THE EFFECT OF ECONOMIC DEVELOPMENT ON THE STATUS OF MARKETING RESEARCH

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Abstract

The quality and scope of marketing research in the less-developed countries is usually disparaged and a superior level of activity in the developed countries is implied. This descriptive study based on data from Turkey and New Zealand does not provide evidence to positively correlate the level of economic development with the status of marketing research.

Introduction

It has been nearly two decades since Boyd et al. (1964) stated that marketing research (MR) should be one of the easiest areas in marketing to export since it can, supposedly, be applied regardless of the state of economic development. They do conclude, however, that the appropriateness of the use of MR techniques depends on the state of economic development and suggest that MR techniques need to be modified before being used in a particular underdeveloped country. Moyer and Hollander observe (1968) that marketing has been ignored and considered as a parasitic function in the developing countries. However, it does not follow that the success of the marketing concept and the utilization of the MR function has been conspicuous even in the developed countries, with the possible exception of the United States.

A review of the literature (Kaynak and Yavas, 1980) on international MR shows that research done in the less-developed countries is often disparaged. In fact, an overwhelming number of articles connote a certain degree of superiority in the quality of MR conducted in the developed countries. Most studies tend either to compare underdeveloped countries with the perceived level of MR activity in the States or merely to present the state-of-the-art in a given country (Dragan, 1973; Saddik, 1973; and Wind, 1967). Furthermore, evidence furnished on the basis of personal observation or convenience samples stresses operational aspects such as research design, data collection and analysis. The so-called strategic issues (Chapman and Wong, 1978) such as organization and staffing of the marketing research function seem to be neglected.

The primary purpose of this paper is to examine the relationship between the level of economic development, and the status of MR by comparing various measures of MR activity in a developed and a less-developed country. It is not the contention of this study to resolve the issue of concomitant variation between economic development and the status of MR versus causality. In fact, views regarding the relationship between economic development and MR activities are far from being uniform. It is suggested (Drucker, 1958; Folz, 1967) that MR is the most effective engine of economic development through market expansion and aids in mobilizing latent economic energy. Another author (Wind, 1967) emphasizes the "interdependence" of economic development and the penetration of MR. On the other hand, there is no shortage of practitioners and even academics in the less-developed countries who feel economic development precedes that of MR. While the two phenomena seem to "feed" on each other only further comparative studies can establish the time occurrence of these variables and unearth other causal factors. Hopefully, this study will serve as a modest step in investigating whether the developed countries are really significantly ahead of the less-developed countries or whether there are important differences within the groups as compared to the variations between groups, in terms of the acceptance and sophistication of the MR function.

Methodology

In a study of this type, it is highly desirable to find typical countries from each category with regard to their level of economic development as well as area and population. The United States was ruled out since it represents an untypical case among the developed countries. Unfortunately availability of compatible data limited the choice of countries to New Zealand and Turkey. Since Sherbini's classification (1967) puts New Zealand in the first group representing the highly developed countries and Turkey in the third group including the semideveloped countries, care must be taken in interpreting the results. Comparisons between pairs of countries from other groups may yield different results. However, in spite of the fact that these two countries have significantly different population sizes, they show commonality in terms of their dependence on agriculture, existence of a rapidly growing industry and the presence of three major centers of economic activity.

TABLE 1
STRUCTURAL CHARACTERISTICS OF NEW ZEALAND AND TURKEY

	NEW ZEALAND	TURKEY
Population (million)	3.2	41
Population increase	1.9%	2.4%
GNP/capita	$4680	$860
Steel consump./capita (tons)	677	85
Electricity prod. (m.Kwh)	20,910	18,230
Passenger cars (000)	1205	472
Telephones/1000 persons	52	3
Tv sets/1000 persons	263	54

Source: 1977 Statistical Yearbook, U.N.

