The topic for this paper is extremely broad, unless one views the less
developed countries as a homogeneous grouping, which I do not. In an effort
to align my presentation with the seminar objectives and the other presenta-
tions, I have organized my remarks around three sub-topics. They are -
1. the role of marketing in economic development; 2. marketing patterns and
problems in selected countries; 3. some conclusions and suggestions for
research. I have purposefully avoided discussing market structures for major
export crops which was a topic for another paper being presented at this
seminar. In describing actual marketing patterns and problems I have chosen
to limit my comments largely to Nigeria, India, Puerto Rico and Colombia
since I consider it an impossible task to cover all countries in a paper of
this length. This selection of countries gives geographic coverage in the
three continents where most of the less developed countries are located.

Role of Marketing in Economic Development

There have been numerous and conflicting opinions expressed on how to
generate economic development. At a recent seminar sponsored by the
Agricultural Development Council, Lawrence Mitt summarized different views on
economic development strategies, with particular reference to the role of
agriculture (1). He classified the viewpoints into three categories—1. Those
that emphasize industrialization as the dynamic element in the development
process; 2. Those that place a high priority on improved agricultural.
productivity as a necessary condition for take-off and sustained development; and 3. Those that subscribe to a "balanced" effort to stimulate simultaneous development in both the urban and rural sectors of the economy. Witt observed that during the post WW II period there have been significant shifts in the relative acceptance of the alternative viewpoints and that recent emphasis has been on the third point of view, namely, "balanced growth."

Clearly, there are implications concerning the role of marketing in economic development associated with each of the viewpoints on development strategy. Those of us preoccupied with the marketing process are probably attracted to the third viewpoint which emphasizes "balanced growth" since it implies a more strategic role to marketing as an integrator and stimulator of overall economic development. It is from this point of view that I will proceed in this paper. I will now attempt to marshall some support for this position.

I will turn first to some recent statements by Walter Rostow on the creation of a "national market." Rostow acknowledges the critical importance of agriculture in economic growth (2). He attributes to agriculture three essential roles: 1. to supply food required by a rapidly expanding urban population, 2. to be a source of working capital—labor and raw materials—for industry and 3. through rising agricultural incomes to be a source of capital and increased demand to stimulate other aspects of development. (These are essentially the same roles attributed to agriculture in an earlier statement by John Mellor and Bruce Johnston in their article in the American Economic Review in 1961.) Rostow observes that in many poor countries where development has already passed from the first stage, there are typically structural distortions in which the following conditions exist (3):
1. There is some industrial capacity, usually developed to substitute for the import of certain kinds of consumer goods.
2. The market for most of these manufactured goods is narrow, textiles being an exception.
3. Although some agricultural development is taking place, the gap between rural and urban life is widening.
4. As a result of this imbalance, men and women flock from the countryside to the cities where there is insufficient industrial momentum to provide full employment.

The problem, as Rostow identifies it, is to break down these structural distortions; to produce a self-reinforcing agricultural and industrial expansion; and to create truly national markets within these countries. He outlines four main tasks that should be done simultaneously as part of a conscious national strategy shared by both public and private authority.

The four tasks are--(3)

1. A build-up of agricultural productivity.
2. A revolution in the marketing of agricultural products.
3. A shift of industry to the production of simple agricultural equipment and consumer goods for the mass market.
4. A revolution in the marketing methods for such cheap manufactured goods, especially in the rural areas.

I dare say that Rostow's viewpoint on the nature of the development problem and the ways of dealing with it are appealing to most of the group here assembled. However, if this is a logical and sound approach, why hasn't marketing received greater attention in development programs?

Richard Holton pointed out more than 10 years ago that there were several reasons why the distribution system is neglected by economic planners (4). One reason is that economic development agencies are more concerned with increasing the production of material or physical goods because these are easily equated with increasing the real standard of living. Distribution functions on the other hand, produce services which are difficult to quantify, particularly where the service industries consist of a multitude of small operators as in the underdeveloped areas. A second reason is that inefficient marketing systems in underdeveloped countries afford a dole for the unemployed which governments
dislike tampering with. Finally, Holton argues that in the past, economists have been predisposed to ignore the economics of marketing and to overlook the possibility of increasing real per capita income simply by improving the distribution system.

Leon Hirsch has added additional explanations for the lag in the evolution of markets. He argues that the low regard for marketing as a profession is a retarding factor in many economies. He also believes that marketing has been neglected in development programs because of a lack of understanding of the marketing function in low income countries and because of the difficulties in transmitting marketing institutions and skills through technical assistance programs from more advanced countries (5). The latter is related to the observation that marketing is intimately interwoven with sociological and political environmental factors which are sensitive to outside influence.

