EXPLORING THE RELATIONSHIP BETWEEN
CONSUMER PRODUCTIVITY AND THE SOCIO-ECONOMIC DEVELOPMENT
OF LDCs

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Abstract
The socio-economic development of less developed countries can be accelerated by employing strategies that are designed to improve consumer productivity. Consumer productivity is defined as the ratio of total utility obtained by consumers to the total resources (i.e., financial, mental and physical) spent by consumers. The paper explores ways in which the government and business can improve consumer productivity to achieve national development goals.

Introduction
The subject of the role of marketing in economic development has attracted the attention of scholars since the late 1950s (Drucker, 1958; Rostow 1960 and 1965). Two schools of thought on the relationship between marketing and development appear to have emerged: the determinantist and the activist school (Dholakia, McTavish, and Ross 1985; Hosley and Wei 1988). The determinists hold the belief that marketing responds to changes in the environment and thus plays a passive role in furthering development. The activists believe that marketing has the potential to influence the environment and hence can be a major force in initiating development and growth. While this issue can be the subject of a stimulating debate, the focus of this paper is to explore the activists' point of view.

Further, recognizing the broader concept of marketing that includes the marketing of ideas and causes (Kotler 1982), in addition to products and services, this paper discusses the role of marketing in the socio-economic development of countries and not just economic development. The role of marketing as an agent of cultural change and as a means of furthering societal goals is given explicit recognition (Dholakia and Sherry 1987; Joy and Ross 1989). Hence this paper takes more of a so-called radical approach as opposed to a narrow modernization approach or an institutional approach.

Concept of Consumer Productivity
The all-important question facing marketers then is: how can marketing be used to achieve societal goals, particularly in less developed countries? As suggested by McIntyre and Kale (1988), developing and implementing strategies that are designed to improve consumer productivity is one generic approach LDCs could use in their quest for socio-economic development. Consumer productivity is defined in conventional terms, i.e., as the ratio of output to input or, more specifically, as the ratio of total utility obtained to total resources spent.

McIntyre and Kale (1988) identify five dimensions of utility and three categories of resources expended. The five dimensions of utility are: functional, social-organizational, situational, emotional and curiosity. The three categories of resources expended are: financial, mental and physical. Consumer productivity can be increased by i) increasing output and holding inputs constant (e.g. improving product quality or adding a salient attribute), ii) holding output constant and reducing inputs (e.g. reducing price or arranging for a more convenient distribution of products), iii) increase output more than input (e.g. offer substantially better service at a slightly higher cost, and iv) decrease inputs more than output (e.g. introduce a basic stereo model at a significantly lower price).

Changing from a Production to a Marketing Orientation
Having introduced the concept of consumer productivity, the next step is to discuss how it can be maximized at the macro-policy making level and the micro-firm level in order to achieve socio-economic growth in LDCs. But first, governments as well as individual firms in LDCs must recognize and understand the beneficial (and at times detrimental) power of marketing in accomplishing societal goals. Unfortunately, with the existence of sellers markets in LDCs, manufacturing firms have tended to overlook marketing for production considerations in the pursuit of profits (Sherbini 1965). Marketing has been equated with sales and physical distribution and these have often been relegated to mere administrative functions devoid of creativity. Until recent times, the marketing of automobiles and scooters in India suffered from such practices.

Governments in LDCs have typically embarked upon ambitious development plans that set production goals in both manufacturing and agricultural sectors. Marketing of the goods produced is assumed to occur in some shape or form. Unfortunately, it occurs with a high level of inefficiency. Abbot (1963) and McCarthy (1963) after investigating the loss of profits to the production sectors of LDCs due to inefficiencies in marketing institutions have concluded that more effective and efficient marketing channels are needed. This production orientation has been equally prevalent in Eastern European countries. Recent discussions between the author and an American based East European trade expert reveal an abysmal ignorance of basic marketing methods on the part of government officials and managers of state owned enterprises in Czechoslovakia and Bulgaria.

