use industry in a small way. It is surprising how fast a plant can grow once it has sunk its roots in the ground.

How to go about Priming the Marketing Process

Some will object to the above suggestions on development and urge that the process advocated takes time, that time is lacking, and that LDCs need big plants today, big projects capable of producing for their needs, and

for exporting in order to earn foreign currency, which in turn will permit bridging the industrialization gap.

These objections can be answered by pointing out that neither Europe nor America nor any of the highly industrialized countries started their industrialization process with the thought of supplying foreign markets. All beginnings are modest and tedious, and there is no reason why they should be any different for the LDCs. For many centuries, production in Europe was carried out by skilled craftsmen in small or larger workshops. When Europeans migrated to the United States, they took with them their skills and crafts.

Early craftsmen worked for the immediate needs of their village. Later some of them, particularly inventive and full of initiative, achieved fame beyond their immediate locale, and their products would become sought over a greater area. Under pressure of demand, skills would improve, activity would expand, and products be more widely disseminated.

Until the arrival of the Industrial Revolution this was the general pattern of productive activity. Beginning in England about 1760, this revolution in industry spread to Central Europe and parts of North America by 1837. It was characterized by gradual substitution of machines for men in many of the more tedious jobs, and depended upon inventions by a number of brilliant men in Europe and America who used their talents to devise ways of eliminating hard work and drudgery long associated with the life of the farmer.

In this context a little story may be appropriate about how an American blacksmith named John Deere developed an industrial activity which lead to

the creation of one of the world's largest farm machinery industries.

For many thousands of years, farmers tilled the soil and reaped the harvest in much the same primitive way. Pictures found in Egyptian tombs show that the farmers of the Nile valley 4,000 years ago used techniques involving draught animals and wooden plows virtually identical to those of European and American farmers roughly 150 years ago.

When settlers from the East moved into the prairie regions of the West of the United States, they found a climate of immense extremes of heat and cold between summer and winter and a soil which was virgin and rich but impervious to traditional plows, even when these were improved by addition of a cast iron point. Finally, in 1837 a young blacksmith named John Deere built the first self-polishing steel plow, and thereby made it possible to open up to farming a vast area in the West --- Kansas, Nebraska, Iowa, etc. -- which has come to be the breadbasket of North America. Soon John Deere moved out of his small shop and into a factory, and by 1847 the fame of his plow had spread so that he was selling 1,000 plows a year. He then moved his factory to Moline, Illinois on the Mississippi River to take advantage of the water power and transportation facilities there available, as well as easier access to coal. Today, some 150 years later, Deere & Company stands as ^{one of} the world leaders in producing agricultural equipment.

The objection may be raised that the U.S. and Europe had 100 years to grow, but today LDCs must catch up with lost time. This is true, yet whereas Europe and the United States had to progress through their own unaided effort the LDCs of today have the advantage that the industrial nations are ready

to help them with capital investment and know-how. The problem is how to take the best advantage of the situation. This is the framework of thinking in which responsible authorities in the LDCs should plan and act. It seems to me that some of the things they could do are the following:

- make an accurate and complete inventory of all industrial activities of the country;
- evaluate present industrial capabilities of the country and its potential growth, by adding new lines of production and expanding existing lines;
- devising ways and means to assist development of existing and/or new ventures;
- make a careful catalogue of imports and determine whether at least some cannot be produced locally.

Government authorities could profit from identifying producers of low-technology content imported goods and induce them to establish joint ventures with local manufacturers to produce locally.

Another idea which might help would be for government authorities to seek from the many industries which produce sophisticated Generation IV and equipment information on what happened to left over Generation I, II and III production, and the blue prints and know-how. Perhaps the latter could be put to good use through joint ventures with local industry.

To provide an example. During the 1960s FIAT found that a certain car model was no longer suited to the local market and substituted a more sophisticated version. But it also found a country where there was need

for just the type of car discarded locally. A joint venture was entered into and FIAT provided the know-how to the other country, which found the car very well suited to its economy.

This formula or variations thereof have been found successful in various areas of industrial production.

So what is needed is to unlock the tremendous potential which is lying dormant in the LDCs. The world of today is fully aware of its responsibility to help these countries and is ready to contribute to their assistance in improving the quality of life of their populations. However, it must be emphasized that, even with the greatest goodwill, it is impossible to bridge the industrialization gap in 10 or 20 years, nor, in a great many instances, would this be advisable, because it would create more harm than good in terms of the societies involved. Remember -- "Rome wasn't built in a day."

Inasmuch as the ultimate objective is improvement of quality of life, the competent authorities ought to study carefully and support to the fullest all national activities which can help in gaining this objective, by following a reasonable and well thought out path in development planning.

When the plan is available, the industrialized world can help in its implementation.

One note of caution. In its race to industrialize, the Western World fell into the pitfall of exposing itself^{to} senseless waste of raw materials, destruction of environment and pollution of the atmosphere, etc. LDCs can profit from these unfortunate blunders which have been side products of the industrialization, and will be wise to avoid repeating them.

DEVELOPMENT OF MARKETING SUPPORTING SERVICES IN
DEVELOPING COUNTRIES

by
Waleed A. Gohar

In the challenging task of diversifying the economy and industrialising a country, participation of marketing supporting services are relatively of equal importance as the role of markets and marketing. In recent years, much effort has been spent in measuring the need for marketing supporting services in developing countries, especially to improve efficiency in areas of inter-related services which directly or indirectly influence the marketing activity.

International trade is a dynamic process which proportionally proved possible identification for integrating marketing supporting services and improved marketing approach. Correspondingly, development in marketing techniques and their application for determining marketing strategies and planning for implementation, promoted appropriate tendencies in developing such services that also projected maximum structural and organizational opportunities.

The function of marketing supporting services in developing countries began with the critical importance of expanding trade needs of the developed world to accelerate their economic growth. Because of their strategic nature, marketing strategy planning, identifying criteria and implications implementation do not depend upon supporting services. However, much attention is devoted by national and international organizations involved in different kinds of promotional activities and increasingly concerned to

support effective marketing.

It is not within this paper's scope to analyze in detail all important elements of marketing supporting services, such as the strategic role of the marketing mix and other promotional functions which are related to certain such services. Although it is important to explain the extent to which developing countries have made efforts to provide successful marketing supporting services by governmental, semigovernmental, public and private institutions, the first item to discuss is efforts of governments of developing countries to accelerate the development of such services by establishing institutions to perform supporting duties. The Department of Commerce is an agency which has facilitated effective services. Similarly, public and private associations are also active in various ways.

Generally speaking, the following public, semi-public and private bodies in developing countries have been created by legislation, national and binational marketing structures, and trade policies to achieve socio-economic development:

1. **BOARDS OF TRADE:**

- have been established in most developing countries, where they are often inter-related not only with the Ministries of Commerce and Industry but also with the National Planning Organizations;
- identify objectives and have been arousing certain interests at national and international levels;
- together with National Planning Organizations, Boards of Trade were among the first government organizations founded to facilitate

reference to particular promotional activities supported by governments of developing countries;

- these boards are described as non-profit making bodies and directly represent economic interests of the governments.

2. MULTINATIONAL PRODUCT PROMOTION SCHEMES:

- Multinational Product Promotion Schemes and multinational organizations became important in this century when the International Tea Market Expansion Board was set up in 1933. The International Coffee Conference (convened in Sao Paulo in 1931), International Olive Oil Agreement, International Wool Secretariat, International Institute for Cotton, International Wholesale and Foreign Trade Center, International Council for Scientific Management, International Advertising Association, International Chamber of Commerce, International Council of Societies of Industrial Design, International Federation of Purchasing, International Trade Center, and UNIDO are some of the major multinational organizations in which developing countries are participating to prove their economic awareness and seek close association of developed countries.
- These organizations undertake a large variety of responsibilities in areas of industrial, economic and social development, and identify economic factors of international business with scientific and technological knowledge for securing development and improvement of business conditions among nations.

- The International Trade Center has been particularly active in statistical, marketing research and promotional activities, whereas UNIDO has contributed scientific and technological knowledge and necessary help for overall industrial and economic development.

3. MERCHANDISING & MARKETING BOARDS:

- Various Merchandising and Marketing Boards exist today in developing countries to encourage demand for locally manufactured goods, services and increasing productivity, and to accelerate the pace of economic development. They are directly or indirectly involved in marketing activities of major commodities and products. These boards help in strengthening consumer demand and have very effective promotion functions. They also adapt balanced functions for the competitiveness of products manufactured in the country.
- However, not many developing countries have considered the need for such boards. The maximum benefit could be achieved by establishing these boards if government authorities recognized the need of inter-related marketing supporting services for which these boards are very useful.