Further, positive support for emphasis on the role of marketing in economic development comes from George Mehren, who has stated that, "The food and agricultural industries are quite clearly the primary centers for economic development" (6). Yet he raises the question, "Why, in all economies, are the food and agricultural industries least and last developed, not using known technologies, organizations, policies, and procedures?" He advances some opinions on this question and points out some of the difficulties in bringing about marketing reforms.

Peter Drucker has asserted that marketing is the most effective engine of economic development. Among several reasons to support this view he stresses that marketing contributes to the foremost need of undeveloped countries: the rapid development of entrepreneurs and managers for mobilizing latent economic energy (7).
Marketing Patterns and Problems In Selected Countries

If we as professional researchers and educators are to contribute to the improvement of marketing systems in the less developed countries we must first understand the functioning of existing arrangements for trading. Marketing systems are firmly imbedded in the social, cultural and political framework of individual economies. As marketing economists, many of us are inclined to minimize or overlook the importance of this fact. There is always a tendency for us to view the marketing systems in underdeveloped countries and to hastily guage their performance against that of the marketing system in the U.S. This is only natural since many of our beliefs, values and attitudes were acquired rather subtly through our personal involvement in the U.S. environment plus the not so subtle indoctrination of our formal training in economics. The point I wish to stress is that social goals differ among different cultures and thus become important factors to be considered in evaluating the possibilities for restructuring markets.

Within the context of this seminar I think it would be helpful to briefly characterize some of marketing systems in selected countries or regions of the world. This may help us in subsequent discussions of research opportunities where we will grapple with perplexing problems of improving markets. I have chosen to limit this generalized description of markets to three areas -- West Africa, India, and Latin America. The information is sketchy but should provide some evidence of the similarities and differences among market systems in different environments. Other than Latin America where I have personal experience I have had to rely on secondary sources.

Western Africa

The marketing systems in Africa are significantly influenced by the wide diversity of ethnic groups, languages, political systems and historical
traditions. However, market structures are evolving and in many instances they
evidence adaptations of marketing methods from the industrialized West (8).

Bohannon and Dalton have classified the Africa economies into three
categories based upon market characteristics. These are as follows (9):

1. Marketless Economies---This describes the conditions which still exist in
the areas where family or tribal units are almost completely self-subsistent. These units are outside of the market economy. Transfer of commodities is based upon the principle of reciprocity and redistribution rather than market exchange. (Reciprocity is socially obligatory gift exchange. Redistribution involves socially obligatory payments of goods and services to an allocative center, usually an extended family system, that makes allotments to individuals in accordance with their needs.)

2. Economies with Peripheral Markets---Producing units are largely self-subsistent but market places exist. The market principle is not a dominant force in the economic allocation of production resources. Small quantities of surplus produce are exchanged for special import items or money. Product distribution is still dominated by principles of reciprocity and redistribution.

3. Economies in Which the Market Principle is Dominant---Both products and factors are exchanged for a standardized money although some of transactions are in kind. The market principle is operating in allocating resources and products. Marketing exists as an occupational specialization. These conditions are dominant in the large urban centers and villages commercially linked with the cities.

How are the domestic markets organized in the rural areas? The arrangements in the highly populated but predominantly rural area of Yorubaland in Western Nigeria provides an interesting example (10). Marketplaces are open-air trading areas dispersed by distances related to convenient access on
foot. These rural markets operate on a ring system so that the day of operation rotates over a 4 to 8 day cycle. This arrangement permits traders to participate in several markets. The trading activities in the rural daytime markets are dominated by women who converge on the marketplace in the early morning carrying their produce upon their heads. Through custom the women have had responsibility for marketing much of the produce. However, nearly all members of the society participate in marketing activities when they are not busy working with production. During the course of the market produce is exchanged among local market women with the community surplus sold to traders who assemble and transport produce to other markets by motor truck. An interesting feature of trading is that the market women frequently buy the same type of commodity they previously sold, hoping to make something in the process of trading and if not it is a pleasant way to spend some time.

Among these markets widely different units of product measurement are in use. Prices are established by haggling between buyer and seller. Seasonal price variations are reported to be very large. Bauer reports corn and millet prices two to eight times as great prior to harvest as compared to just after harvest (11).

