An Environmental Model of the Factors Influencing the Use of Marketing Research Within a Country With Particular Reference to the Case of Mexico.

David Lamond Loudon

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THE USE OF MARKETING RESEARCH WITHIN A COUNTRY
WITH PARTICULAR REFERENCE TO THE CASE OF MEXICO

A Dissertation
Submitted to the Graduate Faculty of the
Louisiana State University and
Agricultural and Mechanical College
in partial fulfillment of the
requirements for the degree of
Doctor of Philosophy

in
The Department of Marketing

by
David L. Loudon
B.S., Louisiana State University, 1966
M.B.A., Louisiana State University, 1967
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ABSTRACT

The purpose of this dissertation is to develop a comprehensive model which may be used to interpret and better understand the level of use of marketing research within a country, industrial sector, or firm. Such a model is important because of the positive role which marketing research plays in economic development.

The use of marketing research provides a number of advantages or benefits for management, the firm, consumers, and, in general, contributes to economic development. Thus, the result of acceptance and utilization of marketing research by firms is an increased rationalization of economic activity which is beneficial to all.

Because of the importance of marketing research, basic environmental variables were examined which have a positive or negative impact on the use of the technique, particularly from the standpoint of a firm's management. It was determined that six variables are important in the process of acceptance and use of marketing research:

1. Geographical Factors
2. Cultural Factors
3. Educational and Philosophical Factors
Taken together these elements foster or impede the development and use of marketing research, and hence, affect the economic development of the country within which they operate.

Previous studies which have been conducted to ascertain the impact of some of these variables have taken a fragmented approach toward analyzing the influence of the environment. The present study goes beyond these limited attempts in an effort to develop a more integrated and comprehensive descriptive model of all major relevant factors which have an impact on the level of usage of marketing research.

Data were gathered in Mexico to validate the elements contained within the model. Since marketing research is both an attitude (the use of scientific method) and a set of techniques, the data derived from Mexico were related by means of the model to this twofold nature of research.

The model supports the findings of a general lack of widespread usage of marketing research in Mexico, but at the same time a more intensive use of the technique within the surveyed firms. The model explains those factors which influence the attitude of the Mexican manager in his adoption decision and use of research, and also those which impinge on the actual conduct of the technique.

Based upon these data the model is supported and the
result is an integrated descriptive framework which may be used in the analysis and interpretation of marketing research development within an economy, an economic sector, or a firm. The result of such study serves to guide the manipulation of controllable environmental variables in order to create a more favorable environment for the adoption of marketing research. The result can be more economic stability, greater productivity in the distribution of goods, expansion of consumption, and increased well-being of citizens.
CHAPTER I
INTRODUCTION TO THE STUDY

Purpose of the Research and Statement of Hypotheses

The purpose of this dissertation is the formulation of a comprehensive model which may be used in the analysis and interpretation of marketing research¹ development within an economy or an economic sector. The objective is to define and describe the operation of the most important environmental variables which influence the use of marketing research within a country. The impact of these variables will be illustrated with reference to their effect on selected manufacturing firms in Mexico.

It is hypothesized that the development of marketing research in a country is influenced positively or negatively (that is, fostered or impeded) by six environmental variables:²

1. Geographical Factors

¹The term "marketing research" as used extensively herein refers to "The systematic gathering, recording, and analyzing of data about problems relating to the marketing of goods and services." See Committee on Definitions, Marketing Definitions: A Glossary of Marketing Terms.

²Throughout this paper the terms environmental or external variables, factors, and characteristics are used synonymously.
2. Cultural Factors
3. Educational and Philosophical Factors
4. Sociological Factors
5. Economic Factors
6. Political Factors

To determine the relevance of the model, primary and secondary data were gathered in Mexico to evaluate the level of marketing research development. Large consumer goods manufacturers were surveyed in Mexico in order to better understand the operation of these variables.

Background of the Research

Numerous marketing scholars have described in books, journal articles, and other publications the state of marketing research in a particular country or region. For example, various authors have noted the lack of utilization of marketing research in developing economies.

Boyd and others, after discussions with foreign marketing teachers, determined that "There is little evidence that marketing research is being used to any extent in the emerging countries." The authors further stated that "The economies of the emerging countries can be characterized as production oriented. . . . Thus, there is little concern (by business organizations) for the market and how its wants and needs affect the decisions of the organization."  

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4Tbid., p. 21.
Gaither specifically notes with reference to Latin America that one of the primary objections to using marketing research "... is that although research may be a desirable thing, the particular and peculiar circumstances of the markets in Latin America makes it impossible to apply valid research techniques in these countries."

A 1955 report on the foreign marketing research of American firms discovered that

... only recently has there been any general movement on the part of American companies to use organized marketing research in foreign marketing operations. Consequently, foreign marketing research is now at about the same stage of development that domestic marketing research was at twenty or twenty-five years ago.

Why is marketing research at a higher stage of development in one country than another? The answer is to be found in the environment. However, the environmental factors which operate to produce such a state of marketing research have been given little attention by researchers.

Several studies have been conducted pertaining to the use of marketing research within underdeveloped countries. However, each one of these has lacked an integrated framework of analysis and approach to such study.

One of these projects analyzed the adoption process of marketing research by firms in Brazil but concentrated

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on only a few variables in the process. The researchers found that firms employing marketing research generally had significantly broader market outlooks than their non-practicing counterparts. In addition, it was determined that several environmental factors had influenced the market outlook, and thus, the use of marketing research by these firms. Competition was the factor most frequently linked to the use of marketing research. Foreign firms, government, and business administration graduates were found to also be influential.

Two other studies are relevant as a background to the present research. Both treatises recognize the impact of the environment on the use of marketing research, but give primary attention to the actual practice of research in underdeveloped countries. They cite only a few reasons for the lack of acceptance of marketing research and make no mention of factors which might be favorable to its acceptance. The other publication, a monograph by Robert Alsegg, describes the use of marketing research in Europe. Alsegg devotes only a few paragraphs to environmental variables which have an effect on the use of marketing research.


research in these countries. The bulk of the publication describes techniques.

Thus, the conditions influencing the development of marketing research was felt to be a neglected, yet very important topic for investigation. Because of this, research was undertaken in Mexico to develop a more thorough and precise model of variables which influence the use of marketing research in a country.

Significance of the Study

Development of a Model of Factors Influencing Marketing Research

The development of a model describing the most relevant environmental variables impinging on the marketing research function provides several benefits discussed in the following paragraphs.

The use of marketing research is part of the general movement toward greater rationality among firms in the underdeveloped world. Marketing information, one of the universal functions of marketing, is a contributing factor to the successful operation of a country's distribution system. The use of these techniques should increase management efficiency and thereby the efficiency of the entire business enterprise. Marketing research tends to conserve resources and make better use of those resources committed to business purposes. Thus, adoption of a more rational approach to the marketing system (that is, via
greater adoption and use of marketing research) will lead to greater economic development.

Thus, it is important to know what variables influence the use of marketing research in order to better understand how economic development may be hindered or facilitated.

The model unifies some of the divergent studies which have been conducted regarding marketing research by providing a more thorough understanding of environmental factors as well as the direction in which these forces operate. Thus, it furnishes a general foundation and framework for marketing scholars wishing to examine the nature of marketing research within any country.

The model provides an integrated framework for evaluating the factors which foster or impede the use of marketing research, and in this capacity is valuable as a macroanalytic tool for estimating the use of the technique in a country.

By describing the environmental influences on the use of marketing research, the model will also lead to a greater insight into the operation of entire marketing systems. By advancing the state of knowledge and understanding of the factors which influence the nature of this marketing function, marketers will gain a greater cognizance of the workings of other elements, or entire marketing systems.

The identification of variables which are influential in the process of acceptance and utilization of marketing
research makes it possible to initiate changes in the use of the technique by manipulation of these variables. By pinpointing elements which are unfavorable to the development of marketing research, concerted efforts may be made to change the unfavorable elements within the environment. Clearly, some of the variables to be mentioned are very resistant to change and are extremely unwieldy. Yet others are of a nature which allows them to be easily manipulated, and thus, can foster and give impetus to changes in the degree of usage of marketing research.

Finally, the model makes possible the assessment of the future course of marketing research acceptance and utilization. It facilitates the ability to predict future occurrences in the research function. Thus, the model is concerned not only with the cause and effect relationships, but also with the time dimension; that is, the change in marketing research over time.

Application of the Model Within Mexico

The model's application within the Mexican environment is significant for its identification of the elements which have influenced the technique's adoption and use in that country. No data presently exist which relate the use of the technique in Mexico to the environmental factors impinging on its acceptance. Only rather general and impressionistic statements are available regarding even the use of marketing research. For example, one author notes
that "... over the last 15 years business enterprises in Mexico have been making an increasing use of research techniques to assist them with their marketing."\(^{10}\) However, another writer observes that marketing research in Mexico "... is really only just beginning."\(^{11}\)

More important, however, is the question of why Mexico is in this particular level of marketing research development. Thus, the present study provides answers to this basic question.

**Description of Mexican Research Practices**

The analysis of research practices hold significance for a number of reasons. First of all, description of the marketing research practices of Mexican firms is important because of the dearth of such data in Mexico and the underdeveloped countries in general. Many statements concerning the uses of marketing research in Mexico or in the developing countries generally are not based on empirical evidence. This is the first detailed study about research practices in Mexico and thus provides empirical data as a substitute for opinion. It is an important contribution toward the construction of a data bank on marketing practices in Mexico.


Second, the study is significant for the information it offers to United States firms planning foreign expansion. With the internationalization of many United States corporations, Mexico has been a prime candidate for foreign production or distribution of these goods. The country's geographical proximity to the United States makes it a profitable potential market for many American products. In fact, the industries surveyed have been large recipients of the American expansion into Mexico.

Thus, for those American companies contemplating entering the Mexican environment, particularly into the industries surveyed, this report provides evidence of what research activities now exist in these progressive consumer goods industries.

The study points out, to a greater degree than presently available information shows, what type of marketing research is commonly done and those research techniques which may be impractical in the Mexican market at this time. This is of great benefit for those firms planning to establish operations in Mexico because it allows them to more adequately plan their research needs and the ways in which these needs might be met.

Firms currently operating in Mexico should also be benefited by this exposition of marketing research practices. By showing the relative position of these industries in terms of their research activities the study
provides an important indicator and perhaps inducement to other industries for upgrading their marketing research. Of more immediate concern, however, is the value of these data to the individual members within the industries surveyed. The information allows these companies to better judge their actions in relation to other firms within an industry, and should thus be important in pointing out what research activities perhaps may need to be undertaken.

Thus, this dissertation holds significance in three important areas. Benefits will be derived from (1) the development of a model outlining the factors influencing the use of marketing research; (2) the validation of the model within the Mexican environment; and (3) the description of Mexican marketing research practices.

Design of the Research

This study takes an environmental approach in the analysis of the use of marketing research within a country. Bartels describes environmentalism as follows:

Environmentalism is a concept which relates marketing to the environment in which it is performed and holds it to be in large measure determined thereby. Marketing, of course, helps to shape the societal environment, but the environmental concept of marketing as a social process throws the emphasis in the other direction.12

In pursuing an environmental approach the study

relies upon analysis of both primary and secondary data.

Secondary Data Sources

Secondary sources were utilized to obtain information on the model and its variables. Several environmental structures were used as the framework for the model in this study. The bases for the approach came from the models purposed by Farmer and Richman, and Bartels. The most important variables were selected from each of these frameworks and are utilized in the present model.

Farmer and Richman include four variables in their comparative framework: (1) Educational Constraints; (2) Sociological Constraints; (3) Political and Legal Constraints; and (4) Economic Constraints. Bartels suggests in his outline for analysis that a country be examined on the following bases: (1) The Nation; (2) The Society; (3) The Economy; (4) The Market; (5) Marketing; and (6) Control of Marketing.

A consolidation of these two methodologies resulted in the framework which is used in this study. It incorporates six environmental factors: (1) Geographical Variables; (2) Cultural Variables; (3) Educational-Philosophical Variables; (4) Sociological Variables; (5) Economic Constraints.


Variables; and (6) Political Variables.

Primary Data Gathered

Primary data were gathered in Mexico in order to illustrate the environmental model. A survey was conducted among selected manufacturers in the Mexico City metropolitan area. The purpose of the survey was to develop a descriptive analysis of marketing research and its management in Mexico based upon a survey of expected practitioners with a view toward identifying key variables in the model.

Mexico was chosen for the field work because it is representative of the moderately developed countries which are classified in the "take-off" stage of economic development. Mexico City was selected for this study because a large share of industry is located in the area. The region contains 35 per cent of the industrial establishments of the nation: and these account for approximately 50 per cent of the value of production. Many of the larger firms operating in the country have their manufacturing plants and corporate offices there. This is

15 The Mexico City metropolitan area is comprised of the Federal District and the surrounding suburban and industrial areas of the State of Mexico.

particularly the case for the industries contacted in the study.

In order to determine significant relationships concerning the use of marketing research in Mexico by such large and economically important firms, the survey concentrates on industries which manufacture consumer goods and have traditionally placed great emphasis on the marketing process. Thus, it was expected that the use of marketing research would be widespread among the sample firms. Four industries were selected which fit the aforementioned criteria: foods, beverages (alcoholic and nonalcoholic), detergents, and appliances.

A comprehensive list of company names was developed from these industries, and a judgment sample was used for individual company selection. Firms were ranked according to size and the largest were chosen in each industry.

A questionnaire composed of both open and closed-end questions was administered by means of personal interviews. Interviews were distributed among the four industries as shown in Table 1.1. An interview was generally conducted with the chief marketing executive of each firm. Occasionally, however, another member of management served as the respondent (for example, some marketing research managers were queried). In addition, interviews were also held with executives of marketing research firms and research managers of advertising agencies in Mexico City.
### TABLE 1.1
**DISTRIBUTION OF MANUFACTURERS INTERVIEWED, BY INDUSTRY**

<table>
<thead>
<tr>
<th>INDUSTRY</th>
<th>NUMBER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food</td>
<td>12</td>
</tr>
<tr>
<td>Beverages</td>
<td>7</td>
</tr>
<tr>
<td>Detergents</td>
<td>3</td>
</tr>
<tr>
<td>Appliances</td>
<td>14</td>
</tr>
<tr>
<td><strong>Total Interviewed</strong></td>
<td><strong>36</strong></td>
</tr>
</tbody>
</table>

*Source: Primary*
The questionnaire (shown in Appendix A) was comprised of five major sections, as follows:

1. Classificatory information.
2. Organization and structure of the research department.
3. Research activities of the firm.
4. External research relationships.
5. Financial control and budgeting of research expenditures.

Limitations of the Project

The major limitations of the study concern the amount of money and time available for the research. The data were gathered within a two-month period. Thus, within the aforementioned limitations it was not possible to interview as many firms as might have been desired nor visit other Mexican cities to gather data.

Another restraining factor was the need to conduct the interviews in English. Some problems were encountered in translation among those whose primary language is Spanish; but, in general, a widespread understanding of the terminology was found. Only one interview was forced to be canceled due to a lack of adequate communication in English. No apparent difficulty existed in gaining much confidential information from respondents even though the interviews were conducted in English. However, several respondents were unable or unwilling to provide certain requested information. Financial data were the type most
often withheld.

Refusal by three firms to submit to interviews posed another problem. All three companies were Mexican-owned and were members of the beverage industry. Every other firm in the sample granted an interview.

A final limitation concerns the method of sampling. Since a judgment sample, i.e., nonprobability sample, was conducted (because of factors previously mentioned), it is not possible to use measures of probability in analyzing the hypotheses. Thus, it cannot be stated with a specified degree of confidence whether a hypothesis is or is not tenable. The author's judgment and opinion, then, must substitute for statistical measures of probability in order to determine whether or not any observed differences are significant.

Preview of the Study

The chapters which follow present the findings of this study on marketing research. Chapters II and III analyze the relationship between marketing and marketing research and discuss the role of these two functions in economic development. The model of environmental variables influencing the use of marketing research in a country is developed in Chapter IV. Chapter V sketches the broad setting of marketing research as it is practiced in Mexico. The data gathered from manufacturers in Mexico City concerning their research usage are presented in Chapter VI.
Chapter VII describes the model's applicability within the Mexican milieu. Chapter VIII summarizes the findings and draws relevant conclusions and suggestions for future research on the subject.

The following chapter discusses the role of marketing in the process of economic development.
As a prelude to discussing the environmental variables impinging on the use of marketing research, it is appropriate to raise some fundamental questions concerning the role of marketing and marketing research in a country. At the very heart of the matter lies the justification for devoting any attention whatsoever to the improvement of the marketing process of a country, particularly a developing nation. Should there be concern about the role of marketing in economic development?\(^1\) If so, why? What can improved marketing methods contribute to the developing world? These are questions to which this chapter addresses itself.

The thesis of this chapter is that marketing does have a role in economic development—and a crucial one at that. Before examining marketing's role, however, it is necessary to briefly discuss the characteristics of the underdeveloped regions of the world. Next, the reasons

\(^{1}\)Economic development generally connotes an increase in average per capita income through increased productivity. Moreover, this increase in income must be widely distributed among the population. Economic development also implies accelerated growth of the economy.
for marketing's neglect as a force for economic change will be probed. And finally, the actual and potential benefits of the marketing process will be analyzed.

Symptoms of the Underdeveloped Regions

Probably the most widely used model for classifying countries by stage of economic development is that presented by Rostow. Briefly, Rostow's five stages of development are as follows: (1) The Traditional Society; (2) The Preconditions for Take-Off; (3) The Take-Off; (4) The Drive to Maturity; and (5) The Age of High Mass Consumption.²

For purposes of this study, the term "underdeveloped" refers to those countries whose economies would fall into one of Rostow's first three categories. A more quantified definition is that countries are likely to be regarded as "underdeveloped" if they have per capita incomes below $500-$600 per year.³ Thus, most of the countries of Asia, the Middle East, Africa, and Latin America are underdeveloped—in other words, most of the world.

Such an underdeveloped area is characterized by a vicious circle of poverty. In this circle of causation, low income leaves little, if any, left over for savings;


the lack of savings reduces the possibility of building up a capital fund to increase investment; the lack of investment in more productive equipment continues to result in low productivity which consequently makes for low income; and thus the cycle continues unabated.

The "marketing" system of such a country reflects this vicious circle of poverty. Reed Moyer describes the system as follows:

The characteristics of primitive traders mirror to a large extent those of the producers whose goods they distribute. Both groups are characterized by a low scale of output, low technical efficiency, limited capital resources, underemployment of human resources, the sale of goods in small quantities, an absence of standardization and inadequate storage facilities.\footnote{Reed Moyer, Marketing in Economic Development, Occasional Paper in International Business No. 1, Michigan State University, East Lansing, 1965, p. 20.}

The universal desire of the underdeveloped world is industrialization. But as Peter Drucker observes, the factor which makes and keeps these countries underdeveloped "... is the inability to organize economic efforts and energies, to bring together resources, wants, and capacities, and so to convert a self-limiting static system into creative, self-generating organic growth."\footnote{Peter F. Drucker, "Marketing and Economic Development," Journal of Marketing, Vol. 22, No. 3, (January, 1958), p. 225.}

Marketing most definitely has a place in industrialization--both in its planning phase, by determining what plants are needed to produce the goods desired by...
consumers; and in the operating phase, by determining sales strategies based on the manipulation of the firms' controllable variables.  

