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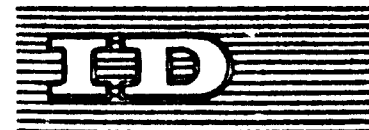
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Ad Hoc Expert Group Meeting on Co-operation among  
Universities, Industrial Research Organizations  
and Industries and the Role of UNIDO in this  
Co-operation

Vienna, Austria, 29 November to 3 December 1976

THE MARKET RESEARCH CONTRIBUTION TO THE INDUSTRIALIZATION  
OF DEVELOPING COUNTRIES <sup>1/</sup>

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## 1. Introduction

This paper approaches the subject matter of the Group Meeting from a direction differing somewhat from that of the other contributions.

In the context of the overall theme of the meeting, the role of Market Research is to help ensure that industrial research and the various forms of technical aid and assistance to developing countries are applied as effectively as possible. Examples of the types of question that Market Research organisations can help to answer are:

'Is there a need (and, if so, how great a need) for the products or services which would result from the application of particular industrial research projects or the transfer of specific skills/technology to developing countries?'

'How should products or services be designed or formulated to fit in best with the consumer habits, traditions and cultural patterns in the developing country?'

'Which are the products/services for which industrial research and technical assistance can provide the greatest pay-off to the developing country in terms of import substitution, export potential and raising the living standards of the local population?'

## 2. The Nature of Developing Country Industrialisation

In the past, industrialisation objectives of many developing countries have led to indiscriminate development which has not always taken sufficient account of the countries' real needs and their capacity to absorb the technology. In particular, too little regard has often been paid to:

- (i) customer needs (either those of the final consumer or institutional/industrial customers) - especially in terms of existing habits and customs;
- (ii) quality of the labour force and management.

This was understandable at a time when the prime economic objectives of many developing countries were to cut imports, create jobs and demonstrate economic independence throughout prestige projects. However, a more sophisticated approach has emerged in recent years. More selectivity is being applied to possible industrialisation projects, including reference to the criteria listed above.

Amongst other results, this has led to greater emphasis on agriculture and related industries such as food processing. More generally, it has been increasingly recognised that, with the limited resources available, it is essential to maximise their utilisation in the process of industrial development.

### 3. Sources of Investment for Industrialisation and their Use of Market Research

Apart from internal financing, especially significant in some countries rich in raw materials, the main sources of industrialisation funds for developing countries are generally:

- (i) Foreign private investment.
- (ii) Bilateral (government) aid or loans.
- (iii) Inter-governmental agencies such as UNIDO; IIF; World Bank; FAO; EEC's Committee on Industrial Co-operation/Centre for Industrial Development.

However, it is unfortunately true that only in the first category is there any systematic application of Market Research to assess the feasibility of specific projects and how to optimise them.

For example, before constructing plants in several developing countries to manufacture detergents for clothes washing, a major international company conducted large scale consumer surveys to discover:

- the temperature at which clothes are washed;
- the materials from which the clothes are made;
- whether washing is by machine (which type?) or hand;
- whether clothes are dried in the sun or the shade;
- the quantity of water used for a given weight of clothes;
- whether, or not, particularly dirty patches on the clothes are rubbed;
- the protein content of local stains; etc.

Only with this knowledge could the company's Research and Development team formulate appropriate products for the specific markets concerned. These products often differ substantially from those used in highly developed countries (e.g. a high level of perborate, common in 'developed world' detergents, is harmful if clothes are washed in cold water - as is usual in many developing countries).

Clearly, such painstaking preliminary analysis of consumer behaviour enabled this particular example of industrialisation to be introduced in a more beneficial and effective way for all concerned. From the point of view of the developing country, the successful introduction of such products ensures the creation and maintenance of local jobs, the substitution of local production for imports and an increase in local standards of living/hygiene.

Many similar examples could be cited. In India, the substitution of local oils in soap not only involved a major R and D programme but also included careful consumer testing to ensure that the new product was acceptable to local tastes. In Sri Lanka, technical research combined with consumer evaluation of coconut oil-based vanaspati permitted a local raw material to substitute for an imported one. The new product has been so successful that it now generates export earnings for Sri Lanka.

Of course, not all commercial organisations are as thorough in their market research activities in developing countries. Sadly, however, organisations providing various forms of aid in the industrialisation of such countries rarely conduct such market analyses at all. The point can be illustrated by reference to one example from a number of protein-rich food schemes aimed at the relief of malnutrition.

This case concerns a product called Incaparina, a soya enriched food produced in beverage and flake form. It failed in El Salvador; Nicaragua; Brazil; Venezuela and four other Central/South American countries. Reasons for its failure included over-reliance on stressing its medical benefits, incorrect pricing relative to competitive products and poor formulation/taste. Preliminary consumer research could have identified these risk areas and permitted the product to be introduced in a more favourable way. In fact, such a programme of Market Research was conducted in Guatemala and the product launch modified accordingly. This was the only country where the product was successful.