Bohannon and Dalton have stressed that the West African rural market is a multifunctional sociological institution (9). Basically the markets serve as nodes in the communication network and thus have strategic importance as a clearing house for all types of information. The markets also facilitate the social, and political functioning of the community.

The rural market places are linked with larger cities and foreign markets through large trading companies, itinerant traders and local retail stores. The large trading companies are involved in the purchase and assembly of export crops such as cocoa and groundnuts and may also serve as importers of canned
foods, salt, sugar, cooking utensils drugs, etc. Final distribution of these items are usually through peddlers, and locally operated retail stores.

Apparently some Western economists have been perplexed by what seems to them to be irrational economic behavior on the part of Africans. William Jones has examined this so-called irrationality and concluded that what appears on the surface to be irrational responses to economic stimuli are in fact rational responses when proper account is taken of some of the peculiar social rules, especially those concerned with family sharing of income (11). Furthermore, Jones argues that African traders are extremely sensitive to small differences in product prices when seeking sales opportunities. It is less clear that producers are similarly motivated in their production response to price.

Another aspect of the African marketing system that requires comment is the large amount of human resources devoted to marketing activities. Because of the lack of alternative employment opportunities these resources have a very low supply price. Consequently, marketing reforms designed to reduce the number of intermediaries may either have great difficulty in squeezing out these traders or if squeezed out they will create a social problem by swelling the ranks of the unemployed.

An atonistically competitive structure exists in West Africa markets for products produced and consumed domestically. There has been evidence reported that barriers to entry exist in the market structure where specialized traders of a particular ethnic background have dominated the inter-regional flow of cattle and beef. There are also reports of women traders on certain markets attempting to limit access to the markets. However, Bauer argues that these barriers to trade have not been very effective in protecting monopoly profits in providing marketing services (11).

I have neglected to describe the food marketing structures of the larger urban centers. This is in part, because of the lack of information. With the
emergence of larger urbanized areas the development of a more highly organized marketing structure would seem to be a problem of prime importance.

India

In the article on Marketing in India, Westfall and Boyd have stated--

Marketing is probably the least developed aspect of the Indian economy. It is considered a wasteful activity. Middlemen and salesmen of all types are regarded as schemers trying to profit at the expense of the public.

Retailers' margins in India are extremely low, probably about 10 percent, and the wholesalers' margins are less than half as much. Even so marketing in India must be considered inefficient. Losses from poor physical distribution methods are undoubtedly large, as are losses resulting from the failure of the marketing system to integrate consumer wants with production resources. The greatest waste, however, probably comes from the failure of marketing to furnish the force necessary to start the economy on a period of growth (13).

In describing the Indian market environment it should be remembered that 70-85 percent of the population are still living in villages where part of the product distribution is on the basis of reciprocity and redistribution rather than monetary exchange.

"Outside the principal shopping centers in large cities the typical retailing center is a bazaar where many shops are clustered together. Each shop is typically ten feet square so that the proprietor can sit in the middle of the floor and reach his entire stock" (13). Self-service is not considered feasible because of the pilferage problem.

In the small villages there are few retail shops and individuals buy very little. Peddlers travel to the villages with household items that can be carried on their backs or by horseback. Exchange is sometimes made on a barter basis (13).

There is little demand creation in Indian markets. National advertising is severely limited by the many language dialects spoken in the country. Only
about 25 percent of the population is literate in any language (13). Mass communication media such as newspapers, radio, and television are relatively underdeveloped outside of a few major cities. A more fundamental problem in using modern demand creation methods lies in the character and culture of the people who hold a materialistic philosophic outlook on life as compared to the typical U.S. citizen (13).

The physical facilities for transportation and storage are barriers to effective marketing (13). The railroad system is owned by the government, and operates a portion of its traffic on tracks of different guages, thus necessitating some extra product handling. State control of trucking restricts length of haul by rules limiting trucks to hauling within the borders of the state where the truck is registered. An additional barrier to product movement are the city taxes imposed upon commodities shipped into the city even though these goods may be in transit to more distant markets. In some cases the tax is refundable on products passing through a city.

It has been traditional for rural families to provide storage urns for their own grain. However, as grain trading has increased in volume the inadequacy of wholesale storage facilities has become more acute and has contributed to wide seasonal price fluctuations.

Fraud and adulteration are serious problems in Indian food markets. Westfall and Boyd cite a 1957 report by health authorities in Dehli indicating that 25 percent of the food bought in that city was adulterated (13).