4. INDUSTRY AND TRADE ASSOCIATIONS:

- A significant role has been performed by associations of

manufacturers and businessmen in most developing countries, especially in Argentina, Brazil, Ghana, India, Israel, Mexico, Pakistan, Philippines and Turkey, where there has been intensive need for interindustry and commercial relationships.

- These associations, however, are mainly concerned with defending the common interests of their fellow members, facilitating relations among member firms and exchanging information and studies on problems concerning their business activities. They function principally through regular meetings, annual conferences, research and collection of professional and statistical information. They also inform their members about trade opportunities through different publications and other media.

5. STATISTICAL INFORMATION CENTERS:

- Only a few developing countries have considered establishing specialized Statistical Information Centers and attempted to make use of computers for this purpose. In these countries, such centers are generally known as storing and research executive bodies of government departments. They collect and issue statistical information at national and international levels.
- It is believed that most of these computer users organizations do not facilitate marketing supporting services, but are devoted

to services for government agencies. They are government controlled institutions and private sectors are not generally encouraged to make use of their information services.

6. EXPORT PROMOTION BUREAUS:

- The establishment and expansion of Export Promotion Bureaus have widened the scope of marketing supporting services.
- These are public organizations and exist to organize policies for carrying out research on foreign trade, especially to promote exports of locally manufactured goods.
- Their principal function is to identify overseas markets by exchanging information with overseas institutions, combined with export training. They also analyze demand sectors, provide guidance on documentation, maintain libraries and collect foreign trade statistics. They also cooperate with government departments.
- In fact, governmental commodity and products schemes and marketing supporting arrangements for achieving a measure in stabilization of exports are influenced by such bureaus.

7. DEVELOPMENT BANKS:

- Besides their economic, social and financial development plans, Development Banks fill a marketing information gap by making

valuable contributions to facilitating cooperation between the public and private sectors.

- These banks assist in accelerating the development of human and natural resources, and render technical and managerial services by working in close cooperation with national and international markets. Their technical and financial assistance has promoted active participation of local and foreign capital in development of new markets.
- Development Banks have been effective within the developing countries. They are also engaged in formulating policies and measuring market conditions.
- The Asian Development Bank, African Development Bank, Inter-American Development Bank, Caribbean Development Bank, East African Development Bank, International Development Association, International Finance Corporation, Central American Bank for Economic Development and the World Bank are institutions which have been very active in regional, national and international development.

CHAMBERS OF COMMERCE:

- Trade promotion activities in developing countries encourage public, semi-public and private sectors to establish Chambers of Commerce. Their activities are very limited in many developing countries, where similar institutions are now in existence and

provide far more accurate and up-to-date information.

- Regardless of their legal status and organizational structures, Chambers of Commerce have facilitated commercial understanding among local and foreign enterprises, being clearing houses of trade information. They also play an essential role in identifying market opportunities that warrant promotion and a degree of trade interest.

In industrially advanced countries, which have high consumption economies, an important feature of the said services is a collective action. For example, a marketing function brings a product 'x' into the market for full integration with the vital means of the supporting services. These services play an important role in stimulating demand. Such organizations generally perform promotion activity through generic advertising and sales promotion.

In developing countries, however, marketing supporting services are to some extent of a complex nature because of certain problems developing countries face as a result of having different environments. Two major problems in the context of overall economic development are these:

- a. marketing supporting services are relatively inadequate to make practical contributions to the promotional function.

This means that executives of public and private organizations do not demand necessary backing of their governments for establishing favourable conditions under legislation to promote these services. An actual economic

system is judged in the light of proper marketing activities, and proper marketing activities are based on appropriate material benefits derived through stimulated marketing supporting services. Therefore, socio-economic functions of marketing should have been given priority in institutional establishment.

- b. information systems used in processing strategic market planning are determined by the technologies, which are of elementary nature, and adaptation to advanced technologies creates practical difficulties.

If we consider the economic structure of an individual developing country, we realize that the risks of crises involved in the concept of adapting sophisticated technologies are not so high as they are considered in most developing countries. Serious businessmen and industrialists of the third world have not neglected the possible use of advanced technologies for improving operational efficiency in their business activities.

Another problem arises in attempting to examine the organizational and structural sophistication of marketing supporting institutions of developing countries. Because of the information gap which weakens the organizational and administrative strength of these institutions, only large-sized firms usually benefit from this type of service.

Furthermore, complicated organizational structures lose interest in the relevance of activities. This is unsatisfactory for marketing promotion. In a marketing environment where individual income is very low and starvation is present, public and private organizations must not lose competitive strength and should provide support to the market potential.

Unlike many industrialized countries, Board of Trades, Trade Associations and Chambers of Commerce do not undertake promotional campaigns to bring products into the public's consciousness. In the United States, which is the most trade-association-minded country in the world, trade bodies are so much aware of the need for good public relations that they employ all known approaches and techniques to produce the appropriate image and impact.

The developing countries have substantial marketing interests which could develop joint promotional functions with possible participation of improved techniques. For example, use of computers for market intelligence, market forecasting and marketing control is today considered very helpful, since it offers major advantages of speed, capacity, accuracy and adaptability.

There is a great need for establishing Marketing Boards for major consumer products. Manufacturers' Associations, Chambers of Commerce and Export Promotion Bureaus have proved successful, but most developing countries have given them little importance. Joint marketing Associations would also prove important to support collective advertising and publicity, participation in trade exhibitions, market research, product use familiarization programs and could be undertaken by the Commerce Departments of developing countries. Such schemes of official assistance for co-operative marketing promotion would also encourage trade and industry. Marketing supporting services must not be neglected when they place particular emphasis on economic development.

RESEARCHING AND METHODOLOGICAL PROBLEMS OF THE LONG-RANGE PLANNING
CONCEPT OF THE DISTRIBUTION SYSTEM OF BUDAPEST

by
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Budapest's rapid social and economic development during the last 100 years motivated a research team of engineers and economists to study its distribution system in order to forecast future development and work out alternatives in infrastructures (housing, public transportation, services, etc.). This study has taken two years and a number of market research methods were employed. It shows that there is a close relationship between market research and planning. It intentionally stresses the methodological problems encountered.

Preliminaries and starting points

a) Budapest plays an important role in Hungary's trading life, since nearly 1/3 of the total retail sales of the country are made there -- over 1 1/2 times that of its population ratio. Thousands of persons from the hinterland buy there. Despite development of tourism, this trade has lessened during the past 10 years. This made it difficult for the planners to determine the flow of purchasing power and the volume and composition of demand toward the capital.

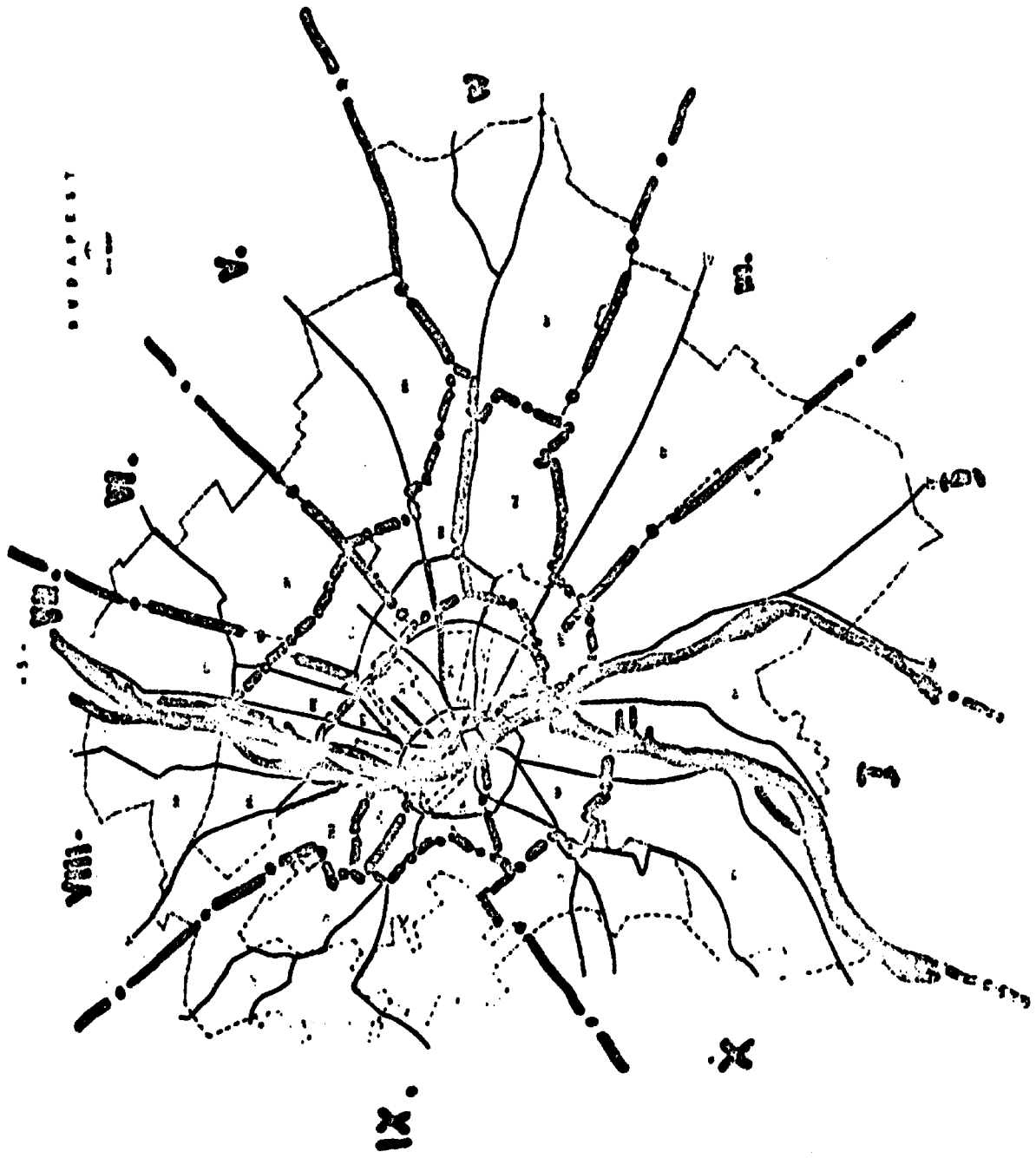
The investigating team approached its task by interview and other research methods applied to several thousands of consumers.