The data for this study are obtained from two different sources. The Turkish survey (Kurtulus, 1979) was administered personally to 300 companies representing a random selection of firms from the "List of Very Important Companies" published by the Istanbul Chamber of Industry. The data were obtained in New Zealand (Barker, 1981) by administering a mail questionnaire to 220 companies selected randomly from "The New Zealand Business Who's Who" containing listings of companies of national importance. There is no reason to believe that the two lists are significantly different from each other in terms of their representativeness. Both lists, however, include only the more important companies in economically significant geographical regions. The percentage of usable questionnaires is 85% for Turkey and 68% for New Zealand which compares very favourably with the 39% response rate achieved in the U.S. Survey of Marketing Research (Twedt, 1973). The difference in the response rates between Turkey and New Zealand may be attributed to the effectiveness of personally administered questionnaires over mail questionnaires.

The non-response error in both surveys is reported to be insignificant. However, both sets of data indicate that responses to questions on research subjects,

staff size and research expenditures tend to be over-stated. Due to the nature of the sources from which the respective samples are drawn, it must be noted that the respondents in both countries represent the larger and better known companies and consequently generalisations regarding the individual countries will probably lead to over-statements.

Type and Size of Companies

It is not surprising that New Zealand has a higher percentage of services and marketing intermediaries (Table 2) due to its level of economic development. However, the difference in the number of industrial manufacturers is very much affected by the smaller population of New Zealand which limits the demand for the establishment of several manufacturers in the same industry.

TABLE 2
CLASSIFICATION BY PRIMARY BUSINESS ACTIVITY

BUSINESS ACTIVITY	NEW ZEALAND	TURKEY
A. Industrial products	24	92
B. Consumer products	27	54
C. Indus. & consumer products	31	43
D. Other - services, retailers and wholesalers	62	65
	(n=144)	(n=254)

While it is easy to classify the different companies according to primary business activity (Table 3), there are problems in classifying them in terms of sales volume. The method of using the official exchange rate to determine the equivalent sales volume was rejected due to the big differences in the unit prices of different products in the two countries. This would have resulted in under- of over-stating the sales volume of respondents. Therefore, companies were classified into three categories by analyzing sales volume in their local currencies relative to the standards of each country. Although experts in the field were consulted in this classification, it still remains highly subjective. The under-representation of larger companies in New Zealand is not, however, due to sampling or non-response but is a function of the local conditions.

TABLE 3
CLASSIFICATION OF THE COMPANIES BY SIZE

COMPANY SIZE*	NEW ZEALAND	TURKEY
A. Small	68	94
B. Medium	51	90
C. Large	28	70
	(n=147)	(n=254)

*Significant at $\alpha = .1$ but not at $\alpha = .05$

Departmental Organization

The departmental organization of the MR function is shown in Table 4.

TABLE 4
CLASSIFICATION OF THE MARKETING RESEARCH ORGANIZATION

TYPE OF ORGANIZATION*	NEW ZEALAND	TURKEY
A. Formal department	35	114
B. No MR department but at least one researcher	77	34
C. No MR employees	38	106
	(n=150)	(n=254)

*Significant at $\alpha = .001$

The figures indicate that the basic MR organization in the two countries is quite different and the number of MR departments in Turkey is significantly greater than in New Zealand. There appears to be a general inclination in New Zealand not to formalize the structure of the MR function. The existence of disproportionately few formal MR departments in New Zealand may be explained by the traditionally conservative attitudes of the business community which has been under the heavy influence of accounting orientated managers. The fact that, until joining the EEC, Great Britain was literally the only major buyer of New Zealand's agricultural output accounts for the discrepancy between the acceptance of the marketing concept and economic development. While the number of formal MR departments suggests the MR function is more established in Turkey, the presence of many companies which confess they do not employ researchers negates this observation. There are more companies in Turkey which appreciate the usefulness of MR but the gap between the extremes is also more pronounced as compared to New Zealand.

Growth of Formal MR Departments

The historical growth of MR departments which have a formal structure is presented in Table 5.

