Interface between marketing, policy and development in emerging economies. An exploratory study and evaluation

Rodney Oudan
Worcester State University in Massachusetts, USA.

Keywords
Marketing, emerging economies, policy, development, production.

Abstract
This paper explores the role of marketing, policy, and development for emerging economies moving toward a market-driven economic environment. A historical review provides a foundation, then deductive analyses from theoretical reviews and transcripts reveal that such marketing is still in the developmental stages and has become necessary for the future direction of these economies. Following the findings, the paper provides managerial marketing implications and highlights how a market orientation and market-driven approach is necessary for the greater social good in a global economy.

Introduction
“What we are engaged in today is essentially a race between the promise of economic development and the threat of international worldwide class war. The economic development is the opportunity of this age. The class war is the danger. Both are new. Both are indeed so new that most of us do not even see them yet. But they are the essential economic realities of this industrial age of ours. And whether we shall realize the opportunity or succumb to the danger will largely decide not only the economic future of this world—it may largely decide its spiritual, its intellectual, its political, and its social future.”

– Peter F. Drucker, Parlin Memorial Lecture on Marketing and Economic Development, June 6, 1957

Drucker’s prediction, made 60 years ago, is upon us today as a stark reality. Dholakia and Dholakia (1984) argue that while there has been significant economic development on a global scale, it has been skewed heavily in favor of the already affluent sections of the world population. The discontentment due to this increasing disparity in economic development has multiplied because of the widespread progress in communications. The television and telephone have reached where bread has not. Seeing life in developed societies as depicted on TV raises expectations initially, but over time, it results in frustration. The unfulfilled promise of development is creating huge populations of frustrated people, who take recourse to violence, militancy, terrorism, extortion, and vengeance. Drucker’s class war is at our doorstep, but there is still time to avert it through positive action. Drucker (1954) argued that marketing can go a long way to promoting economic development in developing countries. This study shows that marketing can be a very valuable tool in bringing the benefits of economic development to developing countries, and that it can contribute significantly to optimizing the utility of these benefits.

Several scholars (Drucker, 1958; Rostow, 1964; Bartels & Jenkins, 1977; and Cundiff & Hilger, 1982) have examined marketing’s role in fostering development in emerging global economies. “Development” is the process of raising the level of prosperity and material living in a society by increasing the productivity and efficiency of its economy. Conventionally, in less industrialized regions, this process is believed to be achieved by an increase in industrial production and a relative decline in the importance of agricultural production. Development of a region or a country gains urgency based on the disparity it suffers in comparison with the more affluent or developed countries nearby or that it has active bilateral relations with. Now, given the speed and ease of instantaneous electronic communications, the global world has become very small, in that there is nothing the peoples of one country do not know about the life and
economic condition of people of distant lands. This knowledge has many advantages, but also breeds frustration and unrest among people living in less advanced countries. This unrest, when allowed to persist, may transform into frustration and militancy. As a result, many emerging countries must open their economies to a market-driven approach and to trade liberalization, as, historically, experiments with communist and socialist systems have failed to lift the economies of these countries to global levels. On the other hand, they have become victims of government and business corruption and inefficiency. This has resulted in the gap between the “haves” and “have nots” increasing to a dangerous level.

Another aspect of life in emerging countries is the rapid growth of population, which absorbs whatever resources are available for the economic advance of its existing population. The increase in population introduces large numbers of young people into the job market. In most cases this population growth is faster than the growth of jobs, resulting in ever-increasing unemployment (Kinsey, 2001). This increase in population growth and trade liberalization has now made these countries attractive markets for foreign investment and marketing.

A market economy gives a free hand to individuals and groups of individuals to compete freely in the marketplace. Of course, this requires effective regulation, both of businesses and of the marketplace, by government agencies. The market determines what the customer desires, and a business tries to meet those desires, leading to profits and growth. It is in this context that the marketing concept assumes such overarching importance, and clearly, it is very important for any business in this type of economy to define its market orientation.

In the last four decades, researchers have established that companies with a better market orientation perform better financially and are more popular with their customers, employees, and shareholders.