b) The team began with the concept that the overall plan of Budapest offered the possibility of a distribution system which only needed to be rationalized.

c) The State Development Plans of the 20 years called for a steady growth of the city's industrial production coupled with the buildup of all necessary infrastructures. This growth accelerated as of 1960. Yet a comparison of Budapest's expansion with that of the overall sales showed a falling behind in needed growth level.

d) The survey made clear at the outset that use of sales outlets in the same line of trade differed widely in different districts of the city. Sales were mostly concentrated in the center and decentralization efforts were insufficient to ease the center's trade.

e) Although the team had available accurate statistical data, it was not possible to draw significant conclusions of the retail distribution network because boundary lines of the city's districts coincide with the avenues and boulevards which are natural focuses of trade. Therefore, the survey team worked out a new district concept to make the city's main thoroughfares the axes of new zones, so that the intersections of the large avenues and boulevards would more or less fall into the middle of zones. This tended to give more precise measurements of the type desired. The attached map of Budapest shows the team's method.



The intensity differences of trade according to area units

Table 1 shows the rates of the ratios of the retail trade to the population -- the intensity-differences of the units. Realistic results were therefore achieved inasmuch as differences in incomes in Hungary are not very great.

Zones	food-products	catering trade	industrial products	all together
Trading center	2,15	2,48	4,90	3,51
Districts around the center	1,68	1,45	0,83	1,24
The fringes of the town	1,39	0,94	0,76	1,02
Budapest	1,68	1,48	1,65	1,64
Agglomeration	0,88	0,67	0,42	0,63
The county of Pest	0,77	0,83	0,62	0,72
Country/excluding Budapest and the county of Pest/	0,84	0,90	0,89	0,87

The trends are more important to the planner. The degree of mobility of population is one of the determining factors regarding flow of purchasing power.

Sales increased the least in the areas around the city center and most and fastest in the surrounding districts. The trend even up to 1985 shows increase in volume entailing the need for several large capacity shopping centers of high standard.

The structural change of trade

Development of the city's trade has not left untouched the structure of sales. The ratio of food products decreased as compared to industrial products. Using a method from the information theory called "unreliability of information," the team made computations which showed that one should count especially in long-term trade forecasts, on significant structural changes besides increase in quantity.

The results of such computations are expressed in "bits". If the structural changes of two compared time periods are equal to zero, then changes have not occurred. If the value is near to one, then strong structural modification occurred.

For example, taking as a basis the trade of the capital we find the value; for the last five years 0,0050 bit
for the last ten years 0,0233 bit
and for the last eleven years 0,0401 bit

This calls one's attention to the fact that, in working out of the trade forecast - especially in long-term - one should count on a significant structural change besides the increase in quantity. This fact would influence significantly the channel demand, since the different trading lines are not alike in capacity wants.

The density of population and the concentration of trade

The team studied the relations between density of population and concentration of trade in the zones into which it had for purposes of this

experiment divided Budapest. First eliminating such areas as parks on the theory that no one lived there, it found that some zones had greater dispersion of food shops than others, and that the scarcity of shops in some zones accounted for the intensity of the pulling effect of the city's center. It found a generally close correlation between density of population and the capacity of trade channels, and concluded that distribution of trading channels is fundamentally determined by population distribution, but that trade is more concentrated than the channels, indicating an intensive purchasing power movement in the city.

In 1970 the average range of food shops - taking into account only the populated areas - was 221 meters in Budapest. In the case of shops selling industrial products this value was 480 meters, while for the catering trade it was 551 meters.

The range of food shops shows a significant dispersion by zones, that is, in one zone it is 50 meters, while in another one it is above 1000 meters. The situation is nearly the same in the other two lines, though in some cases the dispersion is larger than in the case of food shops. Thus, the intensity of the pulling effect of the center of town is partly the consequence of the sparse channel of distribution of some zones. The differences cannot be considered as natural discrepancies, which correction has been taken into consideration in the plans.

The correlation between the density of population and the capacity of trade channels is different by lines, but it generally indicates a close correlation. The correlation coefficients regarding the density of population and the total space of shops are the following, according to the examined

lines: for foodstuffs: 0.960, for industrial products: 0.704 and for the catering trade: 0.749.

Where do the citizens of Budapest buy, and why?

The team's results up to now came from secondary sources. In October 1972 the team took two surveys, similar in structure, dealing with data on approximately 3% of the city's sales. Evaluation led the team to draw the following conclusions:

- where the point of purchase coincided with the consumers' residence the purchasing ratio was highest in foodstuffs, i.e., 77%, compared to 48% in industrial goods and 36% in wearing apparel (clothing).
- in zones farthest from the main trading center the ratio of purchases near residences of buyers was significantly higher in all three categories than in districts nearer the city center.

The team also concluded that wider selection of goods offered by the dense outlets attracts the customers, as proved by answers to the question "why do you buy food in a certain shop," as follows:

- 51.4% --- "I live near the shop"
- 12.8% --- "the shop is near where I work"
- 10.4% --- "I change near the shop"
- 25.4% --- "accident" or other reasons.

Nearness of the shop was less important in the other two categories.

Methods used and the forecast

In studying long-range capacity, the team started with the concepts of present insufficiency and growing need in connection with increasing sales, taking into consideration that some shops were closing down because of reconstruction of certain city districts. In dealing with trends, the team used nearly all the well known methods but no brand new ones. It aimed at probability value of extrapolation being largest and limit of tolerance the least. It used today's rates, and assumed increasing performance of channels and moderate technical progress.

To solve the problem of planned degree of allocation of the needed channel capacity, the team used the following basic principles:

- the needed capacity of zones was defined by 5-year periods;
- since surveys had shown clear correlation between buyers' homes and shopping centers, the larger portion of the need was distributed according to expected population changes;
- buyers' habits were taken into consideration by distributing a small portion of the need according to the importance of the centers of the zones;
- a certain part of the need was distributed according to the location of working places;
- approximately 5% of the need was allocated to the new shopping centers located in the new city centers on the principle of divided concentration; and finally,
- an important part of the need was placed to compensate for existing differences among populated areas, taking into account that even in 1985 these differences are likely to exist although on a more modest

scale.

The team therefore came up with what it conceives to be a consistent and elastic plan which should be easy for executives to administer. The team considers its work far from completed, however, and believes much more effort should be put into harmonization of the development of the distribution system.

THE ORGANIZATION AND THE PHYSICAL IMPLEMENTATION
OF MARKETING FUNCTIONS IN THE DEVELOPING WORLD.

by

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1. Preface.

Marketing means "market-oriented efforts to design, produce and to sell products." It starts with type and design of product, includes cost and quality of product, sales force and sales strategy, and price policies, and ends with packaging of product, catalogues, price lists, advertising, public relations and sales promotion.

A distinction must be made between different types of products such as:

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

The progress and economic expansion of developing countries is particularly related to their capacity to develop industrial and marketing policies and marketing management, both within local markets and in export ones.