TABLE 5
CLASSIFICATION OF THE GROWTH OF FORMAL MR DEPARTMENTS

FORMATION YEAR*	NEW ZEALAND	TURKEY
A. Before 1960	7	12
B. 1960-1969	5	31
C. 1970-1973	7	31
D. After 1973	16	40
	(n=35)	(n=114)

*Not significant at $\alpha = .15$

The growth pattern of the formal MR departments in the two countries shows no significant variation. Neither is there any significant difference in the rate of formation of MR departments in Turkey or in New Zealand on the bases of company size or type. The data suggest very strongly that the rate of growth in the establishment of formal MR departments is rather fast in both countries. More than 50% of the departments have been formed after 1970. However, even the figures associated with the growth rate after 1970 do not show any significant variation between the two countries. The reasons for this behavior do not appear to be associated with the rate of development. In addition to the effect of EEC restrictions on Great Britain's agricultural imports which had an impact on New Zealand, both countries were very much influenced by the dramatic increases in crude oil prices. The data in Table 5 illustrate quite vividly the impact of the ensuing "export drives" on the establishment of formal MR departments in both countries.

Size of Marketing Research Staff

The distribution of the size of the MR staff (Table 6) in companies which have a formal MR department or at least one employee engaged in research shows no significant difference. Detailed analysis of the data shows that two-thirds of the companies have full-time staff members in Turkey, whereas this ratio declines to one-third in New Zealand. While this suggests that the marketing concept has achieved wider acceptance and penetration in Turkey, the relative size distribution of the companies (Table 3) would lead one to expect New Zealand to have smaller MR staffs. The overwhelmingly large number of formal departments (Table 4) when viewed in conjunction with staff size increases the likelihood that the Turkish companies have merely given departmental status to their full-time MR employees.

On the other hand, there is a trend in New Zealand to have full-time employees devote only part of their efforts to MR thereby retarding the formation of formal departments. In both countries larger consumer goods producers tend to employ more researchers. This finding signifies that the behavior of established companies in both countries is influenced more by market conditions, and information needs as dictated by the type of product rather than the level of economic development.

TABLE 6
CLASSIFICATION OF COMPANIES
BY THE SIZE OF MR STAFF

STAFF SIZE*	NEW ZEALAND	TURKEY
A. 1 person	28	40
B. 2 persons	19	26
C. 3 persons	16	18
D. 4-5 persons	20	21
E. More than 5 persons	13	19
	(n=96 cos.)	(n=124 cos.)

*Not significant, α = .92

Organizational Hierarchy

In those companies that have a formal MR department (n=35 New Zealand and n=114 Turkey) the executive to whom the head of the MR function reports is presented in Table 7.

TABLE 7
CLASSIFICATION OF FORMAL MR DEPARTMENTS BY THE TITLE OF THE EXECUTIVE TO WHOM THE MR HEAD REPORTS

MR HEAD REPORTS TO*	NEW ZEALAND	TURKEY
A. Top management	14	49
B. General management executive	3	19
C. Sales/marketing executive	11	36
D. Other	4	5
	(n=32)	(n=109)

*Not significant at α = .20

The results show no significant difference between the two countries and further analysis revealed that in both countries the probability of having a MR manager reporting to top level executives (A and B in Table 7) increased significantly for larger companies. Most of the MR heads reporting to top level executives in the medium and smaller companies are sales and/or marketing managers. In general, the smaller the company the more likely it is to have the sales or marketing manager as the head of the MR function rather than having an MR manager reporting to the sales manager. The distribution of companies by the size of MR staff and the executive to whom they report does not lend any support to the hypothesis that the organizational acceptance of the MR function is significantly different in the two countries.