Marketing Has Been Neglected in Economic Development

In spite of marketing's prime place in economic development, development planners generally have failed to include marketing as a legitimate part of their designs. In addition, the emerging countries themselves have long neglected the function's improvement.

If marketing can play such an important part in these countries, why is it overlooked or, at best, often given only a minimal role? The reason is that a combination of naivete and stubbornness exists on the part of development planners and those in the developing country. Moyer notes that marketing has been relatively neglected in the economic development literature. The Classical economists and their predecessors tended to focus on the physical factors of production, such as land and labor. Efficiency in distribution, on the other hand, has historically been ignored and still is today. Walt Rostow clearly summarizes the situation when he states that

... it is difficult to get development economists and policy makers to accord to problems of efficiency in distribution the same attention they give automatically to problems of


\[7\] Moyer, op. cit.
There have been many reasons for this neglect. First of all, American marketers simply have not felt a strong need to transfer this marketing technology to the underdeveloped countries. There has only been a large transfer of marketing knowledge to such developed areas as Europe because of the Europeans' great interest in the subject. Our attitude is probably a direct result of the United States' post-World War II foreign aid efforts which were geared to the objectives of our foreign policy. At that time we were intent on keeping the countries of the world from turning to Communism. Thus, the largest share of our nonmilitary economic and technical aid took the form of improving production, both in industrial and agricultural sectors, which would lead to increasing per capita productivity and gross output of a country.  

Secondly, many aspects of the marketing process are impossible to transplant to an underdeveloped country intact. This is not the case with productive techniques, many of which are more readily transferable. Any application of modern marketing techniques must be tempered

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by the culture of that country. Although production, too,
must harmonize with the cultural variables; it faces a
much less severe limitation because it deals with basic
engineering and technical skills which are largely trans­ferable. In addition, aid in production can be implemented
in a small, modernized segment of the economy; but because
distribution tends to be more pervasive and inter-con­nected, it is difficult to convert sectors in a piece­meal fashion.¹⁰

A third factor contributing to marketing's neglect
is that economists are somewhat preoccupied with models
of perfect competition. Under such a premise the firm
would simply accept its demand curve as given and adjust
production accordingly. Instead of "selling" its output,
the firm "disposes" of it.¹¹

The low evaluation of the marketing function and its
practitioners is another major cause for neglecting dis­tribution.¹² This crippling attitude conceives of marketing
only as the market place transaction which has been noto­riously unproductive in developing countries. Marketing
in these countries has been regarded as a vulgar, wasteful
activity and a contemptuous one associated with the lowest
class. This outlook has been further reinforced by the

¹⁰Leon V. Hirsch, Marketing in an Underdeveloped
Economy: The North Indian Sugar Industry, Prentice-Hall,


¹²Hirsch, op. cit., p. 20.
feeling that profit margins are arbitrary; thus if a merchant or trader is well to do, it is believed that he is bleeding the other members of the society. This impression results from a static view of wealth rather than the attitude that marketing can generate increasing wealth.\textsuperscript{13}

An additional factor in marketing's low esteem is that growth in marketing is based on the increased use of money. This is a relatively recent innovation in many parts of the underdeveloped countries and is surrounded by an aura of mystery. Moreover, the traders who handle this money are frequently from different ethnic groups or communities; thus, an uneasiness characterizes the attitude of the population toward money which can carry over to marketing as a whole.\textsuperscript{14}

A fifth reason for overlooking marketing is that it is somewhat intangible and difficult to quantify. The distribution process creates an intangible service, not a tangible good. Since the underdeveloped country typically desires to raise the standard of living (which usually means raising the consumption of goods), the bulk of development efforts are focused on the production of goods, not on an increase in services performed by marketing.\textsuperscript{15}

\textsuperscript{13}\textit{Ibid.}, p. 21.

\textsuperscript{14}\textit{Loc. cit.}

In addition, development economists want precise quantitative information for their plans. Production is fairly easy to measure, but marketing is much more difficult to quantify. In underdeveloped countries data is extremely scarce or nonexistent. Thus, it is not only difficult to measure marketing's contribution, but it is also very hard to measure the proportion of the work force engaged in marketing and the net income of this sector.16

As Richard Holton observes:

Even in countries sufficiently developed to have established social insurance schemes or well enforced tax systems, the operations of the distribution sector cannot be accurately ascertained from the state insurance or tax records because the small firms are commonly exempt from the relevant legislation.17

Thus, marketing is conveniently overlooked.

Development planners also ignore marketing in order "... to avoid disrupting what may be fairly effective, easy-to-administer unemployment compensation plans."18

In an underdeveloped country many of the distributors are inefficient and barely able to stay alive. These countries could certainly improve the high price, high margin system which generally exists; but this might open a "Pandora's box" for the government.

As it stands, the consuming public subsidizes the

16Ibid., pp. 344-345.
17Ibid., p. 345.
18Moyer, op. cit., p. 2.
marketing sector of the population through irrationally high prices. But, to the government, this is better than a comprehensive unemployment insurance program. For one thing, there are no administrative costs with the present system. Secondly, the "tax" is "fair" since all consumers bear its incidence (although it is regressive). And finally, since entry into trade is easy, a person who is not very well off can improve his lot by earning some "unemployment compensation" under such a system.\textsuperscript{19}

The alternative to this situation is an improved system but one in which many of these persons would be unemployed or moved into agriculture where they would be underemployed.\textsuperscript{20} Therefore, the bureaucrats are content to leave the issue alone because of the possible repercussions.

A final reason for marketing's lack of attention is that marketing is assumed to be a mere passive element in the economy which adjusts automatically to any induced changes in the economic system.\textsuperscript{21} Closely related to this is the fallacious attitude that in a country where most of the population is at a subsistence level, distributing more goods and services presents only a minor and welcome

\textsuperscript{19}Holton, \textit{op. cit.}, p. 345.

\textsuperscript{20}Moyer, \textit{op. cit.}, p. 2.

\textsuperscript{21}Loc. cit.
problem.  

For all of these reasons, marketing has been greatly overlooked in economic development. However, marketing does have an important part in the development process as the following section will indicate.

Marketing's Contribution To Economic Development

Oddly enough, among the first to recognize marketing's possible role in economic development have not been economists or marketers, but anthropologists studying primitive cultures. The result of the scant research already done has been the general observation that "... it is fruitless to induce development in the productive sector without insuring that complementary advances are made in the distributive sector."  

Drucker feels that a marketing system, rather than a system of merchants and traders, is essential in a developing country if economic development is to be what he calls realistic and vivid. This marketing system would consist of:

- A system of physical distribution;
- A financial system to make possible the distribution of goods;
- And finally actual marketing, that is, an actual

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22 Hess, op. cit., p. 164.
23 Moyer, op. cit., p. 2.
24 Ibid., p. 3.
25 Drucker, op. cit., p. 255.
system of integrating wants, needs, and purchasing power of the consumer with capacity and resources of production. 26

If marketing is so crucial, what, then, can it be expected to accomplish in a program of planned economic development?

First of all, marketing serves to develop entrepreneurial talent. Industrialization is severely constricted by the available supply of managers and entrepreneurs in the developing country. In these countries there exists a terrible shortage of this needed requirement. It is necessary to quickly find and train men who can assume positions of leadership. 27

This need has social and political as well as economic implications. One author notes that the need in these countries is for a democratic business community which can only be secured through a broadly based educational program to train and develop managers. This is the best way to overcome the commercial deficiencies now existing which so many developing countries try to overlook. Achieving this goal of entrepreneurship and more professional management would lead to greatly increased governmental stability by reducing the corrosive influence of graft and corruption. 28

26 Ibid., pp. 255-256.


28 Loc. cit.
Various studies have shown that the trading occupation supplies most of the new industrial entrepreneurs.\textsuperscript{29} Trading occupations help entrepreneurs develop because "... artisans, employees, or landlords, traders are used to buying and selling, employing others, entering into contracts, and gauging consumers' needs..."\textsuperscript{30}

Merchants and traders form a very large segment of the underdeveloped country's population. Because of its low status this is one of the few activities which natives have been allowed to engage in while these countries have been under colonial rule (as most underdeveloped countries have been). Such a situation has beneficial implications for the country. The existence of a substantial supply of potential managers and entrepreneurs offers great possibilities for economic development and political stability. There are four contributions in particular which this group of emerging leaders can make:

1. The revitalization of their own sector.

2. The integration of marketing into the industrial sector.

3. The improvement of the government's services in support of commerce through contact with the problems of economic integration and utilization of resources.

4. The achievement of an appreciation by government policy makers of the social and economic importance

\textsuperscript{29}Moyer, \textit{op. cit.}, p. 13.

of better domestic marketing techniques that serve to maximize domestic production of goods as well as achieve consumption economies.\textsuperscript{31}

In addition, Moyer cites studies revealing that these traders bring their accumulated capital into the marketing process which also gives impetus to development.\textsuperscript{32}

Marketing is also an invaluable aid in the development of standards in these countries. Drucker feels that marketing fosters

\ldots standards for product and service as well as
\ldots 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.\textsuperscript{33}

The case of Sears Roebuck in Latin America is a prime example of how these standards can be developed. Wood and Keyser\textsuperscript{34} document the Sears story in Mexico and Fritsch\textsuperscript{35} discusses the company's role in Peru. Gallagher summarizes Sears' overall effect in the following statement:

In Peru, Brazil, Colombia, Mexico, Venezuela and to a lesser degree Panama, Costa Rica, and El Salvador, the establishment of a mass distributor has made possible more efficient production, improved product development, lower selling prices, expanded

\begin{itemize}
  \item \textsuperscript{31}Emlen, \textit{op. cit.}, p. 75.
  \item \textsuperscript{32}Moyer, \textit{op. cit.}, p. 14.
  \item \textsuperscript{33}Drucker, \textit{op. cit.}, pp. 256-257.
  \item \textsuperscript{34}Ibid., pp. 256-258, and see Richardson Wood and Virginia Keyser, \textit{Sears, Roebuck de Mexico, S.A.}, Case Study in National Planning Association Series on United States Business Performance Abroad, 1st, Washington, D. C., 1953, 68 pp.
\end{itemize}
markets, and enhancement of the local economy.\textsuperscript{36}

An improvement in marketing also tends to increase the size of the existing markets. This expansion of markets creates internal and external economies. Economies may be derived from the increased scale of operation in both production and marketing. Marketing activities which are not economical at a low operating level (such as marketing research) become feasible when the market size is increased.\textsuperscript{37}

Leon Hirsch cites two other benefits flowing from the widened market. First, there is a reduction in the community's need for working capital (which he defines as the ratio of stocks necessary to support a given consumption level). Hirsch states that a number of individuals can rely on a smaller quantity of stocks if these inventories are carried by intermediaries rather than individually.\textsuperscript{38} The capital which is released can then be used for other activities. Second, the formation of a larger market allows greater movement of productive factors. Thus, labor and capital are more free to move where they can best be used.\textsuperscript{39}


\textsuperscript{37}Moyer, \textit{op. cit.}, p. 14, and Hirsch, \textit{op. cit.}, p. 25.

\textsuperscript{38}Hirsch, \textit{op. cit.}, p. 26.

\textsuperscript{39}Loc. cit.
Marketing helps improve the effectiveness and responsiveness of the price system. An underdeveloped market is usually characterized by inelastic demand and supply situations. Improvements of transportation and communication make for more elastic conditions because of the wider distributive network.40

The linking of markets along with improved transportation and communication tends to reduce price fluctuations between the previously independent markets. This could, in turn, reduce the cost of living for consumers.41 It could also eliminate arbitrage.42

Marketing also performs an "economizing function;" i.e., it economizes the use of scarce resources in supply (or manufacturing), wholesaling, and retailing.43 For example, redundant labor may be used to economize capital; or in the sale of goods, marketing intermediaries may be used to economize transactions.

In addition, marketing can help the spread of the money economy. Traders are usually not responsible for introducing a currency into an economic system; but they may help its spread, particularly by such activities as

40 Moyer, op. cit., p. 15.
41 Ibid., p. 19.
42 Holton, op. cit., p. 345.
43 Moyer, op. cit., p. 15.
hiring laborers or inducing farmers to produce for the market economy rather than the barter sector.\textsuperscript{44}

Another of marketing's effects on economic development is to increase the range of suppliers. This may reduce the cost of living for those previously dependent on only one or a few suppliers.\textsuperscript{45} Moreover, the range of goods from which the consumer may choose is usually increased. In the hope of securing these new goods, the consumer may be stimulated to work harder, or save more in order to attain them.\textsuperscript{46}

Perhaps marketing's primary role in economic development is that of "acculturation;" it can help to adapt the culture to new patterns. In general, marketing "... can help disseminate new ideas favorable to economic growth, new patterns of consumption, possibly new techniques, and new ideas of social relations."\textsuperscript{47}

Summary

This chapter has stressed the theme that marketing has an important role in economic development. In spite of this, it has also been revealed that marketing has been

\begin{itemize}
  \item \textsuperscript{44}Ibid., p. 17.
  \item \textsuperscript{45}Ibid., p. 18.
  \item \textsuperscript{46}Hirsch, op. cit., p. 26.
  \item \textsuperscript{47}Hirsch, op. cit., p. 27.
\end{itemize}
often overlooked in economic development. Several reasons stand out as factors in marketing's neglect:

1. Marketers have not felt a strong need to transfer American marketing technology to the underdeveloped countries.

2. Many aspects of the marketing process are impossible to transplant to an underdeveloped country intact.

3. Economists tend to assume perfect competition.

4. The low evaluation of the marketing function and its practitioners.

5. Marketing is somewhat intangible and difficult to quantify.


7. Conception of marketing as a passive element in the economy.

Even though marketing has been greatly underemphasized by developmental planners, its beneficial economic effects are numerous. The major prospects from improved marketing are as follows:

1. Marketing serves to develop entrepreneurial talent and standards.

2. It tends to increase the size of existing markets. This, in turn, creates internal and external economies, allows greater movement of productive factors, and improves the effectiveness and responsiveness of the price system.

3. Marketing economizes the use of scarce resources.

4. It can help the spread of the money economy.

5. It increases the range of suppliers and goods available.

6. Marketing can help adapt the culture to new patterns.
Thus, it is clear that marketing does have, or, at least, should have a significant role in economic development. The following chapter analyzes the place of marketing research in the process of marketing and economic development.
CHAPTER III
MARKETING RESEARCH AND ECONOMIC DEVELOPMENT

The many benefits of an improved marketing system have been cited in the previous chapter. Such a change can result in great progress for a developing economy. Moreover, marketing research is a factor which can greatly facilitate the movement toward more advanced marketing. Its role in this regard is discussed in the present chapter.

In order to gain a greater understanding of the importance of the function, the nature of marketing research is discussed first, followed by description of its place in the marketing process. Finally, the contribution of marketing research to economic development is analyzed.

The Nature of Marketing Research

Marketing research is a management tool. It has been defined earlier in this paper as the systematic gathering, recording, and analyzing of all facts about problems relating to the transfer and sale of goods and services from producer to consumer. This broad definition reveals the twofold nature of marketing research. Marketing research is a philosophy, attitude, or approach to problem solving,
and also a set of techniques. The technique of marketing research may be learned formally—that is, in formal educational institutions, seminars, short courses, and so forth; or informally—that is, through exposure and contact with those who use the technique.

As a philosophy, marketing research is, in effect, the scientific method applied to decision making. Such an attitude is not easily learned formally, but rather seems to be a trait of behavior which is inculcated into social groups by the culture.

Marketing Research Involves the Application of Scientific Method

As a philosophy, attitude, or approach to problem solving marketing research is best described in terms of scientific method. The essence of marketing research is the application of scientific method to marketing problems. Although scientific method is difficult to define, it is characterized by objectivity on the part of the investigator, emphasis on accuracy in measurement, and exhaustive investigation. In a broad sense, scientific method consists of sound thinking. To a great extent scientific method is an attitude rather than a unique procedure. Some


approaches to problem solving which are alternatives to the scientific method include tradition, intuition, authoritarianism, judgment, and revelation.\(^3\)

Scientific method, therefore, is really organized thinking. The steps involved in this approach to problem solving include the sequences of hypothesis - observation - evaluation.

A model of the research process has been developed by Brown and Beik (see Figure 3.1). They describe the hypothesis-observation-evaluation sequence used by the researcher to sort the problem environment for relevant information as follows:

The researcher starts with a current fund of knowledge consisting of facts, beliefs, assumptions, etc. He amplifies his ready knowledge by a search through sources which might indicate further relevant information. As he accepts and discards information, he forms a model of the problem which, at minimum, allows him to state his research hypotheses. Further evaluation, idea by idea, allows him to identify data for testing his research hypotheses, and to select a specific means of analysis for this data. The hypothesis, data, and method now on a research scale, enable the researcher to accept or modify each hypothesis, thereby adding points to the fund of knowledge, or to reject the hypothesis, thereby forcing reformulation of the problem at some earlier stage.\(^4\)

According to Brown and Beik, translating scientific method into a set of steps for marketing problems serves

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Figure 3.1
A MODEL OF THE RESEARCH PROCESS

Fund of Knowledge: Facts, Beliefs, Assumptions, Etc.

Informal Hypothesis Testing

Used to Analyze Elements in the Environment; Result is Model or Definition of the Problem

Informal Hypothesis Testing

To Evaluate Potential Data Bearing on Research Hypotheses

To Establish Research Hypotheses

To Select and Adapt Method for Analysis

Data are Collected and Organized for Formal Evaluation of Research Hypotheses

Reject and Return to Earlier Stage of Analysis

or

Accept or Modify Research Hypotheses and Add to Fund as New Point of Knowledge

three important purposes. First, the steps provide a procedure for analyzing the problem and conducting the research. Second, the steps remind the researcher to check his work at each stage in order to minimize the numerous errors which reduce the reliability of results. Third, subdividing research into steps is helpful for purposes of explanation. 5

Marketing Research Involves A Set of Techniques

Understanding the research process involves more than simply the recognition that it is based upon the use of scientific method. Marketing research is also a set of techniques or tools which are applied within the framework of scientific method.

The basic research techniques used are surveys (personal interviews, telephone, and mail); observation; and experimentation. Intimately involved in each of these procedures are certain tools including the following: questionnaire construction, sampling, and data analysis.

Thus, the nature of marketing research is twofold: it consists of a philosophy or approach toward problem solving, namely the application of scientific method; and it is a set of techniques and tools, some simple and others complex.

This paper will examine the elements of the environment

5Ibid., p. 53.
which affect the nature of marketing research, that is, positively or negatively influence the use of scientific method and affect the implementation of certain research tools. Particular reference will be made to Mexico in this discussion.