In 1958, Peter Drucker stressed the role of marketing in economic development from several perspectives, and noted the absence of marketing in planned economies within totalitarian forms of governments. In the 1980s, developing nations aspired, more than ever, for economic growth, trade, and better standards of living. Schneider (2005) argues that marketing stimulates growth and development and is difficult to understate. Imports bring additional competition and variety to domestic markets, benefiting consumers, and exports enlarge markets for domestic production, benefiting businesses. Trade exposes domestic firms to the best practices of foreign firms and to the demands of discerning customers. It also gives firms access to improved capital inputs such as technology, encouraging greater efficiency and productivity that provide new opportunities for growth and innovation.

Kotler (1987), stresses that marketing has played a major role in helping today’s leading economies arrive at their current levels of development, and that emerging economies need to import modern marketing ideas to ignite their economic growth. According to Kotler, marketing may be the coordination of resources and activities directed at satisfying customer needs and wants. Marketing is the business function that identifies unfulfilled needs and wants, defines and measures their magnitude, determines which target market the organization can best serve, decides on the appropriate products, pricing, and promotion programs to serve these markets, and calls upon everyone to think of and serve the customer. From a societal point of view, marketing is the link between a society’s material requirements and its economic patterns of response (Kotler, 2009). Marketing has acquired an important place for the economic development of the whole country. It has also become a necessity for attaining the object of social welfare. Because of it, marketing is the most important activity in a business enterprise while at the early stage of development it was the last activity. For convenience, the importance of marketing may be explained as under delivery of standard of living to the society and the satisfaction of needs and wants (Kotler, 2012).

Marketing can stimulate economic and social development by promoting economic growth through foreign direct investment (FDI) (Kindra, 1984). Before more fully exploring various aspects of marketing’s role in economic development, it is useful to review some definitional and conceptual issues regarding the terms “marketing” and “development.”

According to Kotler, marketing is the analysis, planning, implementation, and control of carefully formulated programs designed to bring about voluntary exchanges of values with target markets for achieving organizational objectives. He argues that it relies heavily on designing the organization’s offering in terms of the target market’s needs and desires, and on using effective pricing, communications, and distribution to inform, motivate, and service the markets (Kotler, 1982). The second definition, given by
the American Marketing Association, states that “marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives” (American Marketing Association, 1985, p. 1). The Chartered Institute of Marketing 2008 defines marketing as the managerial process of identifying and satisfying customers’ needs and requirements.

Ellis (2005) argues that the marketing concept is measured in terms of specific business activities and institutions with a market orientation that tend to perform better in the market place. However, Ellis (2004) states that market orientation will be affected by the size and level of development of the host market. Marketing is a process of exchange that futhers societal goals.

Government’s Role

In the past, governments in most emerging economies minimized the need for scientific marketing principles. The economy’s prosperity was historically based on the production-driven strategy (Kinsey, 1988). Early studies by Cook (1959) and Boyd (1959, 1961) discussed the role governments can play to increase market demand and minimize marketing expenditure through incentives that help firms achieve economies of scale. They emphasized the need to reduce foreign controls that repatriate profits to home nations and to reduce the number of small-scale, inefficient traders that give rise to marketing inefficiencies.

According to Kotler (1987), the government must play four major roles—planner, facilitator, regulator, and entrepreneur—in a way that demonstrates market-based thinking and action. The government’s emphasis and involvement with each role varies from country to country, based on the state of development of its economy in general and of different components. For example, in highly developed economies, the government needs to act as an effective facilitator and regulator, because the private sector is sufficiently developed to do its own planning and entrepreneurship. The government becomes, mainly, a regulator of fair practices. It also facilitates those sectors of business which need support due to circumstances beyond their control or which have a direct bearing on issues of national importance. On the other hand, in less developed economies, the government may play a major role in planning the national economy to guide it along a path of growth towards the nation’s wellbeing. It may need to take on the role of entrepreneur in sectors that the private sector does not find attractive due to low profits and long gestation periods. However, as the economy grows and the private sector develops financial strength, the government’s role as planner and entrepreneur should decrease, and the roles as facilitator and regulator must strengthen.