MR Expenditures

Due to the shortcomings associated with converting New Zealand dollars and Turkish lira and using the amount of money spent on MR as an indication of activity, it was decided to express MR budgets as a percentage of sales. In New Zealand, only three of the 112 companies responding to this question indicated that they are spending between 1% to 2.5% of their sales on MR. The rest stated that their expenditure is less than 1% of sales. In Turkey, approximately 70% of the respondents (n=94) spend less than 1%, 20% between 1% to 2.5%, and 10% indicated spending more than 2.5% of their sales on MR. Some Turkish companies seem to engage in more extensive research. However, attempts to convert Turkish liras to New Zealand dollars and to compare the absolute magnitudes of the expenditures on MR did not help in identifying valid trends because of the immense differences in MR costs, especially those relating to salaries. For instance, a thousand dollars spent in New Zealand on a personally administered questionnaire will produce approximately a quarter of the responses which the same budget could produce in Turkey.

Further examination of the data indicates that in both countries company size correlates significantly and positively with MR expenditures.

MR Subjects

Using the same classification as the one utilised in the AMA surveys (Twedt, 1973), it was possible to group the types of MR activity under five headings in Table 8.

TABLE 8
CLASSIFICATION OF MR SUBJECTS

MR SUBJECT*	NEW ZEALAND	TURKEY
A. Advertising	74.3	28.7
B. Business economics	65.7	56.6
C. Corporate responsibility	54.3	28.3
D. Product	62.9	71.8
E. Sales and markets	74.3	73.8
	(n=35)	(n=104)

*Spearman rank correlation is 0.68

The most important difference between the two countries is in the more frequent use of advertising research in New Zealand as compared with Turkey. Predictably, corporate responsibility is ranked at the bottom of the list in both countries while sales and market research is placed at the top. It would be appropriate, however, to mention that on the basis of this researcher's experiences in the two countries, respondents seem to have over-stated their position. Also, there is the question of frequency of conducting research. The company which conducts advertising research on a regular basis checks the appropriate alternative as well as the one which shows sporadic interest in it. Clearly, the problem of frequency and quality of research must be taken into account in future studies in order to obtain meaningful and valid comparisons between countries as well as between successive administrations of the questionnaires.

In both countries advertising research is conducted predominantly by outside agencies which explains partly the difference between the two figures given since there are more "quality" agents in New Zealand. The remaining three areas, other than corporate responsibility research, are usually carried out by the MR departments rather than the other departments in the company or outside agencies. In terms of the utilization of the above areas, in both countries, manufacturers of consumer products lead the classification on the basis of type of business. Retailers, wholesalers and service organizations are last in both countries. These trends remain the same when one looks at those companies with no formal MR department but employ at least one researcher.

Characteristics of Marketing Research Personnel

Analysis of the question on the characteristics of MR personnel shows that the percentage of females is 18% in Turkey and 31% in New Zealand. The percentage of female MR employees in Turkey is lower than in other professional and business activities due largely to the reluctance of women to accept jobs that entail some

travel and the apprehension of employers in having female researchers contact predominantly male customers outside the metropolitan areas. However, there is an increase in the number of women employed in MR as this percentage was previously reported to be 14% (Kurtulus, 1976). The difference in the percentage of women employed in these two countries is fundamentally due to their different levels of socio-economic development.

Classification of the MR personnel by their incomes (Table 9) indicates that the researcher in New Zealand tends to command a higher salary than his colleague in Turkey. This may very well be due to the relative shortage of qualified personnel in New Zealand as compared to Turkey rather than economic development.

TABLE 9
CLASSIFICATION OF MR PERSONNEL BY INCOME

LEVEL OF INCOME*	NEW ZEALAND	TURKEY
A. Low	10	83
B. Medium	52	95
C. High	24	36
	(n=86 persons)	(n=214 persons)

*Significant at α = .001

In both countries, however, the average salaries received by MR personnel are higher than the average salaries paid to other managerial employees occupying comparable positions.