The Marketing Concept, Marketing Systems Concept, and the Importance of Marketing Research

In recent years increasing attention has been devoted by management to a new marketing orientation called the marketing concept. This view of marketing includes the following elements:

1. Orientation of the total resources of the firm toward satisfying the needs of the customer.

2. Integration of all marketing activities in the firm under a single marketing executive.

3. Elevation of this chief marketing executive to a high corporate status.

4. Establishment of such staff functions as marketing research, product planning, and brand management.

5. Emphasis upon profitable volume, rather than simply increases in sales or gross revenues.\(^6\)

The marketing systems concept is a logical extension of this view of marketing. The systems viewpoint holds that the marketing operations of a business firm are regarded as a system, that is, "a set of objects which

interact within an environment to accomplish an objective."\(^7\) This systems perspective recognizes an interdependence among the various marketing components, both inside and outside the firm. A far greater emphasis is placed upon the inter­relationships of the various marketing functions than previous orientations toward marketing have recognized.

Marketing research or information is at the very heart of the marketing concept and the newer systems approach. The marketing system, as one subsystem of the business enterprise must be planned, organized, directed, and controlled in a way such that it leads to the accomplishment of the firm's goals or objectives. Thus, the need for adequate information in order for marketing to carry out its role is apparent. As Alexander and Berg note:

\[
\text{Information is power. It is as critical to successful marketing operations as military intelligence is to warfare.}^8
\]

**The Function of Marketing Research in Marketing Management**

Marketing research is the basic support activity for marketing management. A normative model of the marketing process would show research as playing a vital role.

\(^7\)Ibid., p. 2.

role. Management is confronted by numerous marketing problems which require that decisions be made for both the short and long term. Marketing research can be useful at four stages in the problem solving process:

1. In the identification and definition of the problem, including causes.
2. In suggesting reasonable alternative courses of action.
3. In determining which alternative(s) appears to be the most desirable.
4. In testing the feasibility of the particular course(s) of action decided upon by management.9

The principal decision areas the marketing executive is usually concerned with include the following:

1. Product or service characteristics and design.
2. Advertising, field sales, and other promotion functions.
3. Price establishment and administration.
4. Selection and management of marketing channels.
5. Logistics or physical distribution management.10

Thus, the role of marketing research in an organization should be to "integrate, organize, and interpret the various data flows to provide marketing intelligence which will improve the quality of managerial decision making throughout the firm."11

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9 Myers and Mead, op. cit., p. 33.
10 Ibid.
11 Ibid., p. 11.
A descriptive model of the marketing process, however, would reveal that marketing research is actually used to widely varying degrees by firms. The environmental variables which influence the great diversity in usage of the technique by firms within an economy will be examined in this report. Prior to that discussion, however, it is necessary to examine the role of marketing and marketing research in economic development.

The Role of Marketing Research in Economic Development

Marketing research provides numerous important contributions in its role as an informational gathering activity. It makes a contribution to management, the firm, consumers, and economic development generally.

Contribution to Management

Marketing research is an important tool of the business manager, and more specifically for the individual responsible for the direction of the marketing activities of the business. The task of the marketing manager, of course, is to plan, organize, direct, and control the marketing operations of the firm. It is in all of these functional activities that marketing research may play a vital role. It can provide the marketer with facts which may reduce much of the uncertainty underlying many marketing and business decisions. It allows him to make better decisions with regard to alternative choices of action.
Marketing research narrows the executive's possibility for error. However, it can never eliminate all risk from his decisions; thus, its use does not insure correct decisions. As Luck, Wales and Taylor observe

Imagination, judgment, and courage remain important qualities in the successful decision maker. Research is the handmaiden of competent management but never its substitute.12

Two additional managerial benefits are suggested by these authors as follows:

When the officials of a concern use research to isolate and identify marketing problems, they are forced to think searchingly about the firm's situation. This sharpened thinking may produce a basic reappraisal of objectives and policies.

Research can engender a progressive spirit that may spread throughout a concern. Personnel may be stimulated by knowing that their company has full understanding of its marketing situation and is moving toward well-selected goals.13

Contribution to the Firm

The specific ways in which marketing research, information, or intelligence can serve the firm are several. One important factor is the role it can play in fostering company growth. Companies having high sales growth rates are those which through their information gathering activities have been able to select growth products or fields, and have organized programs to seek and promote new


business opportunities.\textsuperscript{14}

The guidance of research increases the probability that products will be suited to demand, that they will be priced in accordance with demand, and that they will be offered to the specific markets having the greatest sales potentialities.\textsuperscript{15} Efforts to stimulate sales will also be more effective because of research.

Marketing research can also play an important role in increasing a firm's profits. By properly utilizing information, the marketer should be able to identify and eliminate waste and waste motion. Thus, the firm's marketing program should become more efficient, thereby leading to greater profit for the organization.

Gains for the Consumer

The consumer gains from the proper use of quality information just as the firm does. As Hancock and Holloway note

Products are more properly geared to the consumer as a result of the use of information, and they are more efficiently distributed. Indeed, the improvement in the directing of marketing resources aids the consumer just as it aids the business firm.\textsuperscript{16}

These gains for the consumer are reflected in the


\textsuperscript{15}Luck, Wales, and Taylor, \textit{op. cit.}, p. 14.

\textsuperscript{16}Holloway and Hancock, \textit{op. cit.}, p. 224.
effect of marketing research on the standard of living.

Contribution to the Economy

The possibility for enhancement of the efficiency and effectiveness of the firm's marketing operations is well known. Not so well understood, however, are the broader economic effects, that is, the effects upon the economy as a whole.

Stewart H. Rewoldt has investigated the economic effects of marketing research, notably retail store audit data of the A. C. Nielsen Company and consumer purchase panel information of the Market Research Corporation of America, and determined that the use of such research has important economic effects.\textsuperscript{17} His conclusions can be applied to marketing research generally.

Effect on Investment, Employment, and Incomes

According to Rewoldt, an important benefit of marketing research is the increase in the general level of investment and employment. The general level of employment and, therefore, income, is determined by the level of investment. The level of investment is, in turn, determined by the marginal efficiency of capital and the interest rate.

The marginal efficiency of capital is the difference

between the prospective yield of a unit of capital and the cost of supplying that unit. Businessmen desire to invest in those assets with the greatest net profit; that is, those whose marginal efficiencies are greatest relative to the interest rate.

Marketing research (such as retail store audit data, and consumer purchase panel data, for example) tends to increase the marginal efficiency of capital. This results because the data enable the businessman to uncover opportunities for successful innovation and also help in the choice of a strategy which will lead to successful innovation. For example, research might show that a manufacturer's packages or products are not well adapted to consumer needs. The information might also help in selecting the most effective marketing mix elements to be used in the innovative activity of introducing a new product or package which would be appealing.

Marketing research can increase the marginal efficiency of capital in another way through its identification of the demand for the product. It enables the seller to accurately determine the total demand for his product. In addition, it enables him to increase demand by effectively promoting the product to the proper segment of the market. Thus, the greater the expected demand for the product, the greater the incentive to invest in the production of that product with a resultant increase in employment and income.
Effect on Centralized Planning

Marketing research is also important to centralized economic planning. All economic activity necessitates planning. That is, decisions must be made with regard to what goods are to be produced, how these goods are to be produced, and how they are to be distributed to the consumer. Thus, consumer demand or preferences must be determined.

In a free enterprise economy, consumers express their preferences through the price system. In a centrally directed economy the decisions are made by a central board. Particularly under the latter situation, is marketing research important. Thus, market information permits governments to anticipate needs in various areas and thereby improves the allocation of resources.

Effect on Business Cycles

Although it may be of only minor importance, marketing research may also serve to dampen business cycles. One factor causing the business cycle phenomenon appears to be overinvestment in plant and equipment. To the extent that such a factor is important, marketing research can serve to reduce its effect. Research can provide the potential investor with more reliable information as to the extent of a particular product which could be absorbed by the market. It can reveal, also how to take full advantage of the potential which does exist.
Marketing research can help combat another apparent cause of business cycles—optimism and pessimism of businessmen, with rapid shifts from one to the other. By providing more reliable information, the expectations of businessmen should become more realistic, thus reducing undue optimism or undue pessimism.

If depressed conditions already exist, marketing research may tend to reduce the duration of such a condition. Marketing research may be able to spot sales opportunities. Such information could serve as a stimulus to investment and thus to economic recovery.

Summary

In a free enterprise economy the decisions of individual businessmen direct the economic activity. The consumer judges these efforts through acceptance or rejection of product offerings. However, these judgments by consumers on how economic resources should be utilized are not made until after production and distribution of the product have begun. Thus, the possibility of wasting resources is very great if businessmen market products which consumers do not accept. A waste of economic resources can also occur, for example, when promotion is misdirected, or improper channels of distribution are utilized.

Marketing research is important to management and the firm itself because it gives producers more adequate information about consumers' wants and the means of
satisfying those wants, thus resulting in a more rational direction of economic effort. This fosters growth and increases profits of the firm.

This more rational direction of economic activity can also benefit consumers in a number of ways. First, it results in a more efficient use of resources. An increase in marketing efficiency means greater output per unit of input. This results in an increase in the real income of consumers because they receive products better suited to their needs at a lower cost in terms of economic resources utilized.

Marketing research also makes an important contribution to the economy. Effective marketing research provides knowledge to the businessman which should serve to increase the marginal efficiency of capital, that is, the difference between the prospective yield of a unit of capital and its cost, which should stimulate investment because the expected return has become more attractive. The general level of employment and, hence, of income, is determined by the level of investment. Thus, the effective use of marketing research raises the level of national income and, therefore, the standard of living of consumers generally.

Marketing research is also important because it is a crucial activity in proper economic planning and it can help to dampen business cycles.

Thus, as Holloway and Hancock state
Although ours /The United States/ is an affluent society, there remains the need for elimination of waste and for improvement in the allocation of national and private resources. There is no need for mistakes resulting from the failure to collect and use information. The imperfections of our economic system can be eliminated in part, certainly minimized, through the proper use of quality information.\(^\text{18}\)

There are environmental elements, however, which operate to influence the use of marketing research. The following chapter outlines a model of these variables.

\(^{18}\text{Holloway and Hancock, op. cit., p. 225.}\)
CHAPTER IV
ENVIRONMENTAL FACTORS INFLUENCING THE USE OF
MARKETING RESEARCH WITHIN A COUNTRY

The purpose of this chapter is to describe the general operation of the most significant factors impinging on the use of marketing research within a country. The various environmental influences can be related into an overall model which gives an indication of the state of the technique within a country. Such a model could be utilized in order to better evaluate the nature of marketing research within a given country under analysis.

The environmental variables can be grouped into six major categories: (1) Geographical factors; (2) Cultural factors; (3) Educational-Philosophical factors; (4) Social factors; (5) Economic factors; and (6) Political factors. Each of these variables is, in turn, composed of numerous sub-factors, the most significant of which will also be examined. It should be further noted that all of the factors of the model are interrelated and interact with each other to comprise the environment.

The marketing system is a subsystem within the economic system which, in turn, is one of the basic systems
comprising the society and culture of a nation. The marketing system interacts with these other systems, is influenced by them, and influences them, as well. Similarly, marketing research, as a function within the system of marketing, is affected by and, in turn, affects the nature of the society's systems.

The unique setting of marketing research within a country is a product of the basic set of influences contained in the model. Figure 4.1 diagrams the pattern of influence which the environment produces. It will be noted in this graphical model that management of a firm first perceives a need for the use of marketing research. This perception will be seen to depend on the nature of the environment. The state of the environment will determine whether management recognizes a need for marketing research or determines that such action is not necessary.

If management decides that research is necessary it then implements the technique (whether on its own or through an outside source). The environment has an impact upon this stage of the process as well. It was noted in Chapter III that marketing research has a twofold nature. It consists of scientific method and a set of techniques. The environment influences these two elements, that is, the extent to which the use of scientific method is deemed important, and the way in which the natural process of research is carried out.
Each of the six environmental components will be described and the direction of its influence will be discussed as well as the area of its impact, whether on the perception of need for research or in its implementation. The components of the model will be presented subject to the constraint that all other elements remain constant. Only by removing the variation of other factors from the model, may generally applicable statements be made concerning the use of marketing research.

The Geographical Environment

The geographical environment has a very pervasive influence on the system of marketing and marketing research. The physical character of a nation is perhaps the principal and broadest determinant of both the characteristics of a society and the means by which that society undertakes to supply its needs.¹

Several aspects of the geographical environment affect marketing research. These factors include the size of the market, physical features of the country, and population.

Size of the Market

The size of the country has a definite influence on the use of marketing research. For example, Nielsen states

Figure 4.1
A Model of the Variables Influencing the Use of Marketing Research
that

When the country is small, the need for research is also small - because a good manager can usually get about, call regularly on his major customers, and in this way keep himself adequately informed. As the country increases in potential as well as geographic size, the opportunity for marketing research to contribute to profits surely increases.  

Similarly, Heidingsfield and Eby note that as the geographic scope of distribution increases, the complexity of sales analysis is likely to increase and additional selling controls may be required. 

Thus, the larger the country and the more dispersed the market, the greater is the necessity for conducting research. Conversely, the smaller the country or market, the less the need for marketing research.

Physical Features

Physical features of the environment play a particularly large role in influencing the use of research. Extremes of climate and physical features can impede the widespread usage of marketing research. For instance, high mountain ranges, deserts, extremes of heat or cold will influence the research process to be rather localized within the more habitable areas.

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One of the primary elements facilitating the marketing research process is the network of infrastructure, particularly transportation and communication. The nature of a country's physical features can strongly influence the transportation and communication network. For example, it is much more difficult to traverse mountains than flatlands with such infrastructure. Therefore, the performance of marketing research, because it is fundamentally based on the communication process, is impeded or fostered by the development of transportation and communications media.

Field interviewing, for example, outside the major cities of Latin America is more difficult and expensive to conduct because of poor transportation and communication. Thus such factors can preclude the use of a dispersed sample within a country. In addition, collection of data by telephone or mail may be extremely difficult because of the generally poor telephone and postal systems of a developing country.4

The lack of adequate transportation also affects the perception of the need for research by manufacturers. The lack of an adequate transportation system for the movement of goods can create separate regional markets for some producers resulting in a seller's market situation.

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Alsegg illustrates this situation with the case of Spain which has many small manufacturers, for example, about seventy television manufacturers and 600 chocolate and candy producers.

Many of these firms have only limited local markets. One of the contributing factors is the poor Spanish railroad and highway systems which make shipments from one area to another slow and expensive. Therefore, Spain still has separate regional markets for many products.5

Such a situation tends to prolong a seller's market and reduce the need for marketing research. Thus, transportation and communication barriers can impede not only the conduct of research but the perception of its need.

Population

Population characteristics within a society may have an important effect on the use of marketing research. Particularly important are the factors of age, population growth, and urbanization.

Age

The age level of individuals working in the marketing sector is an important variable influencing their attitude toward the adoption of such new innovations as marketing research. For example, David Carson observes that "... younger marketers are more likely to innovate in marketing

both as entrepreneurs and as consumers.\textsuperscript{6}

The influence of age is apparent in the decisions of executives in European industry regarding the use of marketing research. Alsegg describes the problem as follows:

In many large and some medium-size companies throughout Europe, signs of struggle can be found between the younger and older generations over the use and application of modern marketing methods, particularly of market research. The older executives, who form the upper echelons within the hierarchy of large concerns and who are the owners of smaller firms, are not favorably disposed toward market research.

Like most managers of family-owned companies, many older executives - even in the large firms - believe that they know their markets so thoroughly that market research would be a waste of time and money. They minimize the importance of market changes and overemphasize the importance of experience, the skill and knowledge of their salesmen and dealers, and the good quality and reputation of their products.\textsuperscript{7}

Thus, it can be seen that older executives may impede the acceptance and use of an innovation such as marketing research.

\textbf{Population Growth}

The growth of population provides for the burgeoning development of a mass market. As population increases the pressure mounts on the marketing system to deliver more goods. Hence, the greater is the use of marketing research in a country to discern the needs of the population and


\textsuperscript{7}Alsegg, \textit{op. cit.}, p. 19.
direct the marketing system toward the satisfaction of these needs.

Urbanization

Urbanization, the movement of people from rural to urban areas, also holds significance for marketing research. This shift of population forms the nucleus of a mass consumer market because the urbanites are less self-sufficient than people living in the rural areas of the country. The urbanites must depend on others to produce most of their basic necessities. The urbanites, many of whom feel rather impotent in the face of the foreboding forces of the city, often join together in order to accomplish ends that are economic, political, educational, religious, recreational, or cultural. Thus, the growth and development of cities means the growth and development of potential mass markets. The increasing size of these urban markets aids large scale marketing because of the concentration of people and wealth, making economies of operation possible.

At the same time, risks also increase because of the social, physical, and economic uncertainties inherent in conducting business in a metropolis. Thus, the larger

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10Ibid., p. 56.
market as well as the increased uncertainty bring a greater need for research.

Regional variations within a nation may have a powerful influence on the location of marketing research. The play of the forces in the market normally leads to increased regional inequalities. Gunnar Myrdal, the exponent of this theory states that

If things were left to market forces unhampered by any policy interferences, industrial production, commerce, banking, insurance, shipping, and, indeed, almost all those economic activities which in a developing economy tend to give a bigger than average return and, in addition, science, art, literature, education and higher culture generally would cluster in certain localities and regions, leaving the rest of the country more or less in a backwater.11

Operating against the "backwash effects" in the process of "circular causation" described above are certain centrifugal "spread effects" directed from the centers of economic expansion to other regions. Myrdal notes that

The spread effects of momentum from a centre of industrial expansion to other localities and regions, operating through increased demands for their products and in many other ways, weave themselves into the cumulating social process by circular causation in the same fashion as the backwash effects in opposition to which they set up countervailing changes.12

Thus, Myrdal's theory would suggest that the use of marketing research is greater in certain areas subject

12Ibid., pp. 31-32.
to the effects of the circular causation process. Therefore, the development of a large, dominant metropolitan area can be expected to foster the use of marketing research. This means, too, that marketing research will tend to be regionalized in relation to the development of these centers. More research will be conducted within centers, much less in the "backwater" areas. However, the operation of spread effects will tend to disperse the use of marketing research as the peripheral areas develop.

Thus, the geographical environment is seen to have a pervasive effect on the use of marketing research. As the size of the market increases the greater is the need for marketing research. Physical features impede the development of transportation and communication systems thereby deterring the conduct of research as well as the perception of its need. The age of executives can also be an influencing factor. Older executives are less inclined to accept new innovations than are younger managers. Population growth provides the basis for mass markets which demand more goods. The mounting pressures on the marketing system to provide more goods more efficiently can be expected to bring about a greater use of marketing research by manufacturers to ascertain new patterns and reduce wastes. Population shifts from rural to urban areas also increase the necessity for marketing research.
The Cultural Environment

The second environmental variable impinging on the use of marketing research is the cultural background of a country. Culture is "that complex whole which includes knowledge, belief, art, morals, law, custom, and any other capabilities and habits acquired by man as a member of society." Although the process of marketing and marketing research can operate to change the culture, the functions must at the same time, be reconciled to the immediate and current culture.

The cultural factors of importance in influencing marketing research are cultural similarity, cultural borrowing, religion, the taboo and ethical structures of society, and cultural differences in population groups.

Cultural Similarity

The process of cultural assimilation is quite important to the development and use of marketing research. A fundamental principle exists that "In transplanting marketing organizations and processes from one nation to another, the innovations are more likely to be accepted if some basic affinity between the two nations already exists."