As a planner, the government must define the direction that the developing economy should move in. The government must search for value-adding opportunities so that the economy is less dependent on world commodities prices. This requires careful marketing research and data analysis. The government must evolve plans and policies that exert a formative influence on the economy. The plan must revolve around an “action strategy” (Varadarajan, 1984, p. 125). Planning for an effective marketing and distribution infrastructure is another important government function in developing countries, where the size of existing businesses does not permit the business community to undertake development of such infrastructure. This includes an efficient network of surface, air, and sea transportation, specialized storage facilities, and data banks.

As a facilitator, the government needs to create and kindle entrepreneurial energy in society. The current liberalization and globalization of economies in developing countries has increased the responsibilities and activities of governments in encouraging and facilitating the growth of business (Mallampally and Sauvant, 1999, p. 37). Issues like market entry, foreign ownership, and coherence between FDI and trade policies have become critical to economic development. Governments also play an important role in developing marketing education, market research, and tools such as large databases to facilitate economic development (Varadarajan, 1984, p. 126). Another aspect of facilitating business is the framing of market credit policies and the control of prices through subsidies and price controls where required (Varadarajan, 1984, p. 125). The influence of these measures on macro-marketing systems in a developing economy is vital as the costing, pricing, and market competition systems in these countries are still underdeveloped.
As a regulator, the government must establish rules and regulations to encourage trade. In this role, the government must create a legal and administrative framework to enforce business ethics, and develop regulations to ensure a level playing field and protect consumer rights and welfare. The laws and agencies created to enforce these regulations must deter malpractices and foster a healthy competition (Varadarajan, 1984, p. 127). A universal system of metrics, audits, and regulatory bodies form the backbone of the regulatory system. In the case of some basic commodities, price controls and price regulation fall under the umbrella of regulation of business.

As an entrepreneur, the government should determine which business industries it will own and operate (Kotler, 2003). According to the IMF, governments in developing countries have, during the past decade, begun liberalizing their national policies to establish a hospitable regulatory framework by relaxing rules regarding market entry and foreign ownership and are moving away from being centrally planned towards being market driven. In developing countries, the establishment of marketing boards, trading houses, and marketing cooperatives becomes essential until the private sector can undertake macro-marketing functions on a gradually increasing scale (Varadarajan, 1984, p. 127).

Role of Multinationals in Developing Countries

The multinational variable is an active force for introducing marketing principles and methods and applying them to emerging economies (Kinsey, 1988, p. 24). According to IMF and World Bank (2007) statistics, global marketing has shown a consistently increasing trend, from 3% of the world GDP in 1970 to nearly 30% in 2005. This accounts for 54,000 multinational corporations doing business globally (Mallampally & Sauvant, 1999).

Multinationals bring with them a treasure of funds, knowledge, expertise and work culture, which can literally change not only the marketing systems, but also the entire business environment of the country. With reference to the contribution of Sears, Roebuck, and Co., then the world’s largest retailing chain, to economic development in Latin America, Drucker (1958) notes that the entry of Sears into the Latin American market forced spectacular changes in retailing over wide surrounding areas such as store modernization, customer credit, retailers’ attitude towards customers, selection and training of sales personnel, vendor development, assortment and quality of merchandise, pricing, inventory control, advertising, and sales promotion. Sears, by selling goods manufactured in these countries, has helped in the establishment of hundreds of local manufacturers who were assured of a market for their product where previously there was none. Sears’s insistence on high standards of workmanship, quality, service, and delivery is reported to have accelerated the adoption of more progressive management techniques.

Another example is Hindustan Lever, a subsidiary of Unilever, which in India is like a state within a state. In 1984, when the Indian economy had not yet been opened fully to foreign companies, Hindustan Lever had the most extensive production and retailing network in the country, with 22 factories and 400 salesmen covering 220,000 retail outlets in 3,600 markets. In an interesting study on the role of multinationals, Dawson (1980) suggested that profitable relationships can be realized if multinational corporate strategies are compatible with national development plans, reflect social responsiveness, provide for local enterprise participation, reflect understanding of inter-regional differences, preserve national identity and culture, and adapt to rapid changes (Dawson, 1980, p. 182).

Kaynak (1982) commented on the effectiveness of multinationals and their importance and relevance to these economies. He indicated that most emerging nations see multinationals as reducing the cost of imports and improving the standard of living. Kinsey (1988) referred to the impact of multinationals on the removal of protectionist policies and a market driven approach by selected emerging economies in the last 30 years. She indicates that products marketed in developed countries become suitable for new markets elsewhere, notably in developing countries, by using effective marketing strategies to target markets.