Another example from the food industry concerns the building, with aid assistance, of a tomato canning plant in Ghana. Although Ghanaians consume a large quantity of tomatoes and tomato puree, the project failed to reach its objectives for three main reasons:

- there were not enough locally grown tomatoes to supply the factory, so imports were required;
- more canned tomatoes were produced than could be consumed locally;
- consumers did not like the product of their own factory; they preferred the imported/smuggled Italian brands despite the price differential.

Preliminary Market Research into market potential and consumer tastes could have led to a more efficient investment decision.

All this is not to say that commercial and other organisations in developed countries always conduct market analyses before introducing technical developments or investing in new plant or processes - the Concorde airliner is, perhaps, one of the more obvious examples where this did not happen sufficiently. However, wealthier countries are better able to afford such mistakes than is the developing world. With such limited resources available, either internal or external, it is particularly important for developing countries to deploy them efficiently. This is where Market Research has a key contribution to make.

#### 4. Role of Market Research in Helping the Industrialisation of Developing Countries

Market Research does not stand alone. It should form an integral part of aid and investment programmes. Typically, the Market Research contribution would follow a sequence thus:

##### (i) Strategic research

This might be directed towards identifying and evaluating opportunities of many kinds e.g. introducing a new production

process; investing in new plant or equipment; capital projects such as road/school building. Most commonly, however, it is applied in evaluating new products or services aimed at end-consumers or intermediate industries. The procedures used include desk research and surveys amongst samples of consumers, retailers, institutions etc. Often, trade associations and Government departments are also contacted in the information gathering process.

(ii) Tactical research

Ideas, products or services that emerge from the strategic phase as having potential are then screened to assess their degree of acceptability. Depending on the nature of the product or service, so the screening may be conducted amongst final consumers or decision takers in other (potential customer) industries.

Many different aspects of the product can be evaluated at this stage. In the case of a consumer product this might include formulation, price, packaging, advertising, distribution channels and so on.

(iii) Evaluation of final product

Based on refinement of the various product features at the tactical research phase, the finished product can be introduced in the optimum way. If possible, a test market assessment provides a final limited commitment opportunity to assess the degree of acceptability prior to its full introduction to the market place.

(iv) On-going market monitoring

Once a product or service is established in a market, regular measurement of the size, structure and development of that market (including the relative shares of competing products) is necessary to ensure that relevant information is always available on which to base any appropriate action.

It is also important to receive regular feed-back on other elements of the changing environment such as developments in consumer tastes, activities within the trade, amongst competition and on the politicoeconomic front.

Sometimes, some parts of such market analysis procedures are conducted by universities, government/research institutes or technical consultants within the context of the overall aid or technical assistance programme. Such research is often useful but frequently neglects input from the ultimate consumer and usually copes inadequately with issues that form part of the daily activities of professional Market Research companies. The unique contribution of such Market Research organisations includes:

- (i) Problem definition and analysis, especially in terms of defining objectively the nature of the market information necessary to make specific decisions.

- (ii) The technical skills required to cope with the key problems of researching markets in developing countries i.e. sampling, interviewer training and culture gap.
- (iii) Application of data collection and processing resources. My own organisation not only has graduate-staffed offices in 10 developing countries but also controls carefully trained teams of interviewers who are able to administer questionnaires and to collect other types of data in these, and other, developing countries. (In the past few years, Research International has conducted projects in over 50 developing countries on behalf of Governments, international organisations and multi-national companies.)
- (iv) The discipline and experience of offering action-orientated interpretation and recommendation.

#### 5. Co-operation with Universities, Industrial Research Organisations, Industries and UNIDO's Role

As a commercial Market Research organisation, we naturally co-operate closely with our clients. Unfortunately, as indicated earlier, it is only the multi-national companies that make systematic use of Market Research, although Governments (or their agents) of some developing countries and certain international aid/assistance organisations also use Market Research on occasions.

UNIDO can play a valuable role in helping to ensure that the managers of industrial aid/research and technical assistance programmes take account of the market situation in the countries concerned. This can be done most economically and efficiently by consulting a professional Market Research organisation before the programme commences. Such organisations are always prepared to analyse the situation from the industrial customer or end-consumer viewpoint and prepare proposals for a Market Research programme to-be-conducted as an integral part of the overall project.

#### 6. Summary

The key role of Market Research in assisting the industrialisation of developing countries is to help ensure that industrial aid, Technical assistance and direct foreign investment is applied most effectively - through an understanding of the characteristics of the market concerned. This leads to industrialisation projects that create the products and services best designed to meet the real needs of the population, with benefits that include)

- (i) Raising the standards of living, nutrition and health.
- (ii) Providing secure employment in the industry concerned (whether through national or multi-national organisations or any of the various forms of joint venture).
- (iii) Import substitution and export earnings potential.



Furthermore, the application of Market Research in developing countries provides opportunities for training local people and the transfer to them of skills and knowledge in Market Research and other marketing-related disciplines. The acquisition of such skills adds to the reservoir of management resources in these countries.

As developing economies grow, the tastes and behaviour of the population change (as do those of the industrial organisations that serve them). These processes must be monitored and acted upon if the industrial system is to adapt to these trends and to provide the goods and services appropriate both to the needs of the local population and to export markets. Hence, the establishment of a healthy local Market Research industry is an integral part of successful industrialisation.



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