MARKETING AND ECONOMIC DEVELOPMENT†

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In the "underdeveloped" countries of the world, the more "glamorous" fields such as manufacturing or construction are generally highlighted while marketing is treated with neglect, if not with contempt. Yet marketing holds a key position in these countries. It is generally the most backward of all areas of economic life.

Marketing is also the most effective engine of economic development, particularly in its ability rapidly to develop entrepreneurs and managers. And it contributes what is the greatest need of an "underdeveloped" country: a systematic discipline in a vital area of economic activity . . . a discipline which is based on generalized, theoretical concepts and which can, therefore, be both taught and learned.

MARKETING AS A BUSINESS DISCIPLINE

The distinguished pioneer of marketing, whose memory we honor today, was largely instrumental in developing marketing as a systematic business discipline:

—In teaching us how to go about, in an orderly, purposeful and planned way to find and create customers;
—To identify and define markets; to create new ones and promote them;
—To integrate customers' needs, wants, and preferences, and the intellectual and creative capacity and skills of an industrial society, toward the design of new and better products and of new distributive concepts and processes.

On this contribution and similar ones of other Founding Fathers of marketing during the last half century rests the rapid emergence of marketing as perhaps the most advanced, certainly the most "scientific" of all functional business disciplines.

But Charles Coolidge Parlin also contributed as a Founding Father toward the development of marketing as a social discipline. He helped give us the awareness, the concepts, and the tools that make us understand marketing as a dynamic process of society through which business enterprise is integrated pro-

† Editor's Note. This is the text of the Parlin Memorial Lecture, presented to the Philadelphia Chapter of the American Marketing Association on June 6, 1957. The annual lecture, given since 1945, is in memory of Charles Coolidge Parlin, for many years Director of Commercial Research at the Curtis Publishing Company, and frequently referred to as the founder of modern marketing research. The Parlin Memorial Award is presented each year to a lecturer chosen for his ability to make a distinguished contribution to the science of marketing and for outstanding achievement in the marketing field.

Although THE JOURNAL OF MARKETING ordinarily does not publish speeches as such, an exception is made in this case, because of the great significance of Mr. Drucker's remarks.
ductively with society’s purposes and human values. It is in marketing, as we now understand it, that we satisfy individual and social values, needs, and wants—be it through producing goods, supplying services, fostering innovation, or creating satisfaction. Marketing, as we have come to understand it, has its focus on the customer, that is, on the individual making decisions within a social structure and within a personal and social value system. Marketing is thus the process through which economy is integrated into society to serve human needs.

I am not competent to speak about marketing in the first sense, marketing as a functional discipline of business. I am indeed greatly concerned with marketing in this meaning. One could not be concerned, as I am, with the basic institutions of industrial society in general and with the management of business enterprise in particular, without a deep and direct concern with marketing. But in this field I am a consumer of marketing alone—albeit a heavy one. I am not capable of making a contribution. I would indeed be able to talk about the wants and needs I have which I, as a consumer of marketing, hope that you, the men of marketing, will soon supply:—a theory of pricing, for instance, that can serve, as true theories should, as the foundation for actual pricing decisions and for an understanding of price behavior; or a consumer-focused concept and theory of competition. But I could not produce any of these “new products” of marketing which we want. I cannot contribute myself. To use marketing language, I am not even “effective demand,” in these fields as yet.

THE ROLE OF MARKETING

I shall today in my remarks confine myself to the second meaning in which marketing has become a discipline: The role of marketing in economy and society. And I shall single out as my focus the role of marketing in the economic development, especially of under-developed “growth” countries.

My thesis is very briefly as follows. Marketing occupies a critical role in respect to the development of such “growth” areas. Indeed marketing is the most important “multiplier” of such development. It is in itself in every one of these areas the least developed, the most backward part of the economic system. Its development, above all others, makes possible economic integration and the fullest utilization of whatever assets and productive capacity an economy already possesses. It mobilizes latent economic energy. It contributes to the greatest needs: that for the rapid development of entrepreneurs and managers, and at the same time it may be the easiest area of managerial work to get going. The reason is that, thanks to men like Charles Coolidge Parlin, it is the most systematized and, therefore, the most learnable and the most teachable of all areas of business management and entrepreneurship.

INTERNATIONAL AND INTRARACIAL INEQUALITY

Looking at this world of ours, we see some essentially new facts.

For the first time in man’s history the whole world is united and unified. This may seem a strange statement in view of the conflicts and threats of suicidal wars that scream at us from every headline. But conflict has always been with us. What is new is that today all of mankind shares the same vision, the same objective, the same goal, the same hope, and believes in the same tools. This vision
might, in gross over-simplification, be called "industrialization."