This paper deals with both types of markets, but does not concern itself with products sold through specific and internationally regulated channels, such as oil, minerals, metals, coffee, tea, bananas and other large-scale agricultural products.

2. Marketing philosophy.

Marketing plays a necessary and essential role in countries, industries and markets where there is present 1) buyers' markets and 2) competition. It is of minor importance where there is greater demand than supply and little or no competition, as well as in countries which have central planning and programmed industrial production, such as communist and socialist countries. In international markets, however, where these countries meet competition, export marketing is necessary.

The meaning of marketing is not limited to sales, but involves a comprehensive management philosophy to develop the right product for a specific group of customers in terms of function, design, quality and price. Marketing requirements are not fixed, but change with:

- economic development;
- technological development,
- development of purchasing power, and
- development of consumer behavior.

A comprehensive and thorough knowledge of the target groups and their wants -- their conscious as well as secret wishes and dreams -- is the basis of general market orientation as well as of specific decisions on the marketing strategy and tactics of firms. For example, it is obvious that the invention, design, development, manufacturing and sales of a Mercedes differ from that of a Volkswagen. Each appeals to different groups of customers with different needs and purchasing power. Developing the right product for a specific group of customers requires the use of all ideas, skills and methodological systems of value analysis.

3. Marketing strategy.

Inasmuch as a marketing strategy can be established only on the basis of a thorough knowledge of the product and the market, market research and market intelligence are needed to provide the information required to develop marketing strategy.

Market research is also needed to control the effect and efficiency of all marketing activities and to provide feedback for permanent improvement of the marketing strategy. This does not mean that marketing strategy shall be changed at frequent intervals. On the contrary, depending on the market it must be pursued consistently for a certain period of time, say 6 to 12 months, before its success or failure can be proven. Strategy means middle and long-range thinking rather than day-to-day tactics. Therefore, all available skill, know-how, experience and information must be used in formulating a company's marketing strategy.

4. Marketing planning.

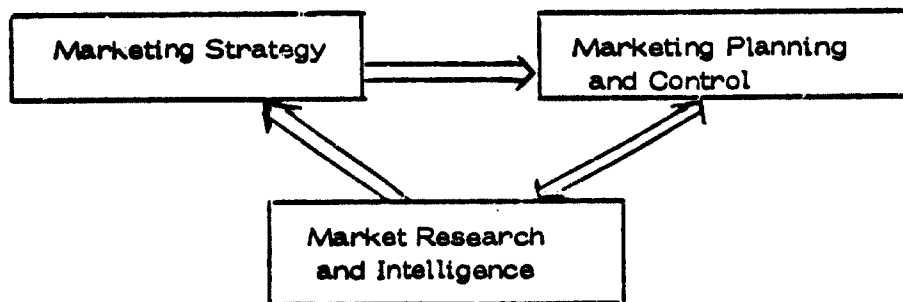
Marketing planning or programming means working out a detailed scheme, using all marketing tools to transform the marketing philosophy and strategy into a plan of activities, including time and costs. It starts with precise and detailed definition of market targets with regard to region, sector and segment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

Finding the best marketing strategy may only require a few moments of ingenious application and imagination by a brilliant mind; elaboration of a marketing plan is always hard work, involving use of technical skills, experience and realistic calculation. It must be oriented, like strategy, by the results of market research and intelligence.

Since market research and intelligence is one of the instruments, market planning includes planning the activities of market research, a situation which may be called a cybernetic feedback system.

Sometimes targets must be revised as a result of new market conditions and the planning process started over again to meet the realistic capabilities of the company.

The general concept that no plan should be implemented and followed without permanent control applies to market planning. It is therefore better to speak of Marketing Planning and Control. Control criteria are provided by market research. The illustration below shows the interaction.



5. The marketing instruments.

Marketing theory has been described in many books and papers. Marketing in practice must be closely adapted to specific needs, and depends upon size and type of company and differs for each type of product and for every national or regional market. In considering the specific problems of marketing in developing countries, the following range of marketing instruments should be considered:

- market research and intelligence,
- marketing strategy,
- price policy,
- sales and revenue planning,

- marketing planning,
- marketing mix,
- programming of sales activities,
- sales organization,
- distribution,
- packaging and presentation,
- sales promotion,
- advertising, and
- public relations.

Marketing must also influence product planning and design.

Every company should use market research and intelligence, for someone who understands its central function will consistently use properly the other marketing instruments. It is of the utmost importance to offer the right product in the right way to the right buyer. And it is an error to think that only big corporations can afford market research. Even small companies must use it if they expect success. Market requirements change constantly, so research is needed to remain abreast of developments, terminating production of obsolete products and developing new ones and achieving necessary diversification.

Market research and intelligence must answer many questions, such as:

- - who are the potential users of my product?
- - is the product all right or does it need improvement in 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 purchase my product?
- - what image does my product convey to the buyer?

- what do buyers consider my product's special advantages?
- what are the answers to all these questions when raised by main competitors?

This methodological approach avoids misinvestments and misdirected activities and contributes essentially to the effectiveness of the entire marketing effort in its proper sense. The form which follows may help work out a definition of the market potential for a given product. All questions must 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 & purchasing power			
5. Purchasing decision process			
6. Buying motivation			
7. Competitors			
8. Strategy, policy, pricing, etc. of competitors			
9. Future developments			

6. Product-oriented marketing.

Industrial products are usually defined as :

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

Another definition distinguishes between:

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

Different types of products require different marketing strategies and marketing activities. Some so-called market managers do not seem to distinguish between selling tooth paste and refrigerators. Although both are sold to housewives, motivation to buy a specific tooth paste is different from that to buy a specific refrigerator, and the decision-making processes are essentially different.

7. Marketing for new markets.

Many problems and risks are encountered in entering a new market, and a certain level usually needs to be overcome. Once it is overcome, success is more or less assured.

The problem is not only that of effort or money. It may also involve size and capacity. A German automatic washing machine company once desired to enter the U.S. market. Research showed, however, that 120% of existing manufacturing capacity would be needed to produce the sales volume necessary to cover expenditures needed to enter the market. Developing countries frequently have similar problems 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 a 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 analysing 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 can not 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.

The famous and controversial book of Vance Packard "The Hidden Persuaders", is well known, but not everybody believes in it and is satisfied with its definition of marketing. 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 achieve the greatest 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.

MANUAL FOR STRATEGIC PLANNING

by

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Introduction

Strategic planning is the process of programming the most effective deployment of a company's resources to accomplish its corporate objectives. Such planning does not involve forecasting, but is rather an organized, systematic examination of the environment, competition (strengths and weaknesses), firm's resources (strengths and weaknesses), and firm's objectives and values, as well as its past performance, in order to uncover new opportunities, develop realistic, attainable and quantifiable goals, and lay out a program to achieve them.

Planning can be considered as an attempt to bring some certainty into an uncertain future, in a world which is constantly changing in technology, competitive patterns and customer demands. It is the essence of management, for only the future can be managed. The past is gone and we can only react to but not manage the present. The primary responsibility of the top executive is building his company's future, and planning, although not eliminating risk, offers the most effective means whereby the firm's total resources can be focused on achieving the desired goals. Planning is not only a belief that we can control, alter and manipulate the future, i.e., that we can manage; it is also a commitment to do so.

Strategic planning is hard work. Performed in a large firm by speciali

staff, in a small one it must be done by the top manager. The job is not done when the plan is ready. It must then be refined into the intermediate plan, and then further broken down into the short range plans, budgets, production schedules, purchase schedules, sales quotas, promotion programs, etc. The planning job never ends, for progress must be constantly measured against the plan, and alterations made to reflect changes in technology, the competitive environment, the firm's resources, etc.

This manual and workbook approach to planning has been developed and proven in the United States. It is intended to force the general manager to stand aside from the pressure of day-to-day operations and objectively and systematically assemble, record and analyze all data relevant to the development of the strategic plan. It is a great help in organizing data, raising questions and stimulating thought, but it will not do the top executive's thinking for him. It will be no better than the thought and effort put into it. In using it, the executive must be thorough, creative and, above all, honest and objective.

The manual is divided into three workbooks, arranged as follows. The detailed arrangement of each workbook in turn follows:

- WORKBOOK I

The Company's Total Situation

- + The Environment
- + The Company
- + Objectives, goals and values

- WORKBOOK II

Evaluating Past and Current Performance

- + Performance against Goals
- + Comparison with Competitors
- + Trends and Prospects

- **WORKBOOK III**

Developing the Strategic Plan

- + **Opportunities and Threats**
- + **Corporate and Competitive Strengths and Weaknesses**
- The Competitive Niche**
- + **New Objectives, Goals and Targets**
- + **The Strategic Plan**

WORKBOOK I

THE COMPANY'S TOTAL SITUATION

A. THE ENVIRONMENT

1. INDUSTRY

Present

Future

a. What business is this company in?

b. What is the nature of this business?