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14 Carson, op. cit., p. 71.
Marketing research has been used most widely in nations with an Anglo-European background, such as Great Britain, the United States, France, and West Germany. The reason why marketing research has taken hold strongly within these countries is the influence of the culture on patterns of thought and attitudes toward analytical decision making. The cultures of these countries have fostered such attitudes, and therefore favorably influenced the use of marketing research.

Cultural Borrowing

The process of transplantation may frequently come about through borrowing. That is, a society may borrow from another culture in order to solve certain problems confronting it. The manner in which a culture borrows from another is not haphazard nor complete but is a responsible effort made to find solutions to a society's particular problems. These "borrowed" cultural adaptations are adopted, become commonplace, and are passed on as part of the country's cultural heritage.15

Thus, the development and use of marketing research by a country will depend on the extent and rate of "borrowing" of this technique by the society from another country which has utilized the process to help solve its own marketing problems. It is essential, however, that

15Hess and Cateora, op. cit., pp. 94-95.
there be some basic affinity between the countries for this borrowing process to occur.

The nature of cultural change is important because of its influence on the adoption of marketing research. Herskovits makes the following observation regarding cultural change:

Change is a constant in human culture. . . . The problems of cultural dynamics thus are seen to take on a positive and at the same time a negative aspect. Change, that is, must always be considered in relation to resistance to change. People who accept new ways of doing some things are reluctant to agree to innovations where other facets of their way of life are concerned. The problems of cultural dynamics are thus seen to involve an analysis of the conditions under which conservatism and change dominate a given cultural scene, how these attitudes toward the old and the new develop, what conditions the acceptance of innovations, and how innovations, once accepted, are molded by the cultural matrix into which they are fitted.16

The conservatism and change of a culture are the result of the interplay of environmental, historical, and psychological factors.17

The degree of receptivity to change of a culture has been explained by Herskovits as being due to the mechanism of cultural focus and of reinterpretation. These two processes are important in determining what and how much will be borrowed. Thus, elements originating from inside or from outside a culture through free contact will be more readily accepted if they fall within the focal aspect, that

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is if they are factors in which people are more interested. Reinterpretation operates to modify the new elements to fit their new cultural setting.18

According to Fayerweather, the range of attitudes toward innovation one will find among foreign executives is broad. Some are eager to create and to try new methods brought in from the United States, while others are unimaginative in their own thinking and reluctant to consider the ideas of others. Cultural influences are at the basis of these attitudes. Fayerweather states that

Where innovation is encouraged it is usually because traditional patterns of life have not become well-established and innovation has proved both possible and rewarding. Where innovation is discouraged it is usually because tradition has become firmly rooted in the ways of the people and attempts to change meet neither with public acclaim nor material success, conformity being the approved standards for a successful life.19

Thus, the degree of receptivity to change itself is a factor in the adoption of marketing research. The extent to which such a process lies within the focal aspects of a culture will determine the extent of adoption. Therefore, the more conservative a society, the more it is oriented to the status quo, the less will be the use of marketing research.

18Herskovits, Man and His Works, op. cit., p. 673.
Religion

The religious beliefs predominant in a country can have an effect on marketing research. However, the influence of religion is more indirect than direct. As Carson notes, "... religion still plays an important role in marketing, but it is more generally related to the ritualistic and the spiritual than to actual involvement in day-to-day affairs."\(^{20}\)

Some of the more indirect ways religion may influence the use of marketing research are through the educational system, the economic system, ethics, and the behavior of managers. These aspects will be examined in a succeeding section.

Religion is important as a method of achieving social conformity and continuity. For example, Blough notes that "When a changing situation makes it imperative that attitudes and institutions change, religion is usually a force against such changes. ... There will be a keen internal conflict between these new attitudes and those existing attitudes and institutions that do not fit into a progressing society."\(^{21}\)

Probably the most dominant effect of religion on marketing is through the attitude of the culture toward

\(^{20}\)Carson, op. cit., p. 85.

work. The "Protestant ethic" which is notable in countries where protestantism is predominant (in Northern Europe, the United States, Canada, and Australia), has established hard work and frugal living as the accepted virtues.\textsuperscript{22} The emphasis placed on these two precepts which were epitomized in Calvinism has been cited as important factors in the economic development of Western Europe and the United States.\textsuperscript{23}

According to Tawney, religious opinion may adopt four attitudes toward social institutions and economic relations:

It may stand on one side in ascetic aloofness and regard them as in their very nature the sphere of unrighteousness. . . . It may take them for granted and ignore them, as matters of indifference belonging to a world with which religion has no concern. . . . It may throw itself into an agitation for some particular reform. . . . It may at once accept and criticize, tolerate and amend. . . . To such a temper, all activities divorced from religion are brutal or dead, but none are too mean to be beneath or too great to be above it, since all, in their different degrees, are touched with the spirit which permeates the whole.\textsuperscript{24}

Carson discerns a tendency among various religious groups away from the first two positions toward the latter two.\textsuperscript{25}


\textsuperscript{24}Ibid., p. 17.

\textsuperscript{25}Carson, \textit{loc. cit.}
example—tend to exalt spiritual values and deemphasize the value of material possessions. Religions attitudes in many of the less developed countries have fostered the idea among the populace that poverty is not just the only possibility, but in some societies, a desirable situation. Thus, asceticism is a virtue and unnecessary consumption is vulgar. Many Asian people have been concerned more with improving their condition in the next world, where they feel there is a chance for improvement, than in this world, where they can see no hope.

Thus, religion has a very pervasive influence on the economic activities practiced in a country. Marketing research will be used to a greater extent in countries in which the predominant religion fosters economic activity, particularly marketing. The influence it yields in other spheres of life will be examined in later sections.

Taboo and Ethical Structure

Another variable within the realm of cultural factors is the pattern of taboos and ethics. In every country there is a reluctance of the population to discuss certain subjects with an unknown researcher. Only the degree to which such subjects are taboo varies with the country. Boyd, et al. detected in the emerging countries which they analyzed that such subjects as sex, personal hygiene, 

26Fayerweather, loc. cit.

27Blough, loc. cit.
finance, household expenditures, and in certain countries, even consumption habits were taboo. Where such taboos exist the research process, particularly the conducting of surveys, is likely to be impeded.

The ethical framework of a society may have an effect upon the use of marketing research. This seems to be a function of cultural factors and the stage of industrial progress. Truth is a relative matter. The extent to which white lies or exaggerations are condoned by a culture can affect marketing research. For example, where surveying is necessary in a research study, the respondents of that country may be quite amenable to the practice of "helping the questionnaire." Such a "courtesy" or "hospitality bias" means that the respondent provides information which he feels will please the interviewer. Mitchell explains that an individual behaves this way because the norms governing interpersonal relations in general and relations with upper-class strangers in specific call for him to do so. Leo Erickson observes that in Brazil the practice arose from an effort to keep from hurting the researcher's feelings and to give the respondent a feeling of usefulness. For

29 Fayerweather, op. cit., p. 42.
example, he makes the following statement about Brazilian interviewing:

The Brazilian reputation for courtesy and kindness has a disadvantage in conducting personal interviews. In the first place there is a tendency not to disappoint anyone by telling him one does not know the answer to a question. Also, consistent with this, a man is likely to tell an interviewer what he thinks the interviewer would like to hear.31

Perhaps courtesy bias is easier to control than the opposite condition which Mitchell calls the "sucker bias" found in some areas where all outsiders are considered fair game for deception.32 Where such inaccuracies creep into a survey, the distortion which results can have a detrimental effect on the acceptance of such research by executives.

The lack of a proper ethical standard is notable not only among population groups but among businesses conducting research in developing countries. For example, Mitchell states that, "Unfortunately, there is abundant reason to question both the competence and honesty of interviewing - sampling field staffs in many countries, and, consequently, to question the adequacy of the samples which are drawn."33 A lack of faith in marketing research may be the result.

32 Mitchell, op. cit., p. 682.
33 Ibid., p. 666.
Where such a lack of faith in marketing research exists, whatever the cause, acceptance of it may be weakened. For example, such a situation is evident in Bogart's discussion of the difficulties which some large American-owned research firms in Latin America had in gaining acceptance of their continuing radio and television surveys. The media management felt that such audience research was a matter of "spying" on them, and thus rather than welcoming the data, they tried to impugn the honesty of the results. Thus, such situations as these may have a retrogressive effect on acceptance and use of marketing research generally.

Cultural Differences

The differences in consumers within different parts of a nation or between different countries can be very dramatic. Consumer habits are largely determined by cultural factors but can also be influenced by differing social conditions, climates, legal regulations, historical developments, and language differences, for example. All of these factors contribute to the great variety among consumers in their preferences and acceptance of products.

The range of differences between customer groups is quite important to the use of marketing research. Valid analyses and inferences can seldom be drawn from market information that is obtained from one country or perhaps

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even one section of a country and applied to another. Thus, as the marketing of a product includes more and more divergent cultural groups, the amount of marketing research necessary can be expected to grow because of the need for information to make intelligent decisions concerning the marketing of products to these groups.

Thus the cultural environment has a very important impact upon the use of marketing research. The extent of cultural similarity between countries can affect the extent to which an innovation such as marketing research will be adopted. The adoption of the technique frequently arises through "borrowing" from a more advanced country which has found success with its use. The degree of receptivity of borrowing, however, is not uniform among countries or executives. Some are eager to try marketing research, while others are reluctant to consider its use.

Religion indirectly affects the use of marketing research through its impact on economic activities. Where religion encourages asceticism and the status quo, the need for the technique will be lessened. Religion has a more direct impact on the use of marketing research through its influence on the educational system and pattern of thought among the people of a country to be discussed in the next section.

The taboo and ethical structure of a nation can be impediments to the conduct of marketing research where
respondents either avoid responding or exaggerate favorably in their answers.

The extent of differences between consuming groups can be a factor affecting the need for marketing research. The greater the extent of differences between markets the more likely is the use of research to ascertain these variances in order to design the proper marketing mix.

**The Educational-Philosophical Environment**

The educational and philosophical environment has a very strong influence on the perception of need for marketing research as well as its implementation. The topics to be discussed in this section include the following: the level of literacy; the nature of the educational system; the view of scientific method in decision-making; education for business administration; and the achievement motivation.

**Extent of Literacy**

One of the most important variables affecting the use of marketing research is the extent of literacy. The level of literacy varies greatly among countries. Practically all adults in the United States and Europe are literate. However, in the developing areas literacy rates may plunge to less than five percent of the population.\(^{35}\)

Frequently, in such areas, the bulk of the population is

\(^{35}\)Carson, *op. cit.*, p. 96.
illiterate and only a very small number of people is educated to an advanced level.

Low levels of literacy function as barriers to marketing research because of the difficulties imposed on communication. Marketing research is basically concerned with the communication process; thus, it is impeded where literacy is rather low. The effect is most clearly seen in the inability to use mail surveys.

Marketing in an illiterate culture is organized in a completely different manner from that in a literate society. Written ads are useless; the firm must make oral or pictorial contact with its customers. Widespread illiteracy makes most large-scale advertising media uneconomic.

The lessened use of advertising will reduce the need for marketing research because this is frequently a very important topic for marketing research.

The literacy problem is more pervasive than simply the ability to read and write. "It extends to many aspects of the knowledge and outlook of people on life. Because they have not seen things or been told about them, they have learned far less than people who have had extended schooling and through reading and other means have continued


37Carson, op. cit., p. 97.
as adults to extend their knowledge." Where illiteracy is widespread the effective market for many goods will be reduced. The reduction in the size of the market will tend to reduce the need for marketing research.

Frequently the broadening and deepening of education sounds the death knell for social rigidity. Educational opportunities have often been monopolized by powerful social classes in an attempt to maintain their supremacy. Improved educational works to destroy the notion that social and economic classes are based on inherent superiority or inferiority. Increased competence of the educated members of the low-income groups leads to greater demand for their services and thus removes barriers against their rising within the business enterprise and elsewhere.39

At more advanced levels of education, the consumer tends to become more rational in his buying habits, and his taste often improves.40 It becomes, therefore, more important for marketing research to ascertain these changing patterns and serve the consumer more rationally.

The extent of multilingual segments of the population in a country can impede the conduct of marketing research.

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39 Blough, op. cit. p. 42.

40 Carson, op. cit., p. 99.
research. There is great difficulty in conducting a nationwide survey in India, for example, because no one language is spoken by more than one-sixth of the population.\(^{41}\)

Thus, literacy is an important factor in the use of marketing research. Where literacy is low effective markets for many products may not exist, thereby, eliminating much of the need for research. Literacy levels are also important in influencing the conduct of marketing research, particularly surveys. For example, where literacy is low, mail surveys are not feasible.

Educational System

A country's educational system reinforces and reflects the population's values. It seems that in many of the less developed countries, the educational systems are unresponsive to the manpower requirements of their economies. The requirements are for agriculturists, technicians, and managers--those who can direct the economic and business activities of the country.

Instead, the educational systems in many less developed countries emphasize esoteric and abstract subjects that were usually taught in pre-industrial times. Much stress is placed in both secondary and higher education on the countries' old literary tradition and classical or legal studies. Military education is also prized, partly because

\(^{41}\text{Ibid.}, \text{p. 98.}\)
the establishment of a modern army is considered a mark of
sovereignty and nationhood. Thus, there may be more stu-
dents in military than in agricultural schools. Business
administration education is rare in underdeveloped
countries and when it is present, the emphasis is largely
on the legal and accounting aspects while essential features
of modern management services are neglected.\footnote{Virgil Salera, Multinational Business (Boston:
Houghton Mifflin, 1969), pp. 69-70.}

Farmer and Richman cite the problem of educational
systems in the supply of management personnel:

Far too many countries have attitudes toward
education which result in their educational systems
being badly out of step with educational requirements
for productive enterprises. Too many lawyers are
produced and far too few engineers and doctors. The
familiar result in many countries is to find managers
trained as agronomists, engineers serving as account-
ants, and lawyers working as technicians. The effect
on efficiency is clear.\footnote{Richard N. Farmer and Barry M. Richman, "A Model
for Research in Comparative Management," California Management

Thus, the nature and quality of the educational pro-
cess within a country are crucial in determining the level
of managerial competence. "If a manager has to staff only
from illiterate superstition-ridden peasants, he will have
a much different organization than the man who has a choice
among skilled workers and university graduates."\footnote{Ibid., p. 61.} This
fact will have an important influence on management's
ability to conduct marketing research as well as its perception of the need for the technique.

View of Scientific Method

The extent of an analytical point of view by decision makers is a pervasive element determining the use of marketing research. Analysis is both a function and a state of mind. As a function it is the thoughtful prelude to action, the process in which problems and ideas are organized, examined, and developed in the search for effective patterns of action. As a state of mind, it requires the ability to observe and accept reality together with disciplined and orderly logic in thinking. These two bases are the essence of scientific management.45

Although systematic analysis may seem a quite normal approach to problem solving, it is counter to the instincts of most people throughout the world. Fayerweather observes that

Confronted with a situation in which action must ultimately be taken, people may devote some time to thinking through what they should do or they may act immediately, guided by intuition, by emotional reactions, or by tradition and habit. Although it is difficult to generalize on such a matter, it appears that the natural patterns for most people fall somewhere in this latter category.46

Farmer and Richman concur in this judgment. They

46 Fayerweather, International Marketing, op. cit., p. 93.
state that "In general, relatively few countries have a very scientific view of the world--probably the great majority do not."47

The educational system as well as the overall religious and cultural environment of a nation have a profound impact upon the way an individual approaches the solution to a problem: that is, utilizes scientific method.

One factor impeding the rise of systematic analysis is the pattern of thought attributable largely to the educational systems of societies. In those areas which were not touched by the Renaissance and the scientific revolution, the practice of questioning and examining has not become established as fundamental to life and to educational systems preparing people for life.48

Farmer and Richman describe scientific method as basically a future oriented, revolutionary way of looking at one's environment--it implies that somehow one can alter this environment through conscious action. They note that in many cultures, such an attitude would tend to be considered dangerous, heretical, and unsound. Managerial competence, therefore, comes close to interference with established religious order. Few young persons in such a


culture are trained to think scientifically. The results show up in the ways in which firms are managed and the economy functions.\footnote{Farmer and Richman, Comparative Management and Economic Progress, loc. cit.} Without scientific methodology the society runs out of control most of the time—in the economically productive sense—and business enterprise has no way of effectively planning for its future. There is a vicious circle operating here. Since few persons or enterprises make use of scientific method in planning, plans tend not to work out, pessimism becomes prevalent, and people become even more reluctant to try to plan for the future. On the other hand, where scientific methods and planning is a way of life . . . coordination of activities tends to be quite effective among interdependent and interrelated business enterprises, plans tend to work out reasonably well, optimism tends to be quite prevalent, and all this reinforces the use of scientific methodology in planning and decision making.\footnote{Ibid.}

Western countries which have traditionally been influenced strongly by the protestant Calvinist philosophy tend to have the most favorable attitudes toward scientific method. Countries with strong Catholic traditions have had considerably more difficulty in accepting scientific method in their cultures as an operating force. Tradition, cultural pressures, and religious dogma have tended to make purely scientific applications to practical business problems much more difficult. The traditional Catholic view of man tends to push managers away from the rational thought process so necessary to modern, efficient production and marketing of goods and services.
Societies which are extensively Moslem, Buddhist, and Hindu have also been much more reluctant to view scientific method as being compatible with their religions and cultures.51

Thus, the tendency to be mystical and/or emotional in regard to many areas of human experience is a powerful force in many people.

Mysticism in its various forms has the grand advantage of offering total and absolute truths to counteract many of life's most vexing problems, however, productivity, economic progress and managerial effectiveness all lie in the rational, scientific realm. . . . This type of problem is solved effectively and efficiently only with consistent, sound applications of scientific methodology.52

Farmer and Richman conclude that "If a country has a strong traditional religious and cultural bias toward non-scientific behavior, it will prove difficult to introduce modern managerial methods, which are based on the same type of predictive, rational view of the world as are the more purely technical devises."53 Thus, the greater the extent of such a bias within a country, the less the use of marketing research.

Business Education

The extent and depth of education in business administration, particularly marketing and marketing research

51Ibid., pp. 191-192.
52Ibid., p. 198.
is a determinant of the use of the latter technique. The availability and utilization of individuals with marketing skills (such as marketing research) will have a significant bearing on managerial performance. Where there is a shortage of people with such skills, the activity will either be carried out poorly, or not performed at all.

The kinds of knowledge required to handle marketing research operations are not taught in the primary schools; nor are they taught in the required depth, if at all, in most secondary level educational and training programs. Even many higher educational institutions do not cover the types of advanced statistics, mathematics, economics, and psychology often used routinely by modern marketing departments and organizations.\(^5^4\)

Thus, where the subject of marketing and marketing research are taught in university curricula, the use of research can be expected to be greater within the country. This will also be true where these subjects are offered by manufacturing organizations, or other groups such as management or marketing organizations.

**Achievement Motivation**

An important factor in the use of marketing research is the achievement syndrome of the country. This refers not only to the group's will to achieve, but also to their

direction of that will to arrive at their goals. Carson states that it is a vital factor for economic development in general and "... is especially applicable to marketing where so much depends upon individual volition and direction."55

Prevailing religious beliefs and cultural values, in conjunction with parental behavior, child-rearing practices, and the formal system of education in a particular country usually have a direct and very significant bearing on the dominant view toward work and achievement.