It is the belief that it is possible for man to improve his economic lot through systematic, purposeful, and directed effort—individually as well as for an entire society. It is the belief that we have the tools at our disposal—the technological, the conceptual, and the social tools—to enable man to raise himself, through his own efforts, at least to a level that we in this country would consider poverty, but which for most of our world would be almost unbelievable luxury.

And this is an irreversible new fact. It has been made so by these true agents of revolution in our times: the new tools of communication—the dirt road, the truck, and the radio, which have penetrated even the furthest, most isolated and most primitive community.

This is new, and cannot be emphasized too much and too often. It is both a tremendous vision and a tremendous danger in that catastrophe must result if it cannot be satisfied, at least to a modest degree.

But at the same time we have a new, unprecedented danger, that of international and interracial inequality. We on the North American continent are a mere tenth of the world population, including our Canadian friends and neighbors. But we have at least 75 per cent of the world income. And the 75 per cent of the world population whose income is below $100 per capita a year receive together perhaps no more than 10 per cent of the world’s income. This is inequality of income, as great as anything the world has ever seen. It is accompanied by very high equality of income in the developed countries, especially in ours where we are in the process of proving that an industrial society does not have to live in extreme tension between the few very rich and the many very poor as lived all earlier societies of man. But what used to be national inequality and economic tension is now rapidly becoming international (and unfortunately also interracial) inequality and tension.

This is also brand new. In the past there were tremendous differences between societies and cultures: in their beliefs, their concepts, their ways of life, and their knowledge. The Frankish knight who went on Crusade was an ignorant and illiterate boor, according to the standards of the polished courtiers of Constantinople or of his Moslem enemies. But economically his society and theirs were exactly alike. They had the same sources of income, the same productivity of labor, the same forms and channels of investment, the same economic institutions, and the same distribution of income and wealth. Economically the Frankish knight, however much a barbarian he appeared, was at home in the societies of the East; and so was his serf. Both fitted in immediately and without any difficulty.

And this has been the case of all societies that went above the level of purely primitive tribe.

The inequality in our world today, however, between nations and races, is therefore a new—and a tremendously dangerous—phenomenon.

What we are engaged in today is essentially a race between the promise of economic development and the threat of international world-wide 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 as yet. But they are the essential economic realities of this industrial age of ours. And whether we shall realize the opportunity or succumb to danger will
largely decide not only the economic future of this world—it may largely de-
cide its spiritual, its intellectual, its po-
litical, and its social future.

SIGNIFICANCE OF MARKETING

Marketing is central in this new situa-
tion. For marketing is one of our most poten
t levers to convert the danger into the opportuni
ty.

To understand this we must ask: What
do we mean by “under-developed”?
The first answer is, of course, that we
mean areas of very low income. But in-
come is, after all, a result. It is a result
first of extreme agricultural over-popula-
tion in which the great bulk of the peo-
ple have to find a living on the land
which, as a result, cannot even produce
enough food to feed them, let alone pro-
duce a surplus. It is certainly a result of
low productivity. And both, in a vicious
circle, mean that there is not enough
capital for investment, and very low
productivity of what is being invested—
owing largely to misdirection of invest-
ment into unessential and unproductive
channels.

All this we know today and under-
stand. Indeed we have learned during
the last few years a very great deal both
about the structure of an under-devel-
oped economy and about the theory and
dynamics of economic development.

What we tend to forget, however, is
that the essential aspect of an “under-
developed” economy and the factor the
absence of which keeps it “under-devel-
oped,” is the inability to organize eco-
nomic efforts and energies, to bring
together resources, wants, and capacities,
and so to convert a self-limiting static
system into creative, self-generating or-
ganic growth.

And this is where marketing comes in.

Lack of Development in
“Under-developed” Countries

(1) First, in every “under-developed”
country I know of, marketing is the most
under-developed—or the least developed
—part of the economy, if only because of
the strong, pervasive prejudice against
the “middleman.”

As a result, these countries are stunted
by inability to make effective use of the
little they have. Marketing might by it-
self go far toward changing the entire
economic tone of the existing system—
without any change in methods of pro-
duction, distribution of population, or
of income.

It would make the producers capable
of producing marketable products by
providing them with standards, with
quality demands, and with specifications
for their product. It would make the
product capable of being brought to
markets instead of perishing on the way.
And it would make the consumer capa-
bale of discrimination, that is, of obtain-
ing the greatest value for his very limited
purchasing power.

In every one of these countries, mar-
keting profits are characteristically low.
Indeed the people engaged in marketing
barely eke out a subsistence living. And
“mark-ups” are minute by our standards.
But marketing costs are outrageously
high. The waste in distribution and mar-
keting, if only from spoilage or from the
accumulation of unsalable inventories
that clog the shelves for years, has to be
seen to be believed. And marketing serv-
ice is by and large all but non-existent.