2. CUSTOMERS

a. Who are the customers of this industry?

b. What are their buying motives?

c. Who makes the decision to buy?

d. What is the demand-supply-price relationship?

3. COMPETITION

a. Who are the principal competitors in the field. What are their strengths and weaknesses?

(1)

(2)

(3)

Present

Future

-
- b. With what other industries do the products of this company compete? How? Impact?
-

4. SUPPLY

What is the raw material and component supply situation?

5. EXTERNAL ENVIRONMENT

-
- a. What is the present (and expected) economic environment? Impact?
-

- b. What is the present (and expected) investment/credit climate?
-

- c. What other external factors affect this industry? How?
-

6. GENERAL

-
- a. What does it take to succeed in this business?
-

B. THE COMPANY

1. PEOPLE

Present

Future

-
- a. Key managerial, sales, technical people, their capabilities, and qualifications.
-

2. CAPITAL

-
- a. Present financial position
b. Growth capital earnings
c. New equity
d. Debt
-

3. MARKET POSITION

-
- a. Product reputation and acceptance
b. Market penetration and coverage
c. Distribution system (describe and evaluate)
d. Brand names
-

4. FACILITIES AND PRODUCTION CAPABILITIES

Present

Future

-
- a. Plant and equipment

- b. Plant labor
 - c. Special production capabilities
-

5. SUPPLIES

- a. Raw materials and components
-

6. TECHNICAL

- a. Technical capability
-

7. COMPANY STRENGTHS AND WEAKNESSES

- a. Company's strengths and weaknesses (in relation to demands of the industry)
-

8. COMPETITIVE ADVANTAGES AND DISADVANTAGES

- a. Comparison with competitors
-

9. COMPETITIVE NICHE

Present

Future

- a. What is the company's objective
-

C. OBJECTIVES, GOALS, VALUES

-
- a. Write down as clearly as you can the objectives, goals and values of the company.
-

WORKBOOK II

EVALUATING PAST AND CURRENT PERFORMANCE

A. PERFORMANCE AGAINST GOALS

State the company's goals and evaluate its performance against each one.

1. Profit
2. Sales
3. Other

B. PERFORMANCE AGAINST COMPETITION

1. Market share
2. Relative Profit Performance
3. Other Indicators
4. Trends

C. CUSTOMER POLICY

1. Basic Categories of Customers or Markets Served
2. Geographic Location
3. Statement of Current Customer Policy
4. Possible Changes
 - a. New Markets (Geographic or market segments) Justification
 - b. Market Deletions
 - c. Specific Areas of Improvement
 - d. Other Untapped Opportunities

D. PRODUCT POLICY

1. Major Product Categories % of sales

2. Distinguishing Characteristics

3. Statement of Product Policy

4. Possible Changes

a. New Products?

Justification

b. Product Deletions

c. Changes in Product Mix

d. Other areas of possible improvement

E. DISTRIBUTION POLICY

1. Describe the company's distribution pattern

2. Relative percentages moving through different channels

3. Margins, discounts

4. Possible Changes

a. New Channels?

Justification

b. Deletions?

c. Other Changes?

F. PROMOTION POLICY

1. Present Policy

2. Buying Motives Appealed to

3. Consistency with Market

4. Suggested Changes

G. FINANCIAL POLICY

1. Present Financing

a. Equity

b. Debt

c. Effectiveness of use of Finances

d. General Comment

2. Proposed Changes

Justification

H. MANPOWER

1. Present Manpower Policy

2. Comments

3. Proposed Changes, Opportunities

I. MANUFACTURING

1. Plant and Equipment

a. Size, balance, capacity, future

b. Equipment Policy

2. Purchasing and Subcontracting

3. Labor

4. Other

5. Proposed Changes

Justification

WORKBOOK III

DEVELOPING THE STRATEGIC PLAN

A. SUGGESTIONS FOR IMPROVEMENT

1...

15

etc.

B. OPPORTUNITIES

1...

15

etc.

C. ALTERNATIVE STRATEGIES

1. (Describe in full)

2...

6.

etc.

D. COMPARISON OF ALTERNATIVE STRATEGIES

E. STRATEGY EVALUATION

Strategy I

1. (Description)

2. (Evaluation)

Strategy II

1. (Description)

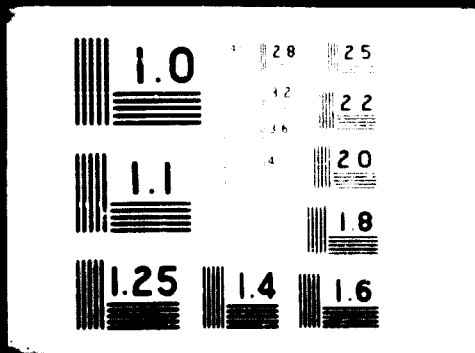
2. (Evaluation)



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Strategy III

1. (Description)
2. (Evaluation)

Strategy IV

1. (Description)
2. (Evaluation)

F. SUMMARY OF THE TOTAL STRATEGIC PLAN

G. CUSTOMER POLICY

1. Basic categories (segments) of future customers and markets (%)
2. Statement of customer policy

H. PRODUCT POLICY

(Using the information on preceding page, describe the product policy a summary statement).

I. DISTRIBUTION POLICY

J. PROMOTION POLICY

Statement of Promotion Policy

K. PRICING POLICY

(Summary statement of how sales price (and discounts) will be determined in each of the major product categories).

Product 1.

Product 2.

Product 3... etc. 5

Summary statement of overall policy

L. FINANCIAL PLAN

Statement of Financial Plan

(Attach or reference cash flows, pro formas, etc.)

M. MANPOWER PLANNING

Statement of Manpower Planning

(Describe recruiting, executive development plan, organization plans, etc.)

N. MANUFACTURING PLAN

Statement of Manufacturing Plan

(New plant facilities, equipment purchases, etc.)

O. RESEARCH AND DEVELOPING PLAN

(Describe R & D PLAN)

P. TIME TABLE OF MAJOR STRATEGIC MOVES

Q. APPRAISAL OF FUTURE STRENGTHS AND WEAKNESSES

Major Strengths

Major Weaknesses

The New Competitive Niche

R. OBJECTIVES, GOALS, VALUES, TARGETS

Comment on Workbook I

This section submits to very close scrutiny the economic and competitive environment in which the company operates. The field of operation should be narrowly enough defined to be useful, yet wide enough to include the full market segment. Competition, dealt with in Part 3, is one of the most important items in the entire analysis. Research must be carried out thoroughly, imaginatively, objectively and honestly. Superficiality, carelessness or unjustified optimism can easily lead to false conclusions and thus to a highly dubious -- and dangerous -- strategic plan. On the other hand, many attractive competitive opportunities may be uncovered through attention to detail and thoughtful analysis. Part 6, dealing with such general considerations as what does it take to succeed in the business and how does a company grow in this industry, provides a particularly important opportunity for careful, creative and analytical thought.

While Part A examines the environment in which the company operates, Part B scrutinizes the company itself, with emphasis on resources available to construct the corporate strategy. It stresses that a company competes primarily with its people -- the people who run and operate it -- rather than with its products, and that its human assets (management, sales, technical and other employees) are its primary competitive resource. Their performance is vital to the firm's welfare.

Part C notes that asking the following questions will help in dealing with some of the intangible goals -- what is the company in business for? What is it trying to achieve? What should it be five years from now? To what extent is it desirable to sacrifice profits to fulfill such objectives as security, stability, public interest, social contribution, economic

development? What level of ethical behavior -- honesty, integrity, value -- should guide the operation?

Comments on Workbook II

By completing Workbook I, factual data has been gathered for development of the strategic plan. Before proceeding to prepare that plan, however, consideration must be given to the company's past performance, its current status, and its present competitive strategy. If the company is doing well, radical change in strategy is not indicated, for it is difficult and perhaps dangerous to quarrel with success. The adage "don't rock the boat" has some validity.

Nevertheless, past success is no guarantee of future success. If the competitive environment or the company's resources have undergone substantial change, if there are threats or changes on the horizon, major changes in strategy in spite of favorable past performance may be advisable. Workbook I provides a very searching analytical device for scrutinizing all these factors to the nth degree.

Comments on Workbook III

Through observation, research, study and analysis in Workbooks I and II we have prepared for the real job -- developing the strategic plan -- by getting to know:

- the competitive environment within which the company operates;

- the demands which that environment places on the firms which compete in it;
- our competitors' strengths and weaknesses;
- our own firm's competitive strengths and weaknesses, and our objectives, goals and values;
- something about the company's past performance, and have tried to evaluate this performance and the present situation in terms of objectives and probable future demands of the market;
- some untapped opportunities still to be explored, and have developed suggestions for improvement.