Farmer and Richman cite the effect of high achievement motivation in the following statement:

In general, in a country where much of the population has a relatively high achievement drive and views work associated with business and industry favorably, managerial effectiveness and productive efficiency would usually be much greater than if the reverse were true. Industrial managers with a high achievement drive would be inclined to desire and strive to accomplish fairly challenging—but realistic—enterprise plans and objectives. Such objectives would typically pertain to some notion of greater output, productivity, efficiency, and/or profitability. Such managers would also be more likely to take calculated rational risks, to innovate, and to be quite favorably disposed to change in the direction of greater economic progress, as long as the attainment of their priority operational goals is not threatened.56

Where high achievement motivation exists the use of marketing research is favored because it can be utilized


to increase managerial effectiveness and enterprise efficiency. It can also be used to aid rational risk taking and innovative activities. Thus, the higher the achievement motivation, the greater the use of marketing research within a country.

View of Risk Taking

The view of risk taking may also influence the use of marketing research. It is closely associated with achievement motivation. Individuals possessing a high achievement drive are the best risk takers. They are inclined to undertake moderate, calculated risks which entail some challenge but at the same time a relatively good chance of payoff and success. They are also inclined to innovate.57

Rational risk taking and the effectiveness of risk taking depends largely on knowledge, the availability and uses of strategic information, and the level of skill in applying scientific method.58 Thus, the ideal environment in terms of risk taking is "... one in which there is an extensive and diverse system of high quality education at all levels; a favorable view toward scientific method, achievement, and change; and a high degree of interorganizational cooperation which permits the extensive

57 Ibid., p. 203.
58 Ibid., p. 201.
generation, dissemination, and utilization of information and knowledge relevant to rational individual, firm, and national decision making."\(^59\)

Thus, where the environment favors rational risk taking a greater use can be expected of marketing research because of its role in gathering information and reducing the degree of risk. The favorableness of such environments differs, however, from country to country. In the majority of cases in the United States and advanced Western European countries enterprise managements generally act quite rationally in arriving at important decisions that involve significant risks.\(^60\)

The pattern of risk taking of enterprise managements throughout most of Africa, Asia, and Latin America tends to be both ultraconservative and irrational.\(^61\) The blame for this situation, however, must be attributed in large part to the environment. Thus, the environment in such areas of the world impedes the usage of marketing research.

The educational and philosophical environment has an important influence on the use of marketing research in a country. The extent of literacy can affect the ability to conduct surveys as well as the size and nature of effective markets within a country. A low level of literacy impedes

\(^{59}\text{Ibid.}, \ p. \ 204.\)

\(^{60}\text{Ibid.}, \ p. \ 208.\)

\(^{61}\text{Ibid.}, \ p. \ 213.\)
the conduct of research but also reduces the need for the technique.

A primary influencing factor is the nature of a country's educational system. It molds much of the population's attitudes and values. Of particular importance is the view of scientific method held by the society. Where scientific method is not a strongly ingrained part of the culture, the acceptance of marketing research will be hindered. The degree of emphasis on business administration, particularly marketing and marketing research, by the educational systems will also influence the use of research. Where marketing research skills are stressed in a country the expected use of the technique will be greater than in a society which offers no training in the subject.

The achievement motivation and view of risk taking are important attitudes held by the population which can influence the extent of use of marketing research. The situation which is most favorable to the use of marketing research is a high achievement motivation and an orientation toward rational risk taking on the part of management.

The Social Environment

There are a number of social factors which influence the use of marketing research within a country. Among the most important variables are the family system, status structure, social relationships, authority structure, and
organizational contacts.

Family System

The family is one of the most basic social institutions and can have a significant effect on the use of marketing research. The extended family system is an important structure commonly found in underdeveloped societies. The extended family is composed of several generations headed by the oldest member and generally pools its earnings to provide resources from which all members are supported. Family relationships may provide important services ranging from agricultural production, transportation and storage, to child care and money lending.

As industrialization proceeds, the extended family system is usually fragmented into primary family units because of several factors—the increased mobility that industrial society requires of its workers, other methods of economic security, and the anonymity and escape from the control of the family which is possible in urban communities.62

The extended family system is a drag on industrialism. Blough observes that

Initiative by the individual is discouraged since he must share any increase of income resulting from his initiative with many others whose claims he does not emotionally recognize. Moreover, since through the family he is provided with automatic rewards and insurance against want and destitution, he has no

strong incentive to greater effort. Occupational mobility may be diminished if the family group insists on the son following in his father's footsteps. 63

The family system thwarts business development because it places greater emphasis on family-based organization and nepotism rather than on more impersonal and effective corporate arrangements. The result of this, as Salera notes, is that

... many businesses tend to be run like a household with little concern for public affairs and group interests. Such household type businesses often become ingrown because they do not receive the invigorating injections of innovative ideas which usually come only from outsiders. 64

Similarly, Carson states that "The family ... has ... served as a serious obstacle to the development of marketing enterprises in terms of size and of efficiency." 65 Family-owned and family-operated companies tend to favor marketing methods that rely on experience, tradition, personal relationships, and intuition. 66

In a number of European countries such ownership still forms an important segment of the medium-size companies and even a portion of the larger companies. Alsegg states that "with few exceptions these family-owned firms are suspicious of modern business methods and reluctant

63Blough, op. cit., p. 39.
64Salera, op. cit., p. 72.
65Carson, op. cit., p. 156.
66Alsegg, op. cit., p. 15.
to adopt them, especially if they cost money." The typical family-owned business in an underdeveloped country is not marketing oriented, and moreover, does not generally keep organized statistics.

The growth in size of a firm has an important influence on the use of marketing research, as described by Miracle and Albaum:

... as business firms grow in size, as they concentrate their production in certain areas while markets become more dispersed, and as more marketing intermediaries come between producer and consumer, there is greater uncertainty and lack of knowledge by the producer. Manufacturers then need to formalize their efforts to collect, process, analyze, and interpret information.68

Thus, where family-owned and operated enterprises prevail, particularly those which are small scale, little use of marketing research can be expected by management.

Social Status of Marketers

The social status which is conferred upon marketing and its associated activities is another factor influencing the use of marketing research. The use of marketing research has been restrained in many of the developing nations because marketing has always been a relatively low-status occupation in these countries. This low status is attributable to the fact that foreigners were engaged in the

67Ibid.
function and also because much of what was thought to be marketing was, in reality, speculation. For this reason, the field of marketing has not been able to attract outstanding men with considerable managerial skills.

Thus, in those countries which place a rather low valuation and low status on marketing occupations, it is to be expected that a concomitant low valuation of the marketing research function would be found. Hence, the use of marketing research would be less extensive.

Social Relationships

The operation of a marketing system can be explained in part by the social interaction among individuals and among groups. In fact, Bartels has taken such a social systems approach in his study of comparative marketing. He states that "Marketing is the sets of interrelationships among the role positions necessary for the achievement of the marketing objective."69 It is important to note that the nature of social interaction within a country can influence the use of marketing research. Two patterns of interaction are relevant for the present study: the group-oriented personality and the individualistic personality.70

Individualistic Personality

In his work relationships the individualistic

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69 Bartels, op. cit., p. 6.
personality walls himself off as much as possible from those around him. While he may be sociable and communicative in recreational and social activities, he is likely to be isolated and secretive in his work. His objective is maximum self-sufficiency. He looks upon those around him as necessary evils. He is distrustful, suspecting them of predatory intentions toward him; and he feels a sense of hostility toward them. In any relationship he is intensely concerned with his own position and not very conscious of the attitudes of others except as he perceives their impact on him. The cultural attitudes in a large part of the world tend toward the individualistic pattern.

The business activities of many countries are dominated by the merchant-trader philosophy. The merchant is essentially a lone wolf. His stock in trade historically has been the capacity to outbargain and outmaneuver other businessmen through shrewdness and secrecy. Thus, the small merchant who dominates trade in most countries is thoroughly imbued with a philosophy quite at odds with the concept of transmitting information. These attitudes are not restricted to those who are traders, because the factory owners in many countries are simply merchants who have expanded by integrating backwards but who still retain the basic attitudes of the trading community.

The problem which such a situation presents is described in the following statement:
In the large majority of underdeveloped and newly developing countries industrial firms and their staffs tend to be very reluctant to exchange or disseminate information and ideas on common problems or to undertake joint cooperative ventures with other enterprises. This situation is probably due to a lack of trust, ignorance about the mutual benefits that may be derived from such cooperation, and/or sheer lack of interest in improving operations.71

Thus it is apparent that business organizations may be quite concerned with competitive secrecy and hence very protective of their information. Such an environment impedes the practice of marketing research.

Another hindrance to the conduct of marketing research in a country where the individualistic personality is prevalent is that respondents may be completely unwilling to provide information to researchers. In many such cultures, as Hess and Cateora observe, "... personal information is inviolably private and absolutely not to be discussed with strangers."72 Mitchell elaborates on the problems of surveying in developing countries as follows:

... interviewers are often considered as government employees, and since the local population does not readily differentiate policemen from tax collectors from political party workers, the interviewer has considerable difficulty in socializing the respondent in a new type of question-answer relationship. In these situations, respondents are reported to be very reluctant to provide interviewers with accurate information.73

71 Farmer and Richman, Comparative Management and Economic Progress, op. cit., p. 149.
72 Hess & Cateora, op. cit., p. 394.
73 Mitchell, op. cit., p. 682.
Thus, the general mistrust of strangers in underdeveloped countries tends to produce considerable difficulty in obtaining satisfactory interviews.

Group-oriented Personality

The group-oriented personality has a feeling of relationship and union with those around him. His satisfactions are in considerable measure achieved as group objectives or just in being a part of a smoothly operating group. He views those around him with confidence, sensing that they have the same group objectives as he. The cultural attitudes of the United States industrial society tend toward the group-oriented personality.

Thus the group-oriented personality structure fosters an assurance that others may be trusted and a capacity to cooperate willingly with them. Within such an environment the practice of marketing research is fostered.

Organizational Contacts

Organizational contacts are a final influencing variable within the social environment. Influencing agents include foreign businesses, advertising agencies, marketing research firms, government, and the universities.

Influence of Foreign Businesses

Foreign businesses operating in a country can be instrumental in demonstrating and spreading the use of
such innovations as marketing research. For example, it is known that the adoption process for marketing research by business firms in a foreign environment can be influenced by contact with American companies already using the technique.\textsuperscript{74} The greater the contact there is among these organizations and the more competition vested by the foreign enterprises, the greater is the expected use of marketing research. Nielsen described the direction of influence in the following way:

\ldots the companies which run their businesses based upon facts rather than opinion invariably progress at the expense of their less informed competitors. As soon as the local businessman realizes that his international competitors are outmaneuvering him because--with the aid of market research or business intelligence--they know the market better than he does; he, too, begins to use it. It is a matter of education.\textsuperscript{75}

Thus, foreign businesses can be influential in the use of marketing research by domestic firms.

\textbf{Influence of Advertising Agencies and Marketing Research Firms}

The extent of extraorganizational relationships between businesses and advertising agencies and marketing research firms is important to the growth of the technique. For example, Carson notes that "Marketing research methods and practices developed in the more highly industrialized

\textsuperscript{74}Miracle and Albaum, \textit{op. cit.}, pp. 221-222.

\textsuperscript{75}Nielsen, \textit{op. cit.}, p. 440.
nations of the West at times have been introduced into other countries by means of advertising media (especially magazines) and advertising agencies. . . ."76

Continuing radio and television rating studies are in operation in many markets of the world. In addition, audience surveys for print media have been conducted by both magazines and newspapers in a great many countries.77

Thus, the demand for research data can stimulate the growth of research by those who service the marketer such as advertising media and marketing research firms.

**Influence of the Government**

The degree of contact between government and industry may affect the use of marketing research. Japan, for example, probably more than any other capitalist nation, has gone the farthest with regard to cooperation between the government and private industry.78 The Japanese government has had a very beneficial effect on the spread of marketing research in the country.

The Japanese government sent several teams of executives to the United States to study American marketing.

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76 Carson, *op. cit.*, pp. 405-406.


During their visits and observations these experienced executives became aware of the important role of marketing research to business management and, upon their return to Japan, they were able to contribute greatly to the development of marketing research in their country. As the adoption of marketing research in industry spread, a team of commercial marketing managers and government officials in charge of such research were later sent to the United States to gain first-hand knowledge as to how American firms applied certain concepts of marketing research. Thus, government can be an influential partner in fostering the rise of marketing research as illustrated by the case of Japan.

Industry - University Contact

The extent of cooperation between educational institutions and industry will have an important effect on the use of marketing research. Where there is a great deal of cooperation and communication involving joint consultation and research projects, and where there is extensive exchange and dissemination of information and ideas on problems of common concern the use of marketing research would tend to increase.

One of the basic problems facing marketing research in Japan, for example, (and in many other countries as well) is the lack of industry-university cooperation. There has traditionally been a mutual state of aloofness or indifference between Japanese business circles and academic circles. Business rarely utilizes the vast store of information and knowledge available in these universities.\(^80\)

Thus, the greater the degree of contact and cooperation between industry and the schools, the more favorable will be the environment toward the use of marketing research.

Organizational contacts, therefore, can be very influential in fostering or impeding the use of marketing research. Where extraorganizational contact is great, the practice of marketing research will be aided.

Thus, the social environment can be seen to exert a powerful influence on the use of marketing research. Where the family system is a prevalent fact of industrial ownership and management, firms tend to be small-scale and un-specialized; hence; marketing research tends to be less widely used. The social status of marketers in a society will strongly influence the quality and number of recruits drawn into the profession. Where the profession's status is low, less rapid advancement can be expected of marketing research.

The pattern of social relationships will dramatically

\(^{80}\) Ibid., p. 36.
affect the use and practice of marketing research. Where the individualistic personality structure is prevalent in a society, the sharing of information by manufacturers, distributors, or consumers is impeded. The group-oriented society, on the other hand, is a much more favorable environment for the growth of marketing research.

Organizational contacts are a final social variable affecting the use of research. Foreign businesses foster the adoption of marketing research by domestic firms through their demonstration of the technique and their influence on the competitive environment. Advertising agencies and marketing research firms have also been important in aiding the technique's spread. Government influence in some instances, such as Japan, has been a significant factor in the expanded use of research. However, in many countries there is a lack of close contact and cooperation between industry and the universities which hinders the development of marketing research.

The Economic Environment

Economic variables have a fundamental influence on the use of marketing research within a country. Among the most important of these factors are the general economic framework; level of economic development; dynamism of the economy; extent of a buyer's or sellers' market; competition; international trade; tariffs; and the type of industry.
General Economic Framework

One of the most significant of economic variables is the general economic framework, which is also inextricably bound to the political structure to be discussed subsequently. The general economic framework includes such things as the over-all economic organization of the society, property rights, and similar factors. For the present purpose it is sufficient to distinguish between the two extremes on the spectrum of economic organization—capitalism and Communism.

In a capitalistic country, private property, free enterprise, and open competition form the cornerstones of the economy, while the free competitive market regulates the system. In contrast to this, in the Communist system all means of production belong to the state, and all allocation decisions are made according to state plan.

The general economic framework has been an important factor in determining both the nature and extent of marketing research. To better understand the effect of this variable it is worthwhile to briefly examine the system of marketing research in the Soviet Union, a Communist environment.

The governmental philosophy is one of the major influences impinging on the economic framework and hence strongly affects the valuation of marketing and marketing research. Karl Marx felt that production was of prime
importance and that other functions were merely parasitic. Therefore, the Russians have had a longstanding aversion to any marketing activities. Consequently, marketing research has been all but ignored until recently.

Soviet planners began serious large scale measurement of consumer needs and desires after realizing an urgent need for more accurate demand estimations in supply planning. Goldman observes that "only when it came to be realized that some marketing techniques would indeed have to be adopted if the production process was to be improved, did ideological attitudes change." As long as shortages of goods existed, there was no need to worry about consumer tastes or desires. However, when surplus stocks became a problem in the late 1950s government planners turned increased attention to marketing research.

In 1965 marketing research was given official sanction and coordinated into a country-wide organization with correspondents in 40 cities. These correspondents report on buying trends in their respective areas and relay this information to the central office which then develops surveys of the market situations.

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83 Ibid.
84 Felker, loc. cit.
Attitudes within the Soviet Union differ, however, as to what the function of such groups should be. Some economists feel that scientific norms should be established and studies conducted to determine just how close present consumption patterns correspond to these norms. Other Soviet economists, more interested in analysis than prescription, would like to see studies of what the consumer selects as his income increases and as prices change.  

The nature of marketing research in Communist systems is different from that in capitalist economies. For example, in Communist societies marketing research has been confined largely to family-budget studies for the planning of aggregate output; but little has been done to probe the market for individual firms' outputs. However, as individual firms gain greater latitude in their decisions and come to guide their own destinies to a greater extent (as in the case of Yugoslavia), research by these firms rather than by a central bureau will probably become more widespread.

Retail and wholesale enterprises undertake some marketing research to estimate demand for their goods. In order to do this they use orders and expressed preferences of purchases; sample studies in separate stores on the course of sales and movement of stocks for different buyers; and travels of product managers in wholesale bases into the

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85 Goldman, op. cit., pp. 133-134.
retail trade network to take orders. 

In Russia consumers express their preferences for proposed new products by "voting" their approval or disapproval of the products in sample stores exhibiting them. Because of the dominant role of the trade sector in distributing consumer goods, distributors and not producers probably will assume most of the job of analyzing consumer demand. This function will shift to the producers if and when channel control moves to them. 

Marketing research, therefore, appears to develop automatically when its need becomes crucial. Although the Communists have been unwilling to accept such techniques as marketing research because of the historical need for theoretical justification, the situation is changing. As Felker notes, "This need apparently no longer exists; enough evidence is on hand to demonstrate that the Soviets will adopt whatever instruments or techniques there are, if their use is beneficial and problem solving, regardless of sanctions or condemnations even from the scant Marxist creeds on 'distribution under Communism.'"

Thus, although the general economic framework has in the past been quite important in impeding the use of

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87 Ibid., p. 9.
88 Felker, op. cit., p. 155.
marketing research, its effect is waning. Yet it will continue to strongly influence the nature of the research which is conducted, or has been demonstrated.

Level of Economic Development

Effect of Economic Development on Marketing Research

The stage of economic and marketing development is another determinant of the use of marketing research. The stage of economic development "... denotes how far the economy has moved from primitive agriculture and handicraft toward an integrated complex involving all major kinds of the country's natural endowments."\(^8^9\) It has already been noted that industrialization forces changes in institutions and attitudes as it proceeds. Thus, there is a close interrelationship between social, political, and economic factors.

At the bottom level of economic development are found self-sufficient firms which are simply subsistence level "closed" family or extended family units producing no surpluses and having no interest in bartering or trading with other units. The next stage of development finds firms which are self-sufficient but with occasional surpluses. Marketing research or information is not critical at these early stages and so is little used.

At a third stage, firms become production oriented and tend to produce items which are easy or convenient for them to make. Market information becomes more important and widely used; however, the producer expects others to

\(^{8^9}\)Blough, op. cit., p. 32.
provide it for him.