What is needed in any “growth” coun-
try to make economic development real-
istic, and at the same time produce a
vivid demonstration of what economic
development can produce, is a market-
ing system:

—A system of physical distribution;
—A financial system to make possible the distribution of goods; and
—Finally actual marketing, that is, an actual system of integrating wants, needs, and purchasing power of the consumer with capacity and resources of production.

This need is largely masked today because marketing is so often confused with the traditional "trader and merchant" of which every one of these countries has more than enough. It would be one of our most important contributions to the development of "under-developed" countries to get across the fact that marketing is something quite different.

It would be basic to get across the triple function of marketing:

—The function of crystallizing and directing demand for maximum productive effectiveness and efficiency;
—The function of guiding production purposefully toward maximum consumer satisfaction and consumer value;
—The function of creating discrimination that then gives rewards to those who really contribute excellence, and that then also penalize the monopolist, the slothful, or those who only want to take but do not want to contribute or to risk.

Utilization by the Entrepreneur

(2) Marketing is also the most easily accessible "multiplier" of managers and entrepreneurs in an "under-developed" growth area. And managers and entrepreneurs are the foremost need of these countries. In the first place, "economic development" is not a force of nature. It is the result of the action, the purposeful, responsible, risk-taking action, of men as entrepreneurs and managers.

Certainly it is the entrepreneur and manager who alone can convey to the people of these countries an understanding of what economic development means and how it can be achieved.

Marketing can convert latent demand into effective demand. It cannot, by itself, create purchasing power. But it can uncover and channel all purchasing power that exists. It can, therefore, create rapidly the conditions for a much higher level of economic activity than existed before, can create the opportunities for the entrepreneur.

It then can create the stimulus for the development of modern, responsible, professional management by creating opportunity for the producer who knows how to plan, how to organize, how to lead people, how to innovate.

In most of these countries markets are of necessity very small. They are too small to make it possible to organize distribution for a single-product line in any effective manner. As a result, without a marketing organization, many products for which there is an adequate demand at a reasonable price cannot be distributed; or worse, they can be produced and distributed only under monopoly conditions. A marketing system is needed which serves as the joint and common channel for many producers if any of them is to be able to come into existence and to stay in existence.

This means in effect that a marketing system in the "under-developed" countries is the creator of small business, is the only way in which a man of vision and daring can become a businessman and an entrepreneur himself. This is thereby also the only way in which a true middle class can develop in the countries in which the habit of investment in productive enterprise has still to be created.

Developer of Standards

(3) Marketing in an "under-developed" country is the developer of standards—of standards for product and service as well as of standards of conduct, of
integrity, of reliability, of foresight, and of concern for the basic long-range impact of decisions on the customer, the supplier, the economy, and the society.

Rather than go on making theoretical statements let me point to one illustration: The impact Sears Roebuck has had on several countries of Latin America. To be sure, the countries of Latin America in which Sears operates—Mexico, Brazil, Cuba, Venezuela, Colombia, and Peru—are not “under-developed” in the same sense in which Indonesia or the Congo are “under-developed.” Their average income, although very low by our standards, is at least two times, perhaps as much as four or five times, that of the truly “under-developed” countries in which the bulk of mankind still live. Still in every respect except income level these Latin American countries are at best “developing.” And they have all the problems of economic development—perhaps even in more acute form than the countries of Asia and Africa, precisely because their development has been so fast during the last ten years.

It is also true that Sears in these countries is not a “low-price” merchandiser. It caters to the middle class in the richer of these countries, and to the upper middle class in the poorest of these countries. Incidentally, the income level of these groups is still lower than that of the worker in the industrial sector of our economy.

Still Sears is a mass-marketer even in Colombia or Peru. What is perhaps even more important, it is applying in these “under-developed” countries exactly the same policies and principles it applies in this country, carries substantially the same merchandise (although most of it produced in the countries themselves), and applies the same concepts of marketing it uses in Indianapolis or Philadelphia. Its impact and experience are, therefore, a fair test of what marketing principles, marketing knowledge, and marketing techniques can achieve.

The impact of this one American business which does not have more than a few stores in these countries and handles no more than a small fraction of the total retail business of these countries is truly amazing. In the first place, Sears’ latent purchasing power has fast become actual purchasing power. Or, to put it less theoretically, people have begun to organize their buying and to go out for value in what they do buy.

Secondly, by the very fact that it builds one store in one city, Sears forces a revolution in retailing throughout the whole surrounding area. It forces modernization. It forces consumer credit. It forces a different attitude toward the customer, toward the store clerk, toward the supplier, and toward the merchandise itself. It forces other retailers to adopt modern methods of pricing, of inventory control, of training, of window display, and what have you.