In developing alternative strategies, the time has come to be creative and imaginative. Ask: what are our key strengths? Can they be profitably applied to other fields? If selling is our forte, can we sell additional products in the same and other markets? If technical competence is our strength, can we develop and license new technology? What are our weaknesses? Are we in the wrong ball game? Typical alternative strategies that might develop out of this examinative process would be:

- Expand operations into related (or unrelated) products or markets to better exploit our reputation, distribution system, marketing skills, or manufacturing capacity.
- Narrow the markets served and concentrate total effort on a more intensive exploitation of one market segment ("we don't want all the business, only the profitable business").
- A major research and development effort, with a view to entry into a new field with high profit potential, or alternatively merger or joint venture with a firm already in the field.

- Restructure our method of distribution. For example, replace sales agents with our own sales representative, company owned branches or retail stores.
- Join with another firm, to pool resources, complement strengths, provide a full product line, expand market coverage, all with a view to increasing competitive strength.
- Manufacture and sell intermediate products or components.
- Upgrade products to capture a market where competition is less severe and margins are greater ("our object is profit, not volume"), or downgrade to capture a mass market.
- Review and restructure the product line to eliminate useless and costly variety, low-margin or loss items, product "has-beens".
- Design and construct a new plant for greater capacity, lower costs, improved quality, better location, more efficient labor.
- Enter international markets.
- License know-how or patents to (or from) others to gain new sources of revenue.
- Expand promotional effort.

None of these alternative strategies is a complete plan in itself, but each requires simultaneous action in other areas -- finance, personnel, organization, plant facilities. Nor are they mutually exclusive. The overall plan may include several, either simultaneously or in stepped sequence.

Once the strategic plan is prepared, it must be "exploded" into a detailed, coordinated functional operating plan, with time tables, targets,

measures, check points, safety valves. It must be explained to those responsible for carrying it out, and then be broken further into a series of short range plans, schedules, work orders, purchase orders, hiring and training schedules and action. Progress against the plan must be measured and appropriate corrective action taken. Finally, the plan must be continually reviewed, revised, improved, extended in the light of progress, action of competitors, technological and market changes, and changes in the firm's own capabilities and resources.

A FRAMEWORK FOR MARKETING STRATEGIES
IN THE DEVELOPING COUNTRIES

by

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1. Introduction

The purpose of this paper is to explore how modern technology can help to promote economic and social growth in the developing countries while avoiding the subjection of these countries to increasing stress in times of technological change and social turbulence. It examines innovation strategies for industrialization, full employment, and self-sustained growth in these countries, and regards the task as urgent since related to the widening gap between rich and poor countries. Unless great efforts are made, the gap will become disastrously wider by the end of this century.

The paper's four principal conclusions are:

- the market mechanism, particularly in developing countries, fails to establish and maintain a balance between agricultural and industrial production, and is unable even to foster a "territorially-balanced" growth of the production system;
- the dominant vehicle for economic and social growth will be innovation appropriate to the developing countries, which should employ additional labor as justified by the saving in capital. This means that industrial processes of small productivity, used today in the industrialized countries, must in greater measure than the past be transferred to developing countries;

- intervention by the State is needed to accelerate capital accumulation and to allocate it properly, not only in developing countries, but also in underdeveloped areas of industrialized countries; and
- the character of a free market system should be maintained in developing countries to preserve and develop entrepreneurial vigor.

2. The relationships between industrialized and developing countries

Experience has demonstrated that the market mechanism fails to create and maintain a balance between agricultural and industrial production even in the industrialized countries, and that industry does not spread to those regions where there is underemployment in order that a "territorially-balanced" growth of the productive system is achieved. The trend is migration of workers to areas of industrial intensity. The result is that industrial economy has not gradually spread but has limited itself to a group of countries which constitute a minority in terms of world population.

The industrial revolution did not promote a world market in the sense that the whole world participates in the benefits of industrialization. In fact, technological change in industrialized countries has contributed to growing economic problems of developing countries by providing expensive, complex, labor-saving machinery at a higher rate than the skills can be acquired and the capital formed in these countries for its efficient and effective use.

To illustrate the gap between rich and poor countries, it can be pointed out that, according to the OECD classification, there are 15 principal rich industrialized countries and 28 principal poor developing countries. The

former, with a total population of 600 million, have a GNP of \$ 2,500 per head; the latter, with a total population of 1,700 million, have a GNP of \$ 150 per head. The total GNP of the industrialized countries is 6 times that of the developing countries. The gap is widening. It can be said that the annual added wealth of a citizen of an industrialized country is nearly as much as a citizen of a developing country has to live on for an entire year.

If the relative gap is to be halved by the year 2000 A.D., the GNP net rate of increase must be raised from the present 1 % below to 2% above that of industrialized countries. Modern technology can help only to the extent investment funds are available in adequate amounts, and are allocated to science and technology by governments facing competing social demands, and the wisdom, skill and entrepreneurship with which these resources are used.

In addition to countries following the capitalist or communist economic systems, there is today a large group committed to the so-called "mixed" line i.e., engaged in development strategies presenting these four aspects:

- based on long-term programs,
- allowing private enterprises,
- providing for a large contribution of State controlled companies, and
- orienting the market mechanism toward achievement of social goals.

These countries differ in size, which implies very different types of planning and implementation, say as between India and the smaller African states. Yet they all have a distinctive common feature in that they share the extreme uncertainty resulting from impossibility of forecasting accurately.

where the strategies of their governments will lead them.

The growth of a country depends more upon cultural and professional formation and on radical changes in social structure than upon capital accumulation and sound planning. The problem of technological training does not stand out as the most difficult to solve. In this connection one item needs special mention. Although engineering schools of industrialized countries take pride in sharing the latest techniques with students from developing countries, this is not the major need for these students, who should be provided training aiming at technological competence in a wide setting, with particular emphasis on design to save capital by using additional labor, inasmuch as the latter approach is best calculated to assist the developing country in its early stages of industrialization.

Management is probably the most important factor in the creative and effective use of resources, and there is an urgent need in developing countries for building up the supply of managers who are able to create and develop modern enterprises, both in the private and public sectors. In addition, deep changes in social structure are necessary, principally with respect to land reform, where the political obstacle must be overcome of opposition from the landed class, and the technical one arising out of the problem of technological implementation.

Rapid population growth is another problem, inasmuch as development policy must reflect, in a relatively short-term perspective, a demographic framework markedly different from that existing when it was launched.

Decline in price of primary goods, resulting in increased supply as a

consequence of productivity growth in the industrial, agricultural and mining sectors of developing countries, has a disturbing effect because these economies are normally based upon one crop or one mining production. Demand for raw materials and food products is also adversely affected by competition of synthetics, reducing the quantity of raw materials needed by the industries of importing countries. This sort of situation is also made unstable by the economic trend of industrialized countries to reduce purchases of raw materials when adverse business cycles occur. The developing countries then lose outlets, which problem cannot be handled by using non-existent currency reserves, and to the already precarious market situation is added a new element of uncertainty by speculation of stockjobbers over stockpiles of raw materials and farm produce.

The unfavorable consequences of the above are further worsened because of the rather inelastic supply of primary goods, i.e., they scarcely reflect fluctuations in prices. When industrial production ceases to be economic, production can be cut down or abandoned, with labor and capital transferred to other activities. A country exporting only raw materials cannot fall back upon such solution, and in the case of agricultural production, farmers often increase production when prices fall in order to try to avoid reduction in real income.

Thus price fluctuations, inelasticity of supply, concentration on a single or a few products, and absence of industrial production combine to make it impossible for these countries to make basic, even medium-term, forecasts, and thus devise concrete programs. The execution of any developmen

program therefore involves contribution of foreign capital which, because of the poor solvency of the developing country, must generally have the character of aid rather than a loan. For it must be remembered that loans, even if paid back, are so paid only because the country is getting new loans or further aid.

It should be noted that the oil-producing countries are in quite a different position, since they can accumulate public revenues in foreign currencies large enough to permit relevant expansion and also create considerable balance of payments surplus.

Developing countries, when they are not oil-producers, consider that their major economic need lies in strengthening their position in the international community by increasing exports in the quantity required to meet:

- the increase in imports, which is determined by the growing need for production goods, required for execution of development programs, the urgency of improving the tone of life, and the population increase;
- the growing number of loans which must be negotiated to equalize balance of payments, a balance which today is largely obtained from aid and loans which, in great part, are never reimbursed; and
- reduction in exports often due to technological progress in industrialized countries where new synthetic products substitute for and diminish the need for raw materials.