In later stages firms become increasingly market oriented and attempt to develop marketing mixes to satisfy specific target markets. McCarthy notes that in this stage, "... the producer thinks of the customer as "king," and uses marketing research to learn more about the market and to obtain feedback about how well the firm and its associated middlemen are accomplishing their objective."90

In a similar manner, Marshall Goldman has shown that certain basic marketing functions must be performed regardless of the country's stage of marketing development. However, at a second stage of development "... a whole new range of activities connected with market research and merchandising becomes important and vital. ..."91

Clearly, then, the use of marketing research within a country increases as the level of economic development progresses.

Intensity of Marketing Research Effort

To gain a better understanding of the effect of economic development on the use of marketing research, Figures 4.2 and 4.3 have been developed. Figure 4.2 illustrates the relationship between marketing research expenditures


for various countries and their levels of national income. Figure 4.3 relates the estimates of marketing research spending to population data for these countries to derive per capita expenditures.

Figures 4.2 and 4.3 indicate how intensively marketing research is utilized in countries with differing levels of economic development. Both figures reveal a pattern of dramatic rise in intensity with an increase in the level of economic development.

It should be noted that Mexico ranks very low in terms of the overall usage of marketing research according to Figures 4.2 and 4.3. There may be at the same time, however, relatively sophisticated industrial sectors within the nation which use marketing research more intensively than this pattern would indicate.

Rate of Growth of Marketing Research

Once an economy reaches some "take-off" point in its development, marketing research appears to grow at a swift rate. The pattern of growth of marketing research in the United States supports this contention.

Blankenship and Doyle present data on the growth of marketing research in the United States since 1940 and state that the field is growing more rapidly than the economy in general. Marketing research has grown almost three times as fast as the GNP since 1940. In addition, the field is
Figure 4.2
Intensity of Marketing Research Effort
in Relation to National Income

Marketing Research Expenditures
As a Percent of National Income

National Income Per Capita (in U.S. Dollars)

Source: See Figure 4.3
Figure 4.3

Intensity of Marketing Research Effort in Relation to Population

<table>
<thead>
<tr>
<th>Country</th>
<th>Year</th>
<th>Expenditures Per Capita (in U.S. Dollars)</th>
<th>National Income Per Capita (in U.S. Dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>1969</td>
<td>3.00</td>
<td>1,500</td>
</tr>
<tr>
<td>Canada</td>
<td>1965</td>
<td>.80</td>
<td>1,000</td>
</tr>
<tr>
<td>Netherlands</td>
<td>1965</td>
<td>.60</td>
<td>.500</td>
</tr>
<tr>
<td>South Africa</td>
<td>1963</td>
<td>.20</td>
<td>.500</td>
</tr>
<tr>
<td>Mexico</td>
<td>1968</td>
<td>.40</td>
<td>2,500</td>
</tr>
<tr>
<td>Argentina</td>
<td>1965</td>
<td>.60</td>
<td>2,000</td>
</tr>
<tr>
<td>Great Britain</td>
<td>1949</td>
<td>.80</td>
<td>3,000</td>
</tr>
</tbody>
</table>

Source: Data on population and income for foreign countries were drawn from U.N. Statistical Abstract; United States population and income from the Bureau of the Census and Department of Commerce. The following sources provided estimates of research expenditures for the countries listed:

- United States: "Marketing Research Investment to Hit $600,000,000" Advertising Age, Vol. 37 (December 9, 1968), p. 88.
doubling its size every five years.\textsuperscript{92}

Thus, the pattern of growth for marketing research, at least for countries with high levels of economic development, is one which is greater than that for the economy in general.

\section*{Dynamism of the Economy}

Closely associated with the level of economic development is the element of change or dynamism within the economy. Regardless of the economic level of a society, whether it is stagnant or dynamic influences the use by firms of marketing research. As Fayerweather observes:

\begin{quote}
In a stagnant society, consumption patterns tend to become set, and the whole marketing process becomes a routine supply operation. When consumption patterns are changing, however, the marketing system must organize itself to ascertain the new patterns.
\end{quote}

This means that marketers must resort to the use of research. Miracle and Albaum describe similar influences on the use of research in the following statement:

\begin{quote}
... as discretionary buying power grows, as consumers become more highly educated, and as tastes begin to shift at a more rapid rate than in earlier days, it is necessary to have a formal system to keep abreast of these changes. ...
\end{quote}

\begin{footnotes}
\item[93] Fayerweather, \textit{International Marketing}, op. cit., pp. 5-6.
\item[94] Miracle and Albaum, \textit{loc. cit.}
\end{footnotes}
Thus, a dynamic economy can be expected to make greater use of marketing research.

**Buyer's or Seller's Market**

The extent of a buyer's or seller's market has a very important effect on the use of marketing research by firms in an economy. The factors which unite to create such a market condition are the degree of price stability and manufacturing capacity.

**Price Stability**

The degree of price stability within the economic system may foster or impede marketing research. For example, during periods of rapid inflation a seller's psychology prevails. The firm strives to get out of money (the depreciating asset) and into goods (the appreciating asset). Similarly, consumers buy goods in an attempt to dispose of their money. Thus, since all goods can be sold relatively easily, there is no strong need for marketing research. However, in a deflationary condition the opposite situation prevails. It is harder for businesses to sell their goods. Then, the necessity for marketing research increases.

**Manufacturing Capacity**

The economies of the developing nations can be

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characterized as production oriented. Since demand typically exceeds supply, there is little concern for the market and how its wants and needs affect the decisions of the organization. Miracle and Albaum cite the effects of such a seller's market in the following statement:

... in a seller's market a company may be able to sell all it can produce; thus relatively little consumer research has been done to determine the optimum characteristics of products, the correct promotional strategy, and so forth.96

Similarly Heidingsfield and Eby note that the type of market in which the seller is operating is important:

In a strong seller's market, where the only factor limiting sales may be productive capacity, the need for sales analysis is not very great. On the other hand, a firm faced with a strong buyer's market will probably develop a more complete sales analysis program.97

The shift from a seller's to a buyer's market may, therefore, bring about increased use of marketing research. For example, such a shift in Japan in 1954 is cited by one author as a cause of the acceptance of marketing research within the country.98 In addition, it is noted by Alsegg that the greatest enemy of marketing research in Europe has been the seller's market that existed after World War II. Most companies are now producing and selling in a buyer's market, although traces of the seller's market still remain

96 Miracle and Albaum, loc. cit.
97 Heidingsfield and Eby, op. cit., p. 74.
98 Hirata, et al., op. cit., p. 34.
in some industries.\textsuperscript{99}

Thus, the extent of a buyer's or seller's market is an important factor in influencing the use of marketing research.

\textbf{Competition}

The degree of competitiveness also affects the utilization of research. The lack of dynamic competition in much of the developing world has tended to limit the growth of research, according to Boyd, et al.

Because of the limited effective demands for any commodity and the very scarce resources available, the government follows the policy of deliberately not encouraging competition. Thus, many if not most industries are comprised of one or two firms. This policy, coupled with high tariff barriers, produces a situation where little, if any, competition exists within an industry. Under such conditions little check on the activities of management is made. \textsuperscript{100}

As competition increases, the growth of marketing research is fostered. Much of the increase in international marketing research is due to two sources of competition: the increased number of United States-based multinational firms which are competing for foreign markets and the increased number of foreign-owned and operated companies which are employing sophisticated marketing research techniques.\textsuperscript{101}

\textsuperscript{99}Alsegg, \textit{loc. cit.}

\textsuperscript{100}Boyd, et al., \textit{loc. cit.}

\textsuperscript{101}Miracle and Albaum, \textit{op. cit.}, pp. 221-222.
Tariffs and cartels may reduce the extent of competition and thus impede the acceptance and use of marketing research.

Protectionism has been a very unfavorable factor to marketing research in Europe. With its high tariff walls and import restrictions, it creates an atmosphere in which all manufacturers, including those whose profits are marginal, seem assured of getting their share of the market without too much effort.\textsuperscript{102}

An additional factor limiting competition is the cartel or other arrangements for sharing markets. Harbison and Myers note the effect of such a situation when they observe that

Marketing is simpler in markets which are shared through cartel arrangements than in those which are highly competitive. But the more unpredictable the market, the more skill is required in forecasting demand for a product. For these reasons, a very large proportion of higher talent manpower in American industrial enterprise is required in selling, market analysis, and consumer research.\textsuperscript{103}

Thus, where competition is reduced through such mechanisms as protectionism or cartels the use of marketing research is also reduced. Conversely, where competition is fostered there tends to be a greater use of research.

\textsuperscript{102}Alsegg, \textit{loc. cit.}

International Markets

The role of international trade in a country's economy also has significance for the use of research by that country. The greater the participation by firms in an economy in international trade, the greater is the use of marketing research. This is true for a number of reasons. The primary factor is that international trade involves greater risks than does domestic trade. Distance as well as the many other inherent variations converge to present impediments to easy trade activities.

The complexity of the business environment influences the need for information. According to Miracle and Albaum, "When one man's experience and knowledge are sufficient to permit him to guide and operate a business effectively, there is relatively little need for a systematic information intelligence system; but in the case of a large international business, operating in a number of complex environments, it becomes relatively more important."\(^\text{104}\)

Thus, the broadened market and increased risks act to foster the use of marketing research by firms.

Type of Industry

The type of industry helps to explain the use of marketing research. For example, Alsegg found that chemicals, soaps, toiletries, electronics, automobiles and

\(^{104}\text{Miracle and Albaum, op. cit., p. 221.}\)
packaged foods were the European industries most actively engaged in marketing research.\textsuperscript{105} It is not, however, the type of industry alone which influences the use of research but the nature of the industry. The group of industries listed above for example were found to face buyer's markets; have the most modern plants and newest equipment; emphasize research and development, and to be keenly competitive and innovative.\textsuperscript{106}

In contrast to this was the relative lack of marketing research in traditional industries such as coal, iron and steel, lumber, paper, and textiles. These industries had older plants; relied upon cartelization and state intervention to fight competition; were production-oriented; and emphasized industrial goods primarily.\textsuperscript{107}

Thus, the type of industry and its characteristics is very influential in the use of marketing research within a nation.

Economic variables, therefore, have a fundamental influence on the use of marketing research within a nation. The general economic framework has affected the use of research by impeding and centralizing it within Communist

\textsuperscript{105} Alsegg, \textit{loc. cit.}

\textsuperscript{106} \textit{Ibid.}, pp. 15-16.

\textsuperscript{107} \textit{Ibid.}, p. 16.
systems, while fostering and decentralizing it within capitalist counties. The level of economic development is a major determinant of the extent of usage of marketing research. As the level of development increases so does the use of marketing research, generally at a much faster rate. In addition, the rate of expansion of the economy affects the use of research. The more dynamic an economy the greater the expansion of research.

The extent of a buyer's or seller's market has a primary impact on the perception of need for research by management. A seller's market in which inflation is rampant or demand exceeds productive capacity is a negative influence on the use of marketing research. The opposite situation of a buyer's market in which deflationary pressures are prevalent and supply exceeds demand is a positive influence in bringing about increased usage of research.

Competitive pressures can influence the use of research. As competition increases, marketing research usage rises. However, when protectionist tariffs or cartels reduce competition, research is impeded.

Participation in international trade is a favorable influence on the use of marketing research because of the broadened market and increased risk of operations. The type of industry is important in determining the use of research. Those which are modern, competitive, innovative, produce consumer goods, and face buyer's markets are generally heavier users of research.
The Political Environment

The political environment is a final variable to have an effect on the use of marketing research. The impact on research is felt through the political organization of the country and government statistical services.

Political Organization

The political organization of a country is a major determinant of the nature of that country's economic system. This obviously can have an effect on the use of marketing research, as has already been shown. The spread of marketing research through the process of extraorganizational contact has been previously discussed. The philosophy of the country's government toward business in general and foreign business in particular can influence the spread of marketing research. For it is true that

The host government can and does control and restrict a foreign company's activities by encouraging and offering support or by discouraging and banning its activities depending on the pleasure of the host. A foreign business operates only as a guest and at the convenience of its host.108

Thus, strict government regulations on the general business environment or on the foreign sector, in particular, operate to impede the use of marketing research. For example, the ruling group may prevent the entrance of American business into the country which would tend to reduce the spread of the technique. Or, perhaps the government

108 Hess and Cateora, op. cit., p. 125.
may implement regulations such as import restrictions which might tend to reduce the degree of competition in the domestic market. Such actions could result in a decreased need for marketing research. On the other hand, as Salera observes, "Free discussion and unrestricted movement of ideas . . . foster the exchange of managerial and technological knowhow and make possible the 'demonstration effect' of multinational business techniques." 109

Government Statistical Services

A very important element relating to the use of marketing research is the development of a nation's statistical gathering process. Nielsen describes the problem in the following way:

Much depends on the attitude of the governments and their willingness to appropriate funds for the gathering of essential census type or benchmark statistics. Without a firm foundation of reliable basic statistics covering such important characteristics as population, income, and distribution, the work of the market researcher is greatly handicapped. 110

There are three critical shortcomings regarding secondary data on foreign markets. First and most critical of the shortcomings is the lack of availability of detailed data on some market areas. A second problem is the unreliability of some of the secondary data that are available. Third is the lack of comparability and currency of some available data.


110Nielsen, op. cit., p. 438.
These problems are evident in the underdeveloped countries where census materials are often either out of date, unreliable, or nonexistent. At the other extreme, however, are the very good statistics of the more highly developed nations. For example, some of the governments in Europe maintain population rosters which are highly dependable and up-to-date, so that random samples of individuals may be drawn which are more precise than those based on the probability methods used in the United States.\textsuperscript{111}

Thus the greater and more extensive is the role of government in collecting and disseminating statistics for business purposes, the greater will be the use of marketing research by business enterprises.

**Summary**

The present chapter has attempted to answer the question of why differences exist in the use of marketing research among the various countries of the world. It is clear that the environment is of fundamental importance in determining the state of marketing research within a country. The variables in this milieu interact with each other to form the total context in which the research process exists. The nature and extent of use of marketing research are molded by this environment. The environment influences the perception of need for marketing research as well as the implementation of the technique. Six environmental

\textsuperscript{111}Wilson, *op. cit.*, p. 185.
elements impinge on marketing research: (1) Geographical factors; (2) Cultural factors; (3) Educational and Philosophical factors; (4) Social factors; (5) Economic factors; and (6) Political factors.

The geographical environment has a very pervasive effect on the use of marketing research. As the size of the market increases the need for marketing research also grows. Physical features can impede the development of transportation and communication systems thereby deterring the conduct of research as well as the perception of its need.

Population growth provides the basis for mass markets which demand more goods. The mounting pressure on the marketing system to provide more goods more efficiently can bring about a greater use of marketing research to ascertain new patterns and reduce wastes. The shift of population from rural to urban areas forms the nucleus of a mass market which increases the necessity for marketing research and tends to localize it within large urban areas.

The age of executives is also an influencing factor. Older executives tend to be less inclined to accept new innovations such as marketing research than do younger executives.

The cultural environment has a very important impact on the use of marketing research. The adoption of the technique frequently arises through "borrowing" from a
more advanced country which has found success with its use. Thus, the extent of cultural similarity between countries can affect the extent to which an innovation such as marketing research will be adopted. The degree of receptivity of borrowing, however, is not uniform among countries or executives. Some are eager to try marketing research, while others are reluctant to consider its use.

Religion indirectly affects the use of marketing research through its impact on economic activities. Where religion encourages asceticism and the status quo, the need for the technique will be lessened. Religion has a more direct impact on the use of marketing research through its influence on the educational system and pattern of thought among the people of a country.

The taboo and ethical structure of a nation can impede the conduct of marketing research where respondents either avoid answering survey questions or exaggerate favorably in their answers.

The extent of differences between cultural groups is a factor affecting the need for marketing research. The greater the extent of differences between markets, the more likely is the use of research to ascertain these variances in order to design the proper marketing mix.

The educational and philosophical environment has an important influence on the use of marketing research in a country. The extent of literacy affects the size and
nature of effective markets in a country as well as the ability to conduct surveys. A low level of literacy reduces the need for the technique and also impedes the conduct of research.

The nature of a country's educational system is a primary influencing factor. It molds much of the population's attitudes and values, such as the view of scientific method held by the society. Where scientific method is not a strongly ingrained part of the culture, the acceptance of marketing research will be hindered. The degree of emphasis on business administration, particularly marketing research, by the educational system will also influence the use of research. Where marketing research skills are taught the technique's use will increase.

The achievement motivation and view of risk taking are important attitudes held by the population which influence the use of research. A high achievement drive and rational view of risk taking are most favorable to the increased utilization of marketing research.

The social environment exerts a strong influence on the use of marketing research. Where the family is a dominant form of industrial ownership and management, firms tend to be small-scale and unspecialized; hence, marketing research tends to be less widely used. The social status of marketers in a society strongly influences the quality and quantity of recruits drawn into the profession. Thus, where the profession's status is low less rapid advancement
of marketing research can be expected.

The pattern of social relationships dramatically affects the use and practice of marketing research. Where the individualistic personality structure is prevalent in a society, the sharing of information whether by manufacturers, distributors, or consumers, is impeded. The group-oriented society, however, is a much more favorable environment for the growth of marketing research.

Organizational contacts are another social variable affecting the use of research. Foreign businesses foster the adoption of marketing research by domestic firms through their demonstration of the technique and their influence on the competitive environment. Advertising agencies and marketing research firms have also been important in aiding the technique's spread. Government influence has, in some instances, been a significant factor in the expanded use of research. The lack of close cooperation and contact between industry and the universities has hindered the development of marketing research in many countries.

The economic environment has a fundamental influence on the use of marketing research within a country. The general economic framework affects the use of research. In Communist countries it has been impeded and centralized, while in capitalist countries it has been fostered and decentralized. The level of economic development as well as the dynamism of the economy affects research usage.
The use of marketing research is generally correlated with the level of development of a country. As the level of development increases so does the use of marketing research, but generally at a much faster rate. In addition, the more dynamic the economy the greater the expansion of research.

The extent of a buyer's or seller's market has a very basic impact on management's perception of the need for marketing research. A seller's market in which inflation is a problem or demand exceeds productive capacity has a negative influence on the use of marketing research. A buyer's market in which deflationary pressures are prevalent and supply exceeds demand is a positive influence in bringing about increased usage of research.

Competitive pressures can influence the use of research. As competition increases marketing research usage rises. However, when protectionist tariffs or cartels reduce competition, research is impeded.

Participation in international trade is a favorable influence on the use of marketing research because of the broadened market and increased risk of operations. The type of industry is also important in determining the use of research. Those which are modern, competitive, innovative, produce consumer goods, and face buyer's markets tend to rely to a greater extent on marketing research.

The political environment also has an effect on the use of marketing research. The political organization of a nation determines that country's economic system and hence
the use of marketing research. It also has an effect on the government's attitude toward business, particularly foreign businesses which may help spread the use of marketing research.

The use of marketing research is also influenced by a country's statistical gathering process. The greater and more extensive the role of government in collecting and disseminating statistics for business purposes, the greater will be the use of marketing research by business enterprises.