Hirsch has cited the Indian caste system as an example of a social factor which has an unfavorable effect on the economy (14). He reports that the vast majority of the Indian businessmen belong to one of the trading castes. Efficient resource use is hampered by the lack of mobility of labor among castes. In rural areas these restraints seem to encourage local trading
monopolies or oligopolies and a general narrowing of the market. However, Hirsch found no evidence of monopolistic returns in sugar distribution in urban areas.

**Puerto Rico and Colombia**

There are significant differences in the social, economic and political environments among Latin American countries. Nevertheless, the basic institutional patterns are more similar to those of the U.S. than are those of West Africa and India which I have just discussed.

During the past decade food marketing has undergone significant changes in Puerto Rico. This has occurred as part of Operation Bootstrap. Important structural changes have involved the development of new wholesaling and retailing institutions patterned after institutions in the U.S. The marketing system which existed prior to this effort were described and analyzed in a study headed by John Galbraith and Richard Holton and conducted through collaboration with the Social Science Research Center at the University of Puerto Rico. I'm sure most of you are acquainted with the report summarized in the book, *Marketing Efficiency in Puerto Rico* (15). The study was motivated by the belief that the marketing system was unduly costly and inefficient.

On the basis of the study it was concluded that the Puerto Rican marketing system was a good example of Chamberlinian monopolistic competition. There was a large number of small wholesalers and retailers offering slightly differentiated products based upon credit, delivery and locational convenience. Merchants attempted to avoid price competition holding the view that the demands for their products were relatively inelastic. Their attitudes reflected an attempt to protect themselves and others by not "spoiling the market."
As a means of reducing costs several policy proposals were made which included --

1. Consumer education to develop more discriminating buyers.

2. Retailer education on store operation and selling techniques including price competition and advertising.

3. The development of retail food chains as the major force to reduce the marketing costs.

4. Improvement in central warehousing and dock handling of food imports.

Galbraith and Holton anticipated that success in reducing food marketing costs would probably be brought about by larger wholesaling and retailing units and a net reduction in the number of workers employed in the food trade. They stressed that on humanitarian and economic grounds it was essential that improvements in distribution be coordinated with an expansion of employment elsewhere in the economy.

The Colombian food marketing system differs from Puerto Rico in several respects. Colombia is more dependent upon domestic production and does not import significant quantities of processed and packaged food items. However, they do import raw or semi-processed items such as wheat, flour, oilseeds or unrefined oils. The average per capita income is lower in Colombia and most of the economy is in an earlier stage of development as compared with Puerto Rico. Colombia has been much less affected by the influence of the U.S., than has Puerto Rico which is an integral part of the U.S. economic and political system.

The development of a national market in Colombia has been greatly hampered by the geographic barriers to transportation. Three mountain ranges have divided the country into rather distinct regions which only in recent years have been effectively linked by railroads and highways. In spite of high priorities for the development of the transportation network the high costs of moving products remains as an important barrier to trade (16).
Much of the agricultural production takes place on small farms in the mountainous areas of central Colombia. Small quantities of surplus output are carried to nearby villages for sale on the weekly market day. The market is held in a plaza in the center of the village, usually adjacent to the church. Farmers sell their produce direct to consumers, to local intermediaries or to country buyers who assemble produce for resale in more distant urban centers. Payments are usually made in cash although some traders advance money to farmers and then accept produce in repayment.

In the larger urban centers a high percentage of the food passes through central markets (galerías) which serve as both wholesaling and retailing centers that operate daily. In the central facility, owned by the municipal government, stalls are rented to specialized food handlers. Outside of the central facility country dealers, farmers and peddlers offer produce and prepared foods for sale in designated areas or along the streets. Specialized wholesalers have established warehouses in the vicinity of the central market for the handling of the less perishable products. Buyers inspect the produce and haggle with the sellers to arrive at transaction prices.

Scattered throughout the residential areas of the cities are numerous small retail food stores handling a line of relatively non-perishable products—grain, canned goods, bread, eggs, and bottled beverages. The housewives or their maids make daily food purchases. In the large cities a few supermarkets have recently been established in the high income areas.

The national government plays a large role in agricultural production and marketing in Colombia. INA (Instituto Nacional de Abastecimiento) is an agency that attempts to support the prices of basic food crops—rice, corn, beans, wheat, potatoes and oilseeds through a purchase and storage program. However, inadequate storage capacity has hampered the effectiveness of this operation. INA also
handles all importations of regulated food items and on occasion has taken steps to become involved in food processing and retailing (17).