TABLE 10
CLASSIFICATION OF MR PERSONNEL
ON THE BASIS OF EDUCATION

LEVEL OF EDUCATION*	NEW ZEALAND	TURKEY
A. High school	6	68
B. College	56	114
C. Post-graduate	11	34
D. Other	8	21
	(n=81)	(n=237)

*Significant at α = .001

The data on education (Table 10) denote that high school graduates are under-represented in New Zealand and over-represented in Turkey. Conversely, college graduates are over-represented in New Zealand and under-represented in Turkey. This is in line with the general educational levels of the two countries which is related closely to the issue of economic development. There is no significant variation in the number of researchers with post-graduate qualifications in either country. On the basis of the trend established in Table 10 and the difference in the general level of education, this is not an expected finding. Perhaps the existence of more formal MR departments furnishing the position of manager in the larger companies is responsible for this occurrence.

While the type of employer is significant in Turkey in terms of the level of compensation, in New Zealand there is no perceivable difference among the employers.

The distribution of MR personnel according to their research experience is presented in Table 11.

The difference between the median (m = 5.85 years) in Turkey and the median (m = 3.4 years) in New Zealand is also very significant. The relative inexperience of the researchers in both countries is rather inconsistent with the establishment pattern of the MR departments as depicted in Table 5. The most likely explanation of the phenomenon is that successful

TABLE 11
CLASSIFICATION OF MR PERSONNEL
BY RESEARCH EXPERIENCE

RESEARCH EXPERIENCE*	NEW ZEALAND	TURKEY
A. Less than 5 years	65	107
B. 5-10 years	11	77
C. More than 10 years	10	51
	(n=86)	(n=235)

*Significant at α = .001

researchers are using MR positions at the entry level as a stepping-stone to higher positions. Experiences in both countries also support this conclusion. Obviously this is a pattern that must be broken if either country is going to establish a core of proficient researchers with an understanding of the business environment to enable them to use more sophisticated techniques and to reach valid and practical conclusions.

Conclusions

The data indicate that there is no significant difference between New Zealand and Turkey in terms of:

(1) The historical trend in the establishment of the formal MR departments, which is higher after 1970.

(2) The number of MR staff employed by individual companies, about 2 or 3 in both countries.

(3) The positions to whom the boss of the MR function reports in those companies having a formal MR department.

(4) The importance given to "sales and market research" as a research subject. In both countries it is ranked at the top of the list.

(5) The relative unimportance of "corporate responsibility research" which is placed at the bottom of the list.

Some of the more important differences between the two countries are:

(1) There are significantly more formal MR departments in Turkey and consequently more MR managers.

(2) The tendency to employ full-time marketing researchers is higher in Turkey. There is a higher inclination among the New Zealand companies to have full-time employees devote only part of their time to MR.

(3) In Turkey, significantly more companies allocate more than 1 percent of their sales to MR but the most widely mentioned budget figure is less than 1% in both countries.

(4) There are significantly fewer high school graduates engaged in MR in New Zealand.

(5) The staff in New Zealand have less MR experience. The difference in the medians, 2.4 years, is significant.

Additionally, in both countries, practitioners tend to utilize observation, jury of experts and survey techniques more often than quantitative techniques such as regression analysis and experimentation. Therefore, by examining the quality and the subject matter of research, the staff and the techniques used in MR, it is not possible to conclude that there is any

significant overall difference in terms of the penetration and acceptance of MR in Turkey and New Zealand. This is really not a surprising conclusion if it is noted that up until the last decade accountants were the leaders in the business world of New Zealand and engineers were the dominant force in Turkey. Regardless of the economic development of the two countries, they are both dependent on their primary agricultural products and modern management techniques are being assimilated slowly. It appears very likely that, as the two countries feel increasing pressure to export, they will turn to marketing and this in turn will stimulate the need as well as increasing the acceptance of the MR function. In conclusion, this comparative study of New Zealand and Turkey furnishes little evidence which can be used to correlate economic development with the status of marketing research. Factors such as the acceptance and diffusion of the marketing concept, pressure to export more due to negative balance of payments and surplus outputs are some of the potential candidates explaining the state of MR in these two countries, rather than the level of economic development.

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