Consequently, where environmental conditions are favorable marketing research will be used by more organizations and will be more highly developed. On the other hand, where conditions are unfavorable, the growth and development of marketing research will be impeded.
CHAPTER V
MARKETING RESEARCH IN MEXICO

This chapter examines the general practice of marketing research in Mexico. Various aspects are discussed, including the methods of surveying utilized in Mexico; the facilities available for carrying out research studies; the costs of marketing research; and problems concerning statistics and samples. First of all, however, a brief background is offered on the history of marketing research in Mexico.

Development of the Marketing Research Industry

Early History

Marketing research as an industry in Mexico dates from 1947—the year in which the first marketing research firm, International Research Associates, was established in Mexico City. Of course, marketing studies had been conducted prior to that date by many firms either through their advertising agencies or their own staffs. In addition, radio audience measurement had been conducted since the late twenties. However, with the establishment of the first company to actually specialize in marketing research, the
industry was launched.

Present Status

Since its inception, the industry has grown rapidly in size and scope so that today it is comprised of over a dozen firms with four large companies predominating. Of the research conducted in Mexico, one research firm executive estimates that research companies perform about one-third of the work. Another one-third is done by advertising agencies, while the remainder is conducted by the manufacturers themselves. Table 5.1 on page 131 cites activities of research firms.

Expenditures for Marketing Research

Estimates of the total expenditures for marketing research vary considerably. One source sets the 1968 figure as high as 48 million dollars just paid to marketing research firms and advertising agencies performing the service. Another source estimates that the total expenditure in 1968 was between 2.5 and 3 million dollars—which includes both fees paid to independent research organizations as well as salaries of research executives

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3 Isenberg, *op. cit.*, p. 33.
working for manufacturing companies and the expenses of their departments. Of these two estimates, the latter appears to be more accurate, according to research executives interviewed in Mexico.

Chapter IV cited Mexico's relatively low level of marketing research usage in the curve of research development. When estimates of marketing research expenditures for various countries were related to population and national income for those nations, Mexico was seen to rank very low in terms of marketing usage compared to more highly developed nations such as the United States.

**Research Facilities**

The user of marketing research in Mexico does not have nearly the range of choice of firms available which an American or European client has; nor is the specialization or sophistication as great.

**Marketing Research Firms**

The scope of most firms doing research in Mexico is very broad. Some companies are conducting detailed marketing research studies in an effort to determine rather subtle facts about their markets, while other firms are gathering data at a very basic level. The result of such

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a situation, as one research executive states, is as follows: "The research organization in Mexico . . . must be prepared to be--and generally is,--all things to all clients, at a considerable strain to its organizational and financial structure." 5

The six largest marketing research firms in Mexico were surveyed to ascertain the research practices of their companies and the frequency with which they were performed. Table 5.1 reveals the findings from interviews with executives of International Research Associates, Datos de Mexico, Marplan, Millard, Opinion Research Corporation, and Buro de Investigaciones de Mercados. It is evident that these data support the claims of research executives that their activities are quite varied.

Advertising Agencies

Marketing research has expanded with the growth in use of advertising and advertising agencies in Mexico. Four major advertising agencies were surveyed to determine their research practices. Interviews were held with the marketing research managers of J. Walter Thompson, Noble, Publicidad D'Arcy, and Doyle, Dane, Bernbach. These executives stated that approximately only one to two percent of their firms' billings were derived from marketing research.

TABLE 5.1
REGULARITY OF PERFORMANCE OF SPECIFIC MARKETING RESEARCH ACTIVITIES
BY SIX MARKETING RESEARCH FIRMS IN MEXICO CITY

<table>
<thead>
<tr>
<th>Types of Research</th>
<th>Number of Companies Not Performing</th>
<th>Number of Companies Performing This Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Regularly</td>
<td>Occasionally</td>
</tr>
<tr>
<td>Advertising Research</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Motivation research</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td>Copy research</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Media research</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td>Studies of advertising effectiveness</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td>Studies of competitive advertising practices</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Product Research</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New product acceptance and potential</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td>Studies of competitive products</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Research on package design or physical characteristics</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td>Studies on the elimination of products</td>
<td>4</td>
<td>-</td>
</tr>
<tr>
<td>Studies of customer dissatisfaction</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Research on Markets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Analyses of market size</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td>Development of market potentials</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Market Share analysis</td>
<td>-</td>
<td>6</td>
</tr>
<tr>
<td>Determination of market characteristics</td>
<td>-</td>
<td>6</td>
</tr>
<tr>
<td>Sales forecasting</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td>Short-range general business forecasting</td>
<td>4</td>
<td>-</td>
</tr>
<tr>
<td>Long-range general business forecasting</td>
<td>4</td>
<td>-</td>
</tr>
<tr>
<td>Forecast of new product demand</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Sales and Distribution Research</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales analyses</td>
<td>3</td>
<td>-</td>
</tr>
<tr>
<td>Establishment or revision of sales territories</td>
<td>3</td>
<td>-</td>
</tr>
<tr>
<td>Studies of distribution costs</td>
<td>4</td>
<td>-</td>
</tr>
<tr>
<td>Analysis of wholesaler's activities</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td>Test markets</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Consumer panel operations</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Setting sales quotas</td>
<td>5</td>
<td>-</td>
</tr>
<tr>
<td>Sales compensation studies</td>
<td>5</td>
<td>-</td>
</tr>
<tr>
<td>Studies of the effectiveness of promotional devices</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Price studies</td>
<td>1</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: Primary
Table 5.2 presents the research practices of these advertising agencies. They, too, are quite varied in their approach to research projects, according to these data.

Syndicated Services

Syndicated services are basic research surveys, usually conducted on a continuing basis, which are subscribed to by several different companies. The specialization of syndicated services, so readily accessible in the United States is available only to a limited extent in Mexico. Among the syndicated services available in Mexico are store audits by Arthur C. Nielsen Company and Datos de Mexico, and radio and television audience measurements by International Research Associates.

Performing such services in an underdeveloped country is not an easy matter. There are a number of problems in conducting store audits in Mexico, for example, according to the manager of Datos de Mexico. One is the problem of obtaining cooperation from the stores in the audit. Stores in Mexico are paid between $2.40 and $80 per month for their participation in the audits. Another problem is the lack of accurate data on the number of stores; thus it is difficult to make reasonable projections. A final problem is the lack of accuracy in record-keeping by the stores. Stock is audited once a month to determine the degree of movement of the various products based upon the last month's stock plus purchases for the period.
### Table 5.2

**Regularity of Performance of Specific Marketing Research Activities by Four Advertising Agencies in Mexico City**

<table>
<thead>
<tr>
<th>Type of Research</th>
<th>Number of Companies Not Performing</th>
<th>Number of Companies Performing This Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Regularly</td>
<td>Occasionally</td>
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<tr>
<td>Advertising research</td>
<td></td>
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<tr>
<td>Motivation research</td>
<td>-</td>
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<tr>
<td>Copy research</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td>Media research</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Studies of advertising effectiveness</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td>Studies of competitive advertising practices</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Product Research</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New product acceptance and potential</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Studies of competitive products</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td>Research on package design or physical characteristics</td>
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<tr>
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<td>Analysis of market size</td>
<td>-</td>
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</tr>
<tr>
<td>Development of market potentials</td>
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<td>Market share analysis</td>
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<tr>
<td>Sales forecasting</td>
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<tr>
<td>Short-range general business forecasting</td>
<td>-</td>
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</tr>
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<tr>
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</tr>
<tr>
<td>Establishment or revision of sales territories</td>
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<td>1</td>
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</tr>
</tbody>
</table>

Source: Primary
However, many smaller stores fail to keep invoices—some lose them while others destroy them in order to avoid taxes. Many Mexican supermarkets are also inefficient in their record-keeping. In addition to these problems, some of the smaller stores double as wholesalers, further complicating product movement data.6

Because of such problems as these, which have occurred not only in Mexico but are quite common to other developing countries, the A. C. Nielsen Company generally engages in about two years of preliminary data collection and validation before it is ready to produce reports for clients.7

There are also a number of problems involved in obtaining valid broadcast ratings in Mexico. First, telephone ownership is not sufficiently widespread to allow telephone coincidental interviewing. In addition, the market is not wealthy enough to support mechanical measurement systems such as the audimeter, nor is literacy great enough to permit a diary method. Therefore, personal coincidental house-to-house interviewing is utilized.

Finally, the cost of syndicated services is a burden. Both store audit and audience measurement services require monthly surveys composed of numerous interviews. Thus, it is difficult to keep the cost of such research down to a


point which represents reasonable value to the subscriber.

Processing of Data

Besides the general lack of specialization by firms in the conduct of research, there is little specialization by companies in Mexico for the processing of data. For example, most United States research firms can hire outside services for the varying stages in the research process—design, interviewing, tabulating, and analysis. In Mexico, however, the research firm usually conducts all of these stages itself. Mexican research firms, therefore, are generally larger but less efficient than United States firms. For example, one Mexico City research firm states that it has the same dollar billings as the parent company's Dallas branch, but the number of employees is 63 for the former versus 19 for the latter office.\(^8\)

Tabulating facilities are generally limited in terms of on-premises machinery. Practically all of the large marketing research and advertising firms have basic punch card equipment consisting of a perforator, verifier, classifier (a card sorter with counters) and tabulator. These machines are sufficient for most studies which are done. However, for large research projects particularly the continuing studies which are conducted by Nielsen and International Research Associates, for example, outside computer services are utilized. Many of the firms with international

\(^8\)Isenberg, loc. cit.
affiliations find it less expensive to punch the data on cards in Mexico and have them processed at the company's computer center in the United States, rather than by outside computer services in Mexico City.\(^9\) In addition to costs, another barrier to greater computer processing of data in Mexico has been the shortage of knowledgeable programmers.

**Methods and Problems of Surveying**

Telephone and mail surveys are conducted in Mexico, but the bulk of surveying is in the form of personal interviews.

**Personal Interviews**

Probably at least 90 percent of all surveys conducted in Mexico are done by means of personal interviews.\(^10\) The story is told of the very first personal interview conducted in Mexico as follows:

A nervous interviewer rang the door bell on the first house on the list, an impressive mansion. A maid answered the door, took the message, and went to find the lady of the house. She returned and said to the interviewer "Madame is in the bath tub, but she will grant you an interview." Fortunately, the interviewer was a woman, and she was able to conduct the historic interview successfully while the respondent was in the

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\(^10\)Statement by Clark Wright, personal interview, September 2, 1969.
Judging by discussions with marketing research executives in Mexico City, the foregoing story appears fantastical. Personal interviews conducted in Mexico are simply not that easy. Good personal interview research is feasible, but there are many problems confronting the interviewer.

Physical Barriers

One of the most obvious problems, to anyone who has visited Latin America, is the physical barrier to the interviewer. Mexican families live behind walls, fences, and closed doors, seemingly isolated and introverted even from their neighbors, much less a researcher who is desirous of obtaining an interview. In the upper class areas, intercom systems, housekeepers, gardeners and other servants, act as screening mechanisms and thus, make the work of conducting a survey a very difficult task at best.

Illustrative of the difficulty of obtaining responses is the fact that a recent investment survey done by a marketing research firm in a high income section of Mexico City required visits to thirty-five homes in order to secure one interview. One research agency executive claimed


12 Statement by Dimitrio Bolanos, personal interview, September 4, 1969.
that in conducting simply an ordinary survey in the Pederagal (an upper class suburb of Mexico City) on a topic which is not controversial, the ratio of calls to completed interviews runs approximately twenty-five to one.\(^\text{13}\)

**Cultural Barriers**

The personality characteristic of Latin Americans, according to Payerweather, is such that there is a great suspicion of strangers, and an inclination to keep one's life to oneself.\(^\text{14}\) The result of this is that "... an interviewer is more likely to be rebuffed or to receive partial or misleading information."\(^\text{15}\) Such a problem was repeatedly voiced by research executives in Mexico City. There appears to be a great tendency in Mexico to "help" the questionnaire. Such a courtesy bias causes answers to be whimsical, exaggerated, or in some other way distorted. The Mexican respondent tries to please the interviewer and does not want to offend him. As one researcher has noted, "... Mexicans want to be nice; they guess what the interviewer wants to hear and condition their answers."\(^\text{16}\) This has been found particularly true when studies such as

\(^{13}\) Statement by Dimitrio Bolanos, personal interview, September 4, 1969.


\(^{15}\) *Ibid.*

\(^{16}\) Isenberg, *loc. cit.*
one-product tests are conducted. One research firm noted that in such tests it generally receives an eighty percent favorable response rate.\(^\text{17}\)

The suspicious nature of the Mexican leads to inaccurate data gathering in other ways. For example, the collection of taxes in Mexico, as in most underdeveloped countries, is not nearly as refined and accurate as in the United States. Thus, tax evasion is a rather widespread practice.\(^\text{18}\) Interviewers may be suspected of being tax collectors or there may be fear that any information volunteered may be used against them to revise their taxes. For this reason, respondents are most hesitant to advance any information on income or expenditures. Even data on the ownership of appliances is suppressed by respondents for fear that this might be translated into a standard of living, again affecting their tax situation. Then, too, there are many citizens who are afraid to answer questions concerning appliance ownership because they are illegally siphoning power off of some nearby electrical line.\(^\text{19}\)

The length of an interview is an important factor in

\(^{17}\)Statement by Nigel Parkinson, personal interview, September 5, 1969.


\(^{19}\)Statement by Noble representative, personal interview, September 8, 1969.
securing responses. Short interviews of ten to twenty minutes duration are generally acceptable to respondents. However, refusals are quite frequent when a questionnaire is rather long or complicated.

Although refusals are quite high when surveying the upper classes in Mexico, most companies claim to experience few problems with this among middle and lower classes. To prevent such refusals, one firm has their interviewers carry cards identifying the individual and the company conducting the research. The card states the purpose of the survey and explains that the data volunteered will be kept confidential.\textsuperscript{20} This action has the purpose of ascribing legitimacy to the survey so that respondents will have a greater tendency to reply.

In order to obtain a high degree of reliability and accuracy in studies such as audience surveys, as many as six or seven callbacks may be made for not-at-homes. Such a high rate is feasible in Mexico because the cost of the interviewer's time is lower.

Rural interviewing is generally very difficult in Mexico. One limitation is that the populace may be extremely unwilling to talk. Such a problem was encountered, for example, in a survey of shaving habits attempted by a large research firm in a rural area of Mexico. The company was unable to get anyone to respond until a priest and a school

\textsuperscript{20}Statement by Dimitrio Bolanos, personal interview, September 4, 1969.
teacher convinced the citizens that they could tell the researchers what they wanted to know. Unfortunately, by this time, the responses had lost their spontaneity. The incident points up the need for and potential difficulty in securing reference group backing for even such an innocuous survey in a rural location. Where such support can be gained, chances of success are greatly improved.

Marketers in industrialized nations often have the misconception that conducting a survey in an underdeveloped country, particularly a Latin American nation such as Mexico, is hazardous to one's health. Although such an impression is generally not correct, it is true that there have been a number of instances of interviewers being shot, stabbed, mugged, and jailed; but so far there have been no fatalities. Perhaps the explosive Latin temperament is the cause of this. Perhaps, too, it is a case of not approaching the respondent in the proper manner. In general, it seems that an interviewer is much more likely to suffer from exposure to urban air pollution, than he is from assaults by respondents.

In conducting interviews in Mexico there are some United States techniques which must be adapted in order to be used. For example, attitude scaling devices such as the


semantic differential, a widely used technique in the United States, are simply not applicable in Mexico. Mexican consumers are not accustomed to thinking in positive and negative terms. They are not as analytically minded as are American consumers (and even in the United States researchers encounter problems when using these techniques among the lower socioeconomic groups). In Mexico, the scale is revised to consist of a simplified one to ten rating system.23

There are few taboo subjects for marketing research in Mexico today. The manager of one research firm in Mexico City expressed the opinion that birth control research is not possible at the present time. However, such sensitive topics as genital hygiene and toilet paper usage have been researched successfully by this company.24

Telephone Surveys

Telephone interviewing is rather limited in Mexico. The reason is because telephone ownership in Mexico is very limited and the system provides notoriously poor service. Brandenburg describes the inadequate system as follows:

Many densely populated sections of large cities and entire counties in the provinces are completely without service. Few public telephone booths have been

23 Isenberg, loc. cit.

installed. Equipment is antiquated. Lines become crossed, mixing two or three conversations. Wild-catz strikes of telephone workers invariably occur during business hours.25

The difficulty of acquiring a telephone is a primary barrier to more widespread usage. Before a phone is installed, the user must purchase $240 worth of telephone company stock, pay an extra $10 for a telephone apparatus, and $8 to the electrician making the installation. Such a fee is clearly beyond the reach of all but the most wealthy Mexicans. The result of such a policy has been that only 635,000 telephones were installed in Mexico in 1964, 60 percent of which were located in the Federal District.26 Private home ownership of telephones is estimated at approximately 10-20 percent in Mexico City; and in the interior, the ratio is much lower. This very limited penetration of telephones limits the possibilities for obtaining accurate samples.

Thus, telephone interviewing is at the pioneering stage in Mexico. However, in a notable development it is being used to measure advertising penetration in Mexico City. The company specializing in such surveys claims to have found success with the medium.27 The organization


26Ibid., pp. 302-303.

feels that its telephone surveys are very smooth and claims that it can obtain a greater response rate among the higher class than can be gained by means of personal interviews because there are fewer obstacles—there is simply the barrier of a servant, rather than a wall and a servant.

Mail Surveys

Mail surveys are not widely used in Mexico. Several reasons account for this. First, the rather low literacy level of the Mexican consumer is a barrier. In addition, most consumers are simply not oriented to the idea of self-administered questionnaires or forms. Finally, the Mexican postal system is somewhat less than certain.

In general, the response rates for mail surveys are extremely low—they average approximately ten percent, while a 15-20 percent return is considered by research executives in Mexico to be very good. The most successful "mail" surveys in Mexico have been experienced by researchers who personally delivered and later picked up the completed questionnaires. Response rates also tend to be higher when prize offers are utilized in a survey.

Quality of Field Work

The quality of field work is a major determinant of

28 Isenberg, loc. cit.
29 Statement by Dimitrio Bolanos, personal interview, September 4, 1969.
30 Statement by Dimitrio Bolanos, personal interview, September 4, 1969.
the reliability of a survey. Ultimately, such quality depends on the sources, training, compensation, and control of workers.

Sources of Field Workers

There are a number of sources for field workers, but the types utilized in surveys can be categorized as either part-time workers or professional interviewers. The professionals are considered to be those who perform the function for their livelihood. The demand for these employees is quite great, and they comprise the foundation of research workers for most firms.

The bulk of field forces in Mexico, however, consists of part-time workers. The field interviewer in Mexico has usually obtained only a high school education, and therefore is dependent upon this type of work for a livelihood. One research executive estimated that the composition of field forces consists of approximately 50 percent males, 45 percent unmarried females, and 5 percent housewives with the average age estimated to be under twenty-five. 31

Each research firm interviewed had its own preferences concerning field workers. Most have a steady group of interviewers whom they consider to be relatively professional and have worked on numerous projects for the firm. However, 

31Statement by Clark Wright, personal interview, September 2, 1969.
in addition to this group, it is usually necessary for a company to tap other sources in order to gather enough workers to conduct large-scale surveys. Some research firms have a strong preference for university students. The advantages claimed for this source are their better education, the rapport which they are able to establish with respondents because of their youth and the speed with which they work.