The greatest impact Sears has had, however, is in the multiplication of new industrial business for which Sears creates a marketing channel. Because it has had to sell goods manufactured in these countries rather than import them (if only because of foreign exchange restrictions), Sears has been instrumental in getting established literally hundreds of new manufacturers making goods which, a few years ago, could not be made in the country, let alone be sold in adequate quantity. Simply to satisfy its own marketing needs, Sears has had to insist on standards of workmanship, quality, and delivery—that is, on standards of production management, of technical management, and above all of the management of people—which, in a few
short years, have advanced the art and science of management in these countries by at least a generation.

I hardly need to add that Sears is not in Latin America for reasons of philanthropy, but because it is good and profitable business with extraordinary growth potential. In other words, Sears is in Latin America because marketing is the major opportunity in a "growth economy"—precisely because its absence is a major economic gap and the greatest need.

The Discipline of Marketing

Finally, marketing is critical in economic development because marketing has become so largely systematized, so largely both learnable and teachable. It is the discipline among all our business disciplines that has advanced the furthest.

I do not forget for a moment how much we still have to learn in marketing. But we should also not forget that most of what we have learned so far we have learned in a form in which we can express it in general concepts, in valid principles and, to a substantial degree, in quantifiable measurements. This, above all others, was the achievement of that generation to whom Charles Coolidge Parlin was leader and inspiration.

A critical factor in this world of ours is the learnability and teachability of what it means to be an entrepreneur and manager. For it is the entrepreneur and the manager who alone can cause economic development to happen. The world needs them, therefore, in very large numbers; and it needs them fast.

Obviously this need cannot be supplied by our supplying entrepreneurs and managers, quite apart from the fact that we hardly have the surplus. Money we can supply, and should supply more. But the supply of men we can offer to the people in the "under-developed" countries is of necessity a very small one.

The demand is also much too urgent for it to be supplied by slow evolution through experience, or through dependence on the emergence of "naturals." The danger that lies in the inequality today between the few countries that have and the great many countries that have not is much too great to permit a wait of centuries. Yet it takes centuries if we depend on experience and slow evolution for the supply of entrepreneurs and managers adequate to the needs of a modern society.

There is only one way in which man has ever been able to short-cut experience, to telescope development, in other words, to learn something. That way is to have available the distillate of experience and skill in the form of knowledge, of concepts, of generalization, of measurement—in the form of discipline, in other words.

The Discipline of Entrepreneurship

Many of us today are working on the fashioning of such a discipline of entrepreneurship and management. Maybe we are further along than most of us realize.

Certainly in what has come to be called "Operation Research and Synthesis" we have the first beginnings of a systematic approach to the entrepreneurial task of purposeful risk-taking and innovation—so far only an approach, but a most promising one, unless indeed we become so enamored with the gadgets and techniques as to forget purpose and aim.

We are at the beginning perhaps also of an understanding of the basic problems of organizing people of diversified
and highly advanced skill and judgment together in one effective organization, although again no one so far would, I am convinced, claim more for us than that we have begun at last to ask intelligent questions.

But marketing, although it only covers one functional area in the field, has something that can be called a discipline. It has developed general concepts, that is, theories that explain a multitude of phenomena in simple statements. It even has measurements that record "facts" rather than opinions. In marketing, therefore, we already possess a learnable and teachable approach to this basic and central problem not only of the "underdeveloped" countries but of all countries. All of us have today the same survival stake in economic development. The risk and danger of international and interracial inequality are simply too great.

Marketing is obviously not a cure-all, not a paradox. It is only one thing we need. But it answers a critical need. At the same time marketing is most highly developed.

Indeed without marketing as the hinge on which to turn, economic development will almost have to take the totalitarian form. A totalitarian system can be defined economically as one in which economic development is being attempted without marketing, indeed as one in which marketing is suppressed. Precisely because it first looks at the values and wants of the individual, and because it then develops people to act purposefully and responsibly—that is, because of its effectiveness in developing a free economy—marketing is suppressed in a totalitarian system. If we want economic development in freedom and responsibility, we have to build it on the development of marketing.

In the new and unprecedented world we live in, a world which knows both a new unity of vision and growth and a new and most dangerous cleavage, marketing has a special and central role to play. This role goes:

—Beyond "getting the stuff out the back door";
—Beyond "getting the most sales with the least cost";
—Beyond "the optimal integration of our values and wants as customers, citizens, and persons, with our productive resources and intellectual achievements"—the role marketing plays in a developed society.

In a developing economy, marketing is, of course, all of this. But in addition, in an economy that is striving to break the age-old bondage of man to misery, want, and destitution, marketing is also the catalyst for the transmutation of latent resources into actual resources, of desires into accomplishments, and the development of responsible economic leaders and informed economic citizens.