Another agency has been charged with the enforcement of retail price ceilings on basic food items but has performed with only a modest degree of success. During 1963 and 1964 food shortages caused rapid price increases and contributed to social and political unrest throughout the country with much consumer criticism being directed toward speculators and middlemen.

Colombia's vertically and horizontally coordinated development (fomento) programs are worthy of mention. Semi-official fomentos have been patterned after the rather successful operations of the coffee organization which has been in operation for a number of years. The cotton fomento is now cited as one of the more recent successful ventures responsible for a ten-fold increase in output between 1951 and 1961 (18). This was accomplished through a combination of actions including a guaranteed market at remunerative prices; technical assistance; credit, pesticides and seed advanced on credit. Cotton gins were built and operated by the fomento organization. Textile mills had already been developed with private capital and had processed imported fibers. Fomentos similar to the cotton operation have been extended to other agricultural products—cereals and oil crops. Similar coordinated fomento programs have been initiated by private corporations. The Bavaria Brewing Company has been operating a very successful program on malting barley. Other attempts are being made by processors of corn, poultry, fruits and vegetables. These experiences indicate that given sufficient economic incentives with adequate provisions to reduce market risks and assure favorable prices, Colombian agriculture will respond with increases in production.

In spite of some of the successes just mentioned there remains many perplexing marketing problems in the development of improved physical facilities, improved transport, more adequate communications along with suitable restructuring
of marketing organizations to meet the demands of a changing environment.

The lack of research and competent personnel to conduct research has hampered the development of an effective marketing reform program in Colombia, as well as in other countries in Latin America. In recognition of this need FAO of the United Nations joined forces with several Latin American governments and established in 1963, the Latin American Agricultural Marketing Institute, ILMA (Instituto Latinoamericano de Mercaedo Agricola). The principal organizer and present Director of ILMA is Dr. Ladislas Lorinez who for several years was an FAO marketing specialist in Latin America. In addition to conducting research the institute is training marketing personnel for positions with private firms and public agencies. The institute is headquartered in Bogota (19).

Some Conclusions and Suggestions for Research

I have attempted to stress the strategic importance of the marketing system in the process of economic growth, not as a passive adaptive mechanism but as a dynamic force capable of stimulating growth. I have briefly described some features of domestic markets in Nigeria, India and Latin America. Some common characteristics of these markets are as follows:

1. The large amount of human effort devoted to marketing activities and the relatively low supply price for this input.

2. The small scale of marketing activities associated with small scale producing units and the frequency of shopping by food buyers from low income consumer units.

3. The importance of market places as social institutions and nodes in the communication network in addition to their function as commodity exchange centers.

4. The "apparent" weaknesses in the marketing systems due to poorly developed physical facilities, and information systems.
There are also significant differences in the social, political and economic environments of these various countries which have important implications for marketing reforms (2). For example, large government-sponsored commodity organizations may be more acceptable and feasible in certain Latin American countries than in India or Pakistan. Supermarkets may be more adaptable to Puerto Rican conditions than to the conditions in West Africa. These may not be good examples but the point I wish to emphasize is that we should give high priority to some research carried out jointly between marketing economists and researchers from some of the behavioral sciences in an effort to gain a better understanding of some of the environmental constraints affecting market reorganization. At the present time we, at Michigan State, have under consideration a project entitled, A comparative Study of Food Marketing and Its Role in Latin American Economic Development (21). This project will include an attempt to direct some interdisciplinary research talent toward a more basic understanding of existing food marketing systems and to identify ways of bringing about improvements. This project will also direct some research effort toward the communication problem and the diffusion process associated with marketing innovations.

It is not my intent to minimize the importance of research directed toward improvements in the physical aspects of marketing. There is little reason to question the importance of improvements in transportation, storage, processing and handling of agricultural products which has been emphasized by J. C. Abbott (22, 23) and others.

The lack of concrete empirical data in this paper is some indication of the need for studies on market structure and performance. Therefore, I believe that in each of these countries a high priority should be given to several studies to assemble this type of information for each of the important
commodities. The market structure framework of analysis provides a useful methodological approach (24, 25).

Each of us as participants in this seminar has expressed an intention to conduct marketing research in a less developed country. As we reflect on the specific proposals, I would suggest that we ask ourselves these questions:

1. Will the research contribute to a more relevant framework of knowledge concerning the role of marketing in economic development?

2. Will the research results be useful to development planners and others charged with responsibilities for bringing about improvements in their domestic marketing systems?

3. Will the research effort contribute to the development of marketing competence in foreign institutions who collaborate in this work?
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