From the above it can be seen that rapid development of industrial production is the only way developing countries can solve their economic

problems, a development which not only must supply production and consumer goods today imported, but also feed export outlets in the already industrialized countries.

3. Technological innovation and industrial development

For purposes of this paper, innovation means the whole process from scientific discovery or invention to the final emergence of a marketable product or a social service, and therefore comprises three categories: R & D, production and marketing.

Economic growth through technological development depends on continual innovation. In developing countries, innovative efforts need State planning, and the least advanced a country, the more emphasis must be given to diffusion of information. Both in agriculture and industry, the improvement and adaptation of indigenous or imported technology and increased efficiency of resources deserve close attention. Because of shortage of capital and other factors, markets in most developing countries demand a smaller scale of operations than in industrialized countries; the technologies needed are those appropriate to small markets; technologies designed for large-scale operations are most inappropriate.

Developing countries are often said to lack investment opportunities. What is meant is that there are few markets sufficiently large to justify investment in the types of plants which international investors are generally accustomed to in industrialized countries. However, with sharper vision and refined mechanisms for conducting the search, opportunities would be found to supply smaller markets, using technologies of a type suited to them.

Technologies currently used in industrialized countries can be characterized as "labor-saving" per unit output. Those most appropriate to developing countries might be termed "capital-saving" and should be designed to employ relatively more labor. Up-to-date and prestigious capital-intensive processes suitable for countries where labor is particularly scarce must be rejected in favor of those suitable where abundance of capital and labor is somewhat closer. Therefore, industrial processes of small productivity which are today used by industrialized countries should in greater measure than in the past be transferred to developing countries and be substituted by processes of higher productivity and therefore of higher technological content. Industrialized countries unwilling to act in this way are likely to see prevailing wage rates not only not improving but retreating toward the lower levels customary in countries able to master only the simplest technologies.

The behavior of developing countries cannot escape, fundamentally, from the logic of market opportunity, an element destined to bear in growing measure on industrialized countries with a market economy, given that:

- progress of the industrialized countries is to a large extent subordinate to the constant expansion of commercial exchanges with the developing countries; and
- the majority of the world's population lives in the developing countries, and this population is growing at the fastest rate, and there also is to be found the richest part of the earth's resources.

Only the industrialized countries can realize two necessary (though not sufficient) conditions for determining a more favorable course of the

position of developing countries:

- the guarantee of relevant and constant flow of aids; and
- the renouncement of certain types of industrialization of which they are also exporters and of which, instead, they should become importers.

Industrialized countries have not followed up concretely on promises made at international conferences to:

- stabilize the market of raw materials which the developing countries export;
- reduce their own agricultural production; and
- open their own markets to the new industries of poorer countries.

The result is that developing countries, or at least a large number of them which are unable to achieve intensive processes of capital accumulation and formation of human resources, cannot avoid serious political and economic crisis. Their relationships with industrialized countries occur more in an atmosphere of conflict than of cooperation. What used to be called the "class struggle" inside the industrialized countries is fading there and is being revived as a tension between rich and poor countries, the former -- economically homogeneous and in a state of continuous progress -- the latter -- proceeding too slowly or not at all in improving their often miserable way of life. In all probability, it is as this situation becomes more acute that the problems of developing countries will become one of the problems of the industrialized countries.

4. Development gaps in industrialized and developing countries

Even the developed countries contain areas which have been left underdeveloped, where:

- accumulation of industrial capital was insufficient, in the past, to bring the labor force of a predominantly agricultural region to a productivity level of the same order as achieved by the labor force in the remaining national territory where the process of industrialization has been concentrated; and
- the deficiency which has been so determined in the industrial capital structure cannot be eliminated by the action of the existing market mechanism.

Since the situation of internal underdevelopment in industrialized countries cannot be eliminated by the action of market forces, the disequilibrium cannot but be continually worsened. Because in rich areas income and power go together, this situation has been defined as "internal colonialism" and could well apply to the Italian South, considering the system of social forces which came about in Italy after unification. The reduction of the gap will be limited and in part considerably determined by the transfer of labor from the underdeveloped area to that more advanced. Internal migration, however, gave rise to decay even in those modest economic activities which were flourishing before the exodus. A social disequilibrium sets in no less serious than that existing before and gives rise to new problems more difficult to solve due to the demographic impoverishment produced by the exodus. It has been found that, in general, the existing development mechanism cannot adequately deal with this kind of situation, and therefore

direct public action, contrasting the tendency of productive investment to concentrate further in the already congested industrialized zones, is justified.

5. State Planning as a method of orientation and stimulation of the market mechanism

With the evolution of society from cultures which might be defined as rural to cultures dominated by technology, the degree of dependence of each individual on other individuals is increased. Relationships among individuals on the other hand, decrease both in number and intensity, so that technological progress heightens the isolation of the individual in proportion to his control over nature and greater mobility. The increase in dependence shows itself in a continuous increase in the number, size and complexity of two systems:

- those whose regulation takes place through spontaneous connections which form between men as a result of chance; and
- those which are regulated by man by means of certain procedures to attain certain aims.

Transition to a programmed economy -- programmed society would be a better term, for economic planning whereby the decision-making centers of the system propel the system in the direction which they consider the right one in an economic manner as possible is of course a political and not an economic operation -- is a problem of transforming a self-regulated system into a regulated one. The application of planning means that a given society

does not, in the judgement of the competent authorities, have that capacity for self-regulation which is adequate to lead the system in the direction of the general aims which these authorities propose to attain.

The incapacity for self-regulation is based upon the fact that changes in one part of the system do not automatically and at the right time give rise in other parts of the system to the reactions which are necessary to move the system in the desired direction. The fact is that today there is faulty coordination between the private and public decision centers, as demonstrated by grave deficiencies in all spheres of public and private life.

An absolute prerequisite to a programmed society is construction of an order whereby the aims which must be achieved by the different decision centers can be exactly defined. These aims are numerous and with differing standards, i.e., such problems as intensification of progress in poor underdeveloped areas, acceleration of technological development in certain areas, and establishment of facilities to reduce pollution, etc.

After transition from the political moment (definition of aims) to the economic and administrative moment (implementation of the systems analysis and the technology assessments), the aims set forth at the political level become conditions or restrictions which must be taken into account in the process of formation and distribution of the national income. When the attainable national income proves to be sufficient, the aims must be modified at the political level, and comparison of aims and resources available must be continued until optimum totality of the aims attainable with the resources available is reached at the political level. The transition to a programmed

action does not affect the mechanism of the market.

The planning mechanisms which are able to bring about fundamental changes in an economic structure are characterized by two elements:

- the State takes over direct responsibility, principally through State-owned companies, for the attainment of certain aims of innovation, production and income distribution within a certain period of time; and
- the achievement of these objectives is effected by maintaining a free economic system whose framework undergoes a certain modification.

A free market system is maintained to preserve and develop entrepreneurial vigor which is encouraged by private ownership of the means of production. Through State action the market system is geared to the achievement of social objectives which cannot be attained by the market mechanism alone.

In the "mixed economy" of a developing country, for which establishment of a general State plan is a prerequisite, the State should consider it one of its tasks to assume responsibility for those innovations and investments which, while foreseen in the general plan, cannot be undertaken by private initiative. Although some opportunities do appear for improving the design and for accelerating the carrying out of industrial development programs, slight improvements can be expected, but no sudden changes will dramatically increase industrial growth rates.

6. The contribution of an environment for technology assessment

Technology assessments provide for economic planning an overall sketch of the advantages and disadvantages of various orders and make it possible to choose among available alternatives with fairly similar primary effects those with the smallest negative secondary or tertiary effects or the greatest positive ones, and can be expected to perform important roles of economic planning by:

- 1) Clarifying the nature of existing social problems as they are influenced by technology, possibly indicating the legislation needed to achieve satisfactory control.
- 2) Providing insights into future problems, to make possible the establishment of long-term priorities and to provide guidance for the allocation of national resources.
- 3) Stimulating the private and public sectors of our society to take those courses of action for the development of new technology that are most socially desirable. Such actions may be creative or defensive.
- 4) Educating the public and the government about the short-term and long-term effects of the range of alternative solutions to current problems.

The overall objectives of technology assessments within the framework of economic planning are:

- 1) To improve a country's quality of life. This is the long-range objective to which somehow and to some extent all other objectives

are subordinated.

- 2) To strengthen the country's technological infrastructure and innovative capacity, including relationships between government, industry, and universities. This is a shorter-range objective, but basic to the accomplishment of the first objective.
- 3) To focus efforts of government laboratories, State owned companies, and universities on specific areas of technology believed to offer promise for national pre-eminence and to improve a country's competitiveness in foreign trade.
- 4) To retain in domestic hands control of designated "growth" industries that incorporate new advanced technologies.
- 5) To enhance national prestige.