Role of the Commercial Sector

In emerging markets, the commercial sector is highly underdeveloped. Kinsey (1988, p. 124) made the point that “there are very few indigenous marketers in these countries, if the marketer is defined as someone who understands and applies marketing to create, build, and maintain beneficial relationships with target markets. Most of the commercial sector in developing countries is production oriented, neg-
lecting market research and marketing planning.” In order to move away from this situation, the indigenous marketer must adapt to a marketing system approach.

Early researchers like Holton (1953) and Hirsch (1961) noted that the macro-profit sector of economic development devoted almost exclusive attention to the problems of increasing industry production levels, correcting unfavorable balances of trade, and reducing capital shortages. They investigated the universally applicable marketing principles of profit growth through expansion of buying, selling, risk taking, credit extension, and sorting goods in the distribution channels. Abbott (1963) and McCarthy (1963) investigated inefficiencies in the marketing institutions that bridge the gap between producers and consumers. They concluded that not only are more wholesalers and retailers needed, but also more effective and efficient marketing systems and orientation.

Marketing Orientation and Development - Conceptual Model

The “marketing concept” is a business philosophy that holds that the key to achieving organizational goals. It consists of determining the needs of target markets and delivering the desired outcome more effectively and efficiently than competitors. Also, a marketing concept starts with a well-defined market, focuses on customer’s needs, coordinates all activities that will affect customers, and produces profit by creating customer satisfaction (Kotler, 2005). Marketing is the business function that identifies unfulfilled needs and wants, defines and measures their magnitude, determines which target market the organization can best serve, decides on the appropriate products, pricing, and promotional programs to serve these markets, and calls upon everyone to think of and serve the customer.

“Market orientation” is the implementation of the marketing concept (Narver & Slater, 1990). Jaworski and Kohli (1993) defined market orientation as the organization-wide generation of market intelligence about the current and future needs of customers, forces in the environment, and the dissemination of and responsiveness to information across different departments in the organization. The result is a business culture committed to creating superior value for customers through improvement in the firm’s performance.

There is a large body of research that asserts a positive relationship among market orientation, organizational performance, and economic growth. There has also been a great interest in market orientation as an intangible factor that has an effect on macro organizational performance that can lead to development (Homburg, Krohmer, & Workman, 2004).

Shapiro (1988) conceptualized market orientation as an organizational decision-making process starting from information and proceeding to execution. At the heart of this process is a strong commitment by management to share information interdepartmentally and to practice open decision-making between functional and divisional employees. The main thrust of Shapiro’s (1988) position is that markets and customers must be understood, information needs to permeate into every corporate function, firms’ ability to make strategic and tactical decisions is important, there must be an open decision-making process, decisions must be well coordinated, and strengths and weaknesses of competitors must be understood.

Two years later, Kohli and Jaworski (1990) developed the intelligence perspective of market orientation, after their extensive review of the literature. They argued that market orientation involves behavioral processes including the generation of market intelligence pertaining to current and future needs of the customer, and the dissemination of and responsiveness to intelligence within the organization. Kohli and Jaworski (1990) believe that a measure of market orientation need only assess the degree to which a company is market oriented, that is, the degree to which its market orientation permeates the culture and generates intelligence, disseminates intelligence, and acts accordingly (see also Jaworski and Kohli, 1993; Wood and Bhuian, 1993). They argue that organizations must innovate in every aspect of their business operations to compete and survive in a competitive marketplace (Kohli and Jaworski, 1990).

Environmental evaluation and analysis is a major antecedent of market orientation. It enables the enterprise to take advantage of opportunities in the environment while planning for threats. All firms do a kind of environmental scanning and analysis. This allows them to re-orient their focus and short-term objectives, especially with regards to customers. Areas covered include general economic factors, competition in the industry and the entire market, and the socio-political and technological environments (David, 2009; Pearce and Robinson, 2009). A market-oriented organization must have a system to monitor rapid
changes in the environment against the customer's needs and desires and place their concerns at the high-
est level of organizational structure. This will result in customer-oriented, competitor-oriented, and inter-
functional coordination activities such as determining the impact of the changes to the customer's satisfac-
tion, improving product innovation, and implementing strategy that could develop superiority to com-
pete (Kotler and Keller, 2009). To achieve this, intelligence generation, intelligence dissemination, and res-
ponsiveness to this intelligence are essential to achieving the firms’ objectives (Blankson et al., 2006).