Decision-makers in LDCs and Eastern European countries need to be convinced of the positive
contributions of marketing. Empirical studies in this area are, however, far from abundant. Examples of studies that show a relationship between marketing and development include studies by Cundiff (1965), Preston (1968) and Holton (1980). Cundiff’s (1965) study of distribution in several countries indicates that marketing innovations lead to economic development. Preston (1968) demonstrated a positive relationship between the GDP of LDCs and the percent of population employed in commercial marketing activities. Holton (1980) in reviewing the influence of advertising in LDCs noted that advertising reduced consumer search and resulted in higher profits for advertisers.

In addition to the three examples cited above, Wood and Vitell (1986) in their excellent review article also note that marketing provides utility to consumers in LDCs; develops managers and entrepreneurs in LDCs and sets in motion a synergistic process that benefits both manufacturers and consumers. For instance, an efficient distribution system results in market expansion which encourages mass consumption and hence mass production. Mass production leads to economies of scale lowering the unit cost of the product. This can result in both savings for the consumer and enhanced profitability for the manufacturer.

Role of Government in Increasing Consumer Productivity

Mentzer and Samli (1981) have rightly emphasized the need for government involvement in developing a nation’s infrastructure. A critical non-physical component of the infrastructure that is often ignored in LDCs is the timely collection, processing and dissemination of reliable information. Scarce and unreliable Statistics may result in a misallocation of scarce resources by government and business and a less than optimal development of the physical infrastructure. In either case, consumer productivity is hindered in the long run.

The physical infrastructure consisting of transportation, communication, energy availability, educational institutions and the like exercise a major influence on consumer productivity. Improved transportation networks lead to market expansion and the growth of new and existing businesses. Market expansion increases product availability in non-urban areas (lessening the problem of a dual economy) and as a consequence of production economies of scale reduces consumer inputs in the form of a lower price. Improved communication systems enhance consumer learning and make the consumer search process more efficient thus increasing consumer productivity. Energy availability such as electricity makes it possible for consumers to enjoy products that previously could not be used. Literacy and better education help the consumer to become aware of and learn about a wider array of products and services and at the same time enable the government to more successfully (i.e. with a higher probability of success) promote socially desirable programs like health (vaccination, disease prevention, hygiene, nutrition), family planning (e.g. in India, Thailand and Mexico), savings (e.g. savings bonds campaigns in India and the U.S.A.), energy conservation, use of fertilizers and pesticides, etc.

The government can play a major role in enhancing consumer productivity in other significant ways also. The area of regulation is a double edged sword that has to be used very carefully. Minimum acceptable product standards in the pharmaceutical industry are relatively commonplace as are minimum qualifications in professions such as medicine and law across countries, both DCs and LDCs.

Governments could also require firms to offer products and services in certain geographic areas (typically rural or backward areas) or to certain market segments in return for the privilege of operating in that industry. For instance, transportation companies, electric utilities and banks may be required to provide services to sparsely populated or remote areas. Rather than using regulatory measures, governments could also use a system of incentives in the form of tax breaks or disincentives in the form of penalties, restrictions on access to resources, etc. (McIntyre and Kale (1988)).

While the types of regulations discussed above may increase consumer productivity, others may, actually, reduce it. For instance, price controls while seemingly reducing consumer inputs in the short run may actually increase consumer inputs and decrease consumer output in the long run due to the disincentive it offers sellers. Similarly, too much regulation of industry (e.g. in the form of protection from imports) may result in unwittingly reducing consumer productivity by increasing consumer inputs and reducing consumer output. An example of the latter is the automobile industry in India. Domestic manufacturers failed to innovate while prices kept going higher.

An interesting proposition advanced by Samli (1978) based upon his study of Eastern European countries is that economic development is related to a lessening of central government control over marketing activities. This proposition may apply to LDCs as well. The lesser centralized control encourages market-sensitive entrepreneurial activity which in turn can increase consumer productivity.

Role of Business in Increasing Consumer Productivity

It is in the self-interest of profit maximizing firms to enable consumers to increase their productivity as consumers will buy from firms which enable them to attain the highest level of productivity. Firms that offer higher levels of consumer productivity will gain loyal customers and market share. The question then is: what can firms do to increase consumer productivity?