The effectiveness of technology assessments appears to be greater in those countries in which 1) the national science and technology policy and goals, particularly as they affect designated industries, are well-defined and less subject to change, and 2) government involvement in economic planning and integration of technology assessments into the planning mechanism, has been direct and substantial. The public sector, indeed, needs technological assessments if its planning and development policy is to allow for foreseeable or desired technological trends. The planning agency must know which inventions are expected to induce potential basic innovations of the future, i.e., are likely to modify national economic structures significantly. It must have an approximate date for the introduction of these innovations and the timing of their effective impact. Above all it must have adequate advance notice of technological mutations so powerful as

to be capable of causing upheavals of entire sectors of the production process in a short period of time.

To be effective, technology assessment programs seem to require establishment of a Science and Technology Office within the national planning agency to:

- perform a planning/coordination function for S & T programs of government laboratories, State-owned companies and universities; and
- promote, through the national planning mechanism, invention, innovation, and development, transfer and utilization of new technologies which would contribute to the solution of national, social and environmental problems and the competitiveness of the country's foreign trade.

Thus State planning and technology assessments obtain for all public and private decision-making centers a reference framework enabling them to avoid risks they would otherwise run if left, as at present, in a situation of uncertainty regarding the general and particular aims of public action.

7. State planning and technology assessment as instruments for the control of the public sector

Control of the public sector is a relatively new problem arising out of numerous activities added in recent decades to traditional public action, such as assessment of the "secondary effects" from introduction of new technologies, protection of the environment and the consumer, etc. The position of uncertainty in which a large part of public action takes place in these areas

which have been added in recent years is identical with that in which entrepreneurs and industrial decision-making centers must evaluate the probability of various future developments and take decisions accordingly. Not only State enterprises, but also many public ministries and administrative bodies operate in this situation.

Public action is characterized today by:

- wide extension and differentiation, and
- increasing importance of the entrepreneurial element which was formerly considered typical of the activities of the private sector and abnormal for the public one.

A programmed action can have as its aim the identification of the optimum modalities of public action activities and exercise a merit control which should never be lacking in the public sector and finds no basis in the corresponding legal acts, administrative norms and statutes. The three program types on which planning is built up are:

- Objective programs, which take on the character of decisions. In them the actions are first defined which are to be carried out for the attainment of certain definite results; secondly, the sources are given from which the requisite resources are drawn; and thirdly, the institutional changes are specified which are required for the carrying out of the actions proposed.
- Orientation programs, which state the general aims which must be attained by means of the decisions of the competent authorities. They do not have decisional character and can cause extremely varied

effects according to the political answer which they receive and the reasonableness of the aims which they propose.

- Verification programs, by whose aid the state of the system, the direction of its evolution and the difference between this evolution and that which is thought to have been given to the system are assessed at periodic intervals.

Prerequisites for the control function of technology assessments are:

- 1) Technology assessments should be produced in an environment free from political influence or predetermined bias.
- 2) Members of a technology assessment task force should be chosen for their expertise but not as representatives of affected parties or special interests.
- 3) The necessary, thorough investigation of the sociological and political impacts of technologies under assessment requires extensive participation by behavioral and political scientists.
- 4) In order to give full consideration to social as well as technical issues, technology assessments should include analyses of the cause-effect relationship between different government strategies and their social impacts and should be supplemented by the intuitive judgements of knowledgeable individuals.
- 5) It is useful to classify technology assessments as initiated a) by an existing social problem or b) by the potential of a new technology
- 6) Criteria for establishing the priority of topics for assessment include the breadth and depth of the expected social impact, the

visibility of the problems to legislators and to the people, and the current and expected rates of development of the technologies.

- 7) The appraisal of the accumulated spectrum of consequences of technological developments must include the derivation and use of measures of social value pertinent to "the quality of life," in addition to the conventional economic and technical risk-benefit criteria.
- 8) Technology assessments can help alert the nation to future benefits and to future problems and can thus provide the public support necessary for national programs, designed to secure the benefits and to avoid these problems.

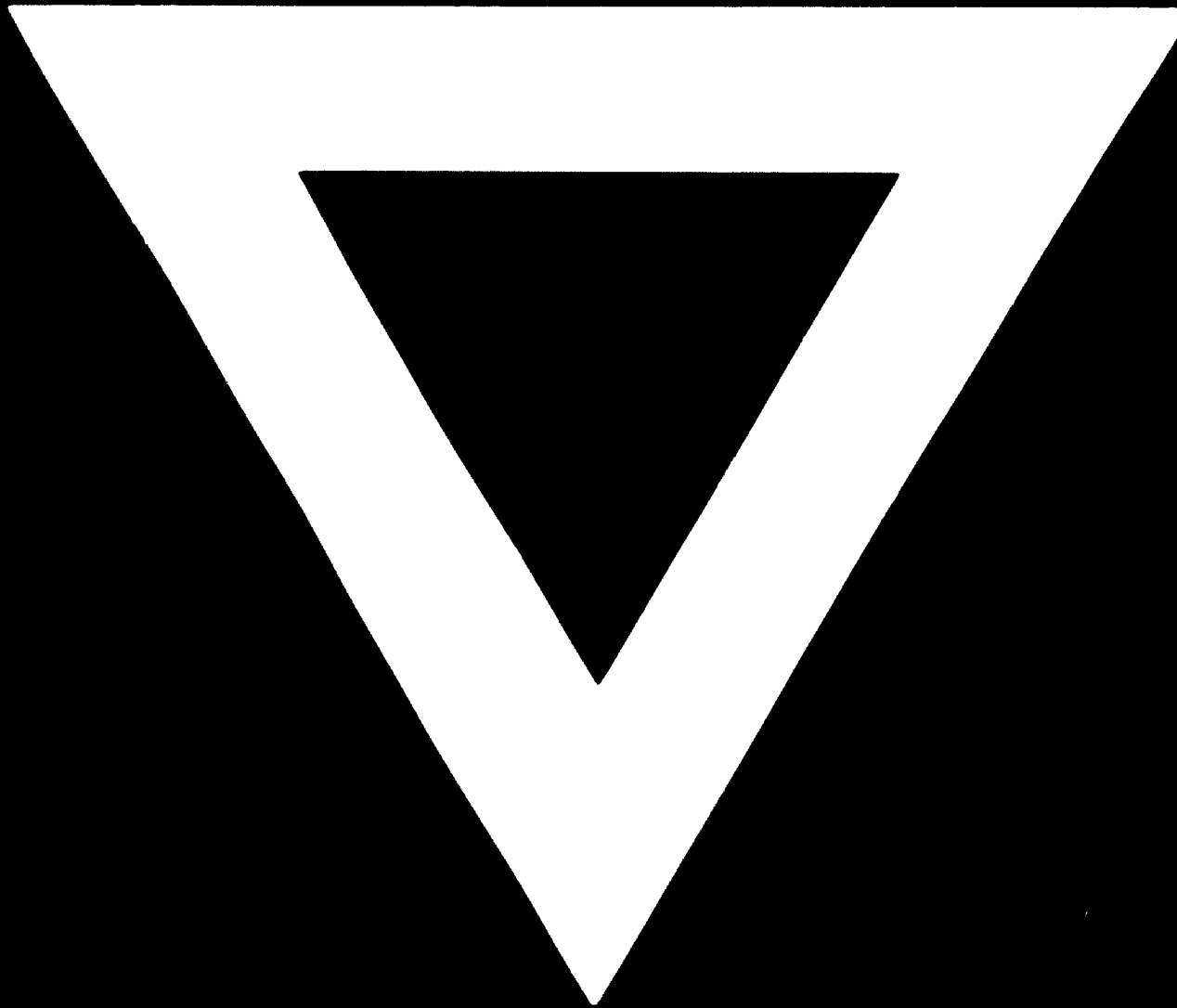
8. Concluding remarks

It seems to be the opinion of everyone that the gap between the ideal combination of instruments set out above and the instruments in use today in the developing countries is a large one. The efforts which are today dedicated to eliminating this gap can thus easily be understood. The first approaches to this end do not lie exclusively in improvement of the conceptual schemes which are in our possession today but also in more rational and extensive use of these instruments already at our disposal.

The so-called industrial society in all countries basically has a primitive knowledge of the modalities through which the enormous and increasing flow of goods can be regulated and controlled. In other words, society in the developing as well as in the industrialized world is proving to be less and less in a position to keep under control, with efficient decisions taken

at the proper time, the multiplicity of systems of which it is composed.
It is this state of affairs that is the cause of the crises and disequilibrium
which we are today experiencing.





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