Similarly, Narver and Slater (1990), define market orientation as “as the organizational culture
that most effectively and efficiently creates the necessary behaviors for the creation of superior value for
buyers and thus, continuous superior performance for the business.” It is a business culture that produces
performance by creating superior value to customers. According to them, market orientation consists of
the three behavioral components including customer orientation, competitor orientation, and inter-
functional coordination. In this perspective, market orientation also involves having a long-term focus for
growth (Narver, 1990). They find a positive relationship (Slater and Narver, 2000) between market orienta-
tion and business profitability where market orientation is primarily concerned with learning from vari-
ous forms of contact with customers and competitors in the market.

Slater and Narver’s findings (1995) suggested that a market-oriented culture is the prerequisite to
developing a set of core competencies that will lead to a sustainable competitive advantage. Webster
(1992) presaged this concept, stating that “marketing as culture is a set of values and beliefs about the cen-
tral importance of the customer that guides the organization, is primarily the responsibility of leadership.”
Deshpande (1993) suggested that a company’s customer orientations and organizational culture deter-
mines its business performance. Slater and Narver (2000) focused on the values and beliefs that a market
orientation encourages, such as the continuous cross-functional learning about customers’ needs, ex-
pressed and latent, and the development of competitive capabilities and strategies.

There has also been increasing interest in the use of market information for strategic purposes.
Choe (2003) argues that external factors, such as competition, uncertainty, and needs, are the driving
forces for strategic applications and provide a competitive advantage when understood and applied effec-
tively. Despite an increase in research and the growing importance of market orientation in marketing
literature, there are few comparative studies have been done regarding emerging countries. This limits
the understanding how marketing is carried out in these markets. Deshpande and Webster (1989) pointed out
the lack of comparative studies between countries. Increasing attention given to market orientation by
both researchers and practitioners assumes that market orientation improves organizational performance
and does not rely solely on the concept of competitive orientation (Choe, 2003).

Conceptual Model Showing Relationships Between Variables and the Outcome of
Economic Growth and Development

![Diagram of Conceptual Model]

Summary and Future directions
Most emerging countries seek a better standard of living and are experiencing some degree of industrialization and urbanization. Many have abandoned protectionist policies in recent years (Vamvakidis, 2002) and are adopting a market-driven approach towards economic development. Marketing, if used effectively, can ensure that economic development is promoted, since it is concerned with the satisfaction of needs and wants and the optimum allocation of resources. Even though marketing concepts evolved in the advanced world, their most basic purpose is to serve and satisfy human needs and wants, which can be found in any cultural context. Thus, marketing may be considered a strategic element in the structure of any society, since it directly allocates resources and has an important impact on other aspects of economic and social life. Consequently, its relevance to economic development would seem clear (Kinsey, 1988).

Second, marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives. Irrespective of its level of development, every economic system is suffused with marketing activities, carried out by private firms, governments, and individuals (Kaynak, 1986). Third, the adoption of new marketing and distribution methods is vital; as productive capacity increases it will not only yield higher standards of living in developing countries but will also help to create an important source of investable capital to support industrialization (Woodruff, 1958). Finally, since globalization has increased significantly in the past two decades, most developing countries have begun liberalizing their economic policies to establish hospitable environments for foreign investments.

Based on this review of the literature, it is evident that marketing’s role in development, and market orientation, is a complex process. This survey suggests that there exists a strong need for increased marketing in emerging countries, and that market orientation can contribute to increased production and improvement of consumption. The literature also suggests that a challenging opportunity awaits the marketing profession and that development calls for interpretations and application of marketing concepts. Most of the authors agree that emerging countries cannot rely on a production system alone, but that a sophisticated marketing system is necessary to achieve global competitiveness. While there are broad general prescriptions being made for the utilization of marketing in emerging countries, what needs to be done is to address what this means in practice. The literature indicates that marketing is currently practiced in some form in these countries, but the extent and effectiveness of marketing and development remain to be studied.

References