Other firms seek well-educated housewives, school teachers, or social workers who are interested in earning extra money by working part-time several hours each day. Married women are difficult to employ, however, because the husband may disapprove or they may have children who demand care. In the past, the cultural and social structure made it quite difficult to secure women interviewers, whether married or unmarried. This barrier, however, is slowly being eroded.

Several advantages are claimed by research firm executives for these women.\textsuperscript{32} One is the ready acceptance given them by housewives being interviewed. In addition, the work background of school teachers and social workers has given them greater poise than the average researcher. Such a factor is a very desirable asset for skilled questioning—particularly with nonstructured questionnaires. It is also claimed that the women are very ethical, and

\textsuperscript{32}Statement by Dimitrio Bolanos, personal interview, September 4, 1969.
are less inclined than students to falsify answers.

On the other hand, female workers are not very effective in interviews with males. In addition, the women are not able to travel freely (such as is necessary in conducting a national survey); and their services are more expensive. There is also the problem of not being able to use them in certain sections of the city or after certain hours.

National field forces are limited in Mexico. However, several of the major research firms in Mexico City claim to have them. Thus, it is possible to conduct a survey covering the larger cities and towns in the country, although the problems involved in such research are manifold.

Because of the sporadic nature of the work, there is, understandably, a very large turnover of field workers in Mexico. When research studies are intermittent or slow to complete, workers often lose motivation and may resign. One research firm had encountered a field force turnover of 12.5% over a three-year period, and this was considered to be one of the lowest rates in Mexico City.\(^{33}\) The problem of turnover means, in effect, that most companies have great difficulty in building and keeping a stable group of field workers. Such a situation can have an obvious effect on the quality of research work which is done in Mexico. The lack of such a stable core of researchers has also played havoc with attempts by some research firms to

\(^{33}\)Statement by Dimitrio Bolanos, personal interview, September 4, 1969.
establish permanent services for clients. Thus, a vicious cycle results—the lack of a sufficiently stable group of researchers prevents the offering of a permanent service to clients and constant work for the interviewers; while the lack of constant work, which could reduce turnover, prevents the securing of a steady group of researchers.

Training

Discussions with executives revealed that training programs for field workers of marketing research firms, advertising agencies, and industrial concerns typically consist of brief in-office lectures and discussions, followed by on-the-job training. Companies generally rely on verbal instructions for their workers. Most field workers are initially trained in brief office sessions where practice interviews may be conducted. Then each worker usually engages in actual field interviewing under the direction of a field supervisor working with the novice interviewer. After sufficient training, the researcher is allowed to operate on his own.

Compensation

Compensation of field force workers is rather low for students, but correspondingly higher for professional interviewers. Workers generally are paid on an hourly basis (64 to 96 cents per hour), although there are some salaried researchers who work on the syndicated surveys.34

34 Statement by Nigel Parkinson, personal interview, September 5, 1969.
Control

Control of the interviewers is one of the primary determinants of the quality of field work (assuming, of course, that they have already been properly selected and trained). The research must be validated, that is, a check must be made to determine whether the worker actually performed the interviews. In Mexico, control is much tighter than is the case in the United States. Among the major marketing research firms in Mexico City, the average check-back ratio promised to clients is approximately twenty percent. However, most firms claimed to use much higher rates in actuality, generally from 30 to 40 percent.

Validation ratios vary, usually being rather high at the beginning and end of a survey. For example, the supervision ratio at the start of a survey may approximate 50 to 60 percent to determine if the research is being conducted properly. This ratio is then lowered as spot checks are carried out. Near the termination of the survey, close supervision is once again implemented.

Another point of variation between supervision in Mexico and that in the United States involves the method of

35 Templeton, op. cit., p. 212.
37 Statement by Nigel Parkinson, personal interview, September 5, 1969.
making such checks. In Mexico, checkbacks are made personally rather than by telephone as is done in the United States. The reason for not using the telephone for such work in Mexico is the same as that already mentioned for telephone surveying in general.

Cost of Marketing Research

Many of the costs involved in conducting marketing research in an underdeveloped country are approximately the same as similar research done in a developed nation. In most survey research studies the basic cost is determined by the number of individuals or stores that must be interviewed or surveyed. In order to achieve a given degree of statistical accuracy, it is necessary to interview as many people for a market survey in Monterrey, for example, as for a similar survey done in New York. The sample size does not depend in most marketing research surveys on the size of the total population being examined. Sample sizes for Monterrey would need to be as large as those for New York which has a population several times as great. Thus, although there is a smaller market size and smaller purchasing power than, for example, the United States, it is not safe to use correspondingly smaller sample sizes in conducting research in Mexico.38

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Wages of field workers and other basic employees, however, are much lower in Mexico than in the United States. Although wages are often lower, Nielsen has observed that productivity in underdeveloped countries is also generally lower than in the United States "... not so much because the people are less able or willing to work, but because there is often a lack of the latest and most efficient business and other machines needed to process the data. Then, too, the volume of work is usually smaller which means that it is not possible to take advantage of the greater efficiencies inherent in the large size electronic computers." Thus, in Mexico field work is less expensive; but supervisory and technical costs are generally similar. Reflecting the lower cost of field work, one research company executive noted that comparative research costs available for his firm's offices in thirty countries worldwide showed that 73 percent of the countries have costs above that of Mexico. Mexican costs rank on a par with those of Brazil and Spain for this company.  

In spite of some savings, the cost of marketing research in an underdeveloped country is, nevertheless, typically high in relation to a company's sales volume. The pattern in Mexico is no exception. In comparison to United States companies, Mexican firms generally have lower sales;

39 Nielsen, op. cit., p. 439.
thus, there is generally a smaller research budget available to the average Mexican company. The result is that the ratios of marketing research expense to sales and to marketing costs are typically larger for firms in Mexico than those in the United States.\textsuperscript{41} For example, one author states that "a single research project of modest scale can in some cases amount to 75 percent of a smaller Mexican company's annual advertising budget..."\textsuperscript{42}

The problem of costs is alleviated to some extent by conducting research with smaller samples than would typically be used in the United States or Europe. Another method frequently utilized is the restriction of the geographic scope of a study to the major population centers "... where interviewing costs can be kept to a minimum, where respondents are most apt to be informed and cooperative, and where, after all, both purchasing power and political influences are apt to be concentrated."\textsuperscript{43}

**Statistical Data and Sampling**

One of the biggest problems in conducting research in Mexico is the lack of adequate statistics from which to draw samples. The lack of detailed census data, particularly

\textsuperscript{41}Templeton, op. cit., pp. 210-211 and Gaither, op. cit., p. 13.

\textsuperscript{42}Gaither, op. cit., p. 13.

\textsuperscript{43}Bogart, op. cit., p. 167.
demographic data, creates a problem in establishing sampling frames. No census tracts are available in Mexico; therefore, area probability sampling is generally used in conducting surveys. A quota sample such as a Gallup Poll with its precise respondent designations would be impossible unless it were preceded by a careful probability sample defining the specific characteristics of the population. Such a problem is avoided in the United States because of the much greater availability of basic data from the government and other sources.

According to research executives, selecting a sample in Mexico involves numbering blocks on a map of the city and drawing the sample from this universe. For example in Mexico City a two-stage area sample is generally conducted. First of all, blocks are selected, and then households are chosen within the blocks. Adding to the problem of conducting surveys in Mexico, however, is the fact that street maps for some cities are unavailable.

Summary

Marketing research is beginning to come of age in Mexico. A few large research firms exist in Mexico City along with numerous advertising agencies capable of conducting fairly sophisticated projects. Several million dollars are spent by businesses each year on research activities.

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*Gaither, op. cit., p. 14.*
In spite of such growth, certain aspects of marketing research in Mexico remain underdeveloped. For example, practically all surveys must be conducted by means of personal interviews because of illiteracy and deficiencies in the communications system. Even personal interviewing activities are stymied by the individualistic personality of the Mexicans, which leads to their tendency toward refusals or inaccurate responses.

Firms specializing in particular forms of marketing research (other than store audits and audience measurement) are quite limited in Mexico, as are specialized outside services for handling the various stages in the research process. In addition, the difficulty of maintaining a stable group of field workers has plagued most firms, resulting in a lack of additional research services as well as work which has, at times, been poorly conducted.

Research costs are lower in Mexico than the United States and other developed countries. However, because of the smaller sales potential of the Mexican market firms are generally smaller and, thus, research expenses often account for a relatively large amount when expressed as a percentage of sales or of marketing costs.

The following chapter examines in greater detail the practice of marketing research in Mexico as it is conducted by a number of large Mexico City manufacturing firms.
CHAPTER VI

A SURVEY OF MARKETING RESEARCH PRACTICES AMONG SELECTED MEXICAN CONSUMER GOODS MANUFACTURERS

This chapter analyzes the marketing research practices of selected consumer goods manufacturers in the metropolitan Mexico City area. The thirty-six companies responding to the survey present a clear picture of the organization and operation of the research function among large manufacturers in a developing economy. Based upon such information, it is possible to test the applicability of the model explaining the use of marketing research within a country.

Description of the Sample

The sample group for this survey consisted of large, well-established firms. The average company had been in business for twenty-eight years. The youngest organization had been established three years prior to this survey, while the oldest had been founded eighty-two years previously. Two-thirds of the firms were organized prior to 1950. Thus, the sample companies were well established in their respective fields and, in general, had been operating in Mexico for quite some time.
The manufacturers were also large. Two-thirds of the sample firms (24 companies) employed over 500 workers and thirty-nine percent (14 companies) had 1,000 or more employees.

Mexicans held dominant ownership in thirty-six percent of the firms surveyed. Foreign ownership was prevalent in sixty-four percent of the organizations, with the United States the country represented most often among foreign owners (88 percent frequency).

**Internal Organization of the Research Function**

The marketing research function may be organized in one of two possible ways within the firm. It may be established as the part-time responsibility of a line or staff member of the organization, or it may be set up as a full-time assignment. The former pattern was predominant among the companies surveyed.

**Use of Formal Research Departments**

Marketing research departments (that is, where at least one employee was assigned full-time to research activities) were found in only twelve of the thirty-six sample firms. In the remaining twenty-four companies marketing research operations were merely on an adjunct basis.

In terms of the number of personnel assigned to marketing research activities by the companies in the survey, however, those with full-time responsibility accounted
for a greater share.

Fifty-one percent of the research employees claimed by the firms were assigned to full-time duties, while forty-nine percent were engaged part-time in the activity. Two of the three detergent manufacturers had someone engaged full-time in marketing research, and four of the twelve food processors had such an arrangement. However, only two of seven beverage companies and four of fourteen appliance manufacturers had employees assigned in such a manner.

The total number of employees assigned to marketing research varied greatly among the firms. The largest number of research employees for an individual manufacturer, twenty-one, were employed by a detergent producer. At the other end of the spectrum, several manufacturers had only one person performing such work. The detergent industry, although comprising only one-twelfth of the sample, accounted for nearly one-fourth of the employees engaged in marketing research.

The incidence of a marketing research department tended to increase with the size of the sample firms. For example, only twenty-five percent of small firms (those with 100-500 employees) had such a department, while thirty-three percent of the medium-size companies (501-1,000 employees) and forty-three percent of the largest manufacturers (over 1,000 workers) were so organized.
The data also indicated a greater tendency for foreign firms to have a research department than for Mexican companies. Only fifteen percent of the Mexican companies in the sample had a department in contrast to forty-three percent of the foreign subsidiaries with such an arrangement. This means that only two of the twelve research departmental organizations encountered in the sample existed in Mexican companies, while ten of the departments were found in foreign firms.

Seven of the marketing research departments in existence were established prior to 1964. Two departments were formed between 1964 and 1967, and two more were founded in the year preceding this study. The average research department had been in existence for eight years. Thus, these firms had, in general, been conducting marketing research through formalized departments for quite some time.

Although the incidence of marketing research departments was rather small among the sample firms, a large number of those organized in an adjunct fashion planned to adopt the departmental form. Fifty-two percent of the firms not organized in that manner planned to create a specific department. Members of the appliance industry, in particular, were planning to form research departments. Eight of the ten appliance manufacturers without such a department planned to make the change. This group accounted for sixty-two percent of all those reorganizing. Six of the thirteen companies planning to create a specific
department expected the action to occur within one year. Three firms thought the move would occur within five years; and the remaining four firms did not have a definite timetable.

It is evident from the foregoing data in this section that marketing research is practiced by all thirty-six companies surveyed in Mexico. However, pointing up the lack of heavy use of the techniques by these firms, which are among the largest in Mexico, is the fact that relatively few companies had assigned personnel to the activity in a full-time manner.

Marketing research departments existed in only one-third of the sample firms. The incidence of such departments was associated with the size and domesticity of the firms. Large firms and foreign firms had a greater tendency to be formally organized to carry out the research function. The majority of those research departments in existence at the time of the study were at least five years old, signifying that marketing research was not just of recent interest to some of the companies. However, for most firms without research departments formal organizational recognition of the function was an activity for the future. Thus, many of the sample firms were just coming to a realization of the need for full-time marketing research work.
Organization Within the Research Department

The organization of the marketing research departments of the surveyed firms was analyzed in order to determine any variations which might exist in comparison to the typical organization of research departments in American companies.

The individual responsible for marketing research within the department was identified in each company by a title describing his position. The most frequently used title was found to be "Market Research Manager." Such an identification was found in forty-five percent of the departments. It is interesting to note that the firms utilized the term "market research" rather than the more modern term "marketing research" in the position title. Each of the remaining firms utilized different titles to describe the research head.

The individual in charge of marketing research generally reported to the chief marketing executive in these departmentally organized companies. Nine research executives followed such a pattern. An additional company claimed that this was the normal reporting relationship but that the marketing manager was "too busy" at that time to receive the research head. Only two companies stated that the marketing research manager reported directly to the general manager. The predominant pattern of reporting relationships found in this Mexican survey corresponds to the United
States pattern.  

The marketing research department can be organized in one of four basic ways: by stages in the processing of research, by particular applications of research, by product brand, or by a combination of these three ways. No firm interviewed was organized along processing lines. The basic reason for this was the great expense involved with such an organization. Four of the twelve firms were application-oriented, while only one firm had a brand-oriented department. However, seven companies were organized in a combination of these ways. Such an organizational set-up is easy to understand in view of the small size of most marketing research departments surveyed. The average number of workers in the research departments of these companies was eight, while forty-five percent of the firms had less than six research employees. Such a small staff size made it difficult to organize in any other way, forcing most departments to be rather generalized and adaptable in their approach to the research function. This organizational pattern conforms to that which is found in United States firms.  

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3Ibid., p. 55.
Thus, the organizational patterns encountered within the firms in this Mexican survey are similar to those of marketing research departments in more advanced nations. The organization of marketing research does not appear to be culture bound except in terms of the limitations imposed by cost and talent availability.

Personnel Administration Within the Research Department

The firms which had marketing research departments generally did not follow recommended administrative practices concerning their research personnel. For example, seven of the twelve departments did not use formal, written job descriptions outlining the responsibilities, duties, and accountability of their research employees. In addition, only one-fourth of these firms used written employee specifications, that is, descriptions of the type of individual necessary to fill a particular research job.

The steps and techniques used in recruiting new research employees were similar to those in the United States; however, the process was at a more basic level in Mexico. The general procedure involved the placing of newspaper advertisements or the screening of present employees by the personnel department. Interviews with the candidate were typically conducted by the personnel executive, then by the marketing and/or marketing research executives.

\[4\] Ibid., pp. 82-108.
Psychological, as well as quantitative, tests were frequently administered to the prospective employee.

Approximately one-half of the research departments conducted little or no formal training of new employees. Most such programs were of the job-rotation type in which the individual moved through various marketing positions. A more sophisticated training program was conducted by three firms which utilized both in-company training in marketing research techniques as well as outside training such as in personal interviewing.

Budgeting of Research Expenditures

Although eleven firms refused to divulge their research expenditures, the remaining twenty-five firms provided an indication of the size of the marketing research budget for large Mexican consumer goods manufacturers. Among the respondents providing statistics of their research budget, the following pattern emerged. Detergent manufacturers (with two out of three firms responding) spent an average of $270,000 in 1968; beverage producers (five out of seven answering) averaged $33,800; food producers (ten out of twelve responding) averaged $50,300; and appliance manufacturers (eight out of fourteen answering) spent an average of $32,050.

When expressed as a percentage of sales, the research expenditures ranged (among the thirteen firms which provided both sales figures and research costs) from .01
percent to 2.0 percent, and averaged .52 percent among these companies. Although such figures are inconclusive, they compare favorably with the median figure of .30 percent of sales spent for research by United States consumer products companies responding to the American Marketing Association 1968 Survey of Marketing Research.5

Fifteen firms in this study utilized an objectives basis for budgeting their research expenditures. They established research projects necessary for the accomplishment of their sales objectives. They then established a cost for these projects which became the budgeted figure. Four firms used an historical cost approach such as a percentage of sales method to set their budget. Eight firms utilized a combination of objectives and the historical method to determine their marketing research budget.

Nine firms had no clear basis for their research spending, but merely allocated funds from their advertising or sales budgets as necessary for marketing research projects.

It is encouraging from the above data that so many of the firms had a rational approach to their marketing research budgets. This indicates an increasing level of managerial sophistication.

Over the five-year period preceding this Mexican survey, a majority of the firms had seen an increase in

5Twedt, op. cit., p. 31.
the percentage of sales spent for research. In addition, the firms generally expected to at least remain at their current level of research spending. Fifty percent of the companies anticipated an increase in the percentage allocated to research activities, while forty-two percent thought it would remain the same, and only eight percent expected a decrease. These figures indicate a trend toward greater utilization of marketing research by the sample firms. The significance of this finding becomes even greater when it is multiplied by many other firms in the Mexican economy which no doubt are also increasing their usage of marketing research. Such a trend as indicated by the sample firms will benefit the performance of the Mexican economic system as cited in Chapter III.

Research Activities of Selected Large Consumer Goods Manufacturers

Types of Research Conducted

Table 6.1 presents data on the use of marketing research by the respondent firms. The element which is immediately clear from the table is the high incidence of such use. The incidence of performance of specific research activities ranged from a high of 100 percent of the firms to a low of fifty-six percent. Every type of marketing research listed was performed by more than half of the respondents; and all but two of the twenty-eight activities were performed by at least three-fourths of the firms. Moreover, seventeen of the research types were
### TABLE 6.1

<table>
<thead>
<tr>
<th>Type of Research</th>
<th>Total = 36</th>
<th>Foreign-Owned = 23</th>
<th>Mexican-Owned = 13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales analyses</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Setting sales quotas</td>
<td>97.2</td>
<td>100.0</td>
<td>92.3</td>
</tr>
<tr>
<td>Analysis of market size</td>
<td>97.2</td>
<td>100.0</td>
<td>92.3</td>
</tr>
<tr>
<td>Development of market potentials</td>
<td>97.2</td>
<td>95.7</td>
<td>100.0</td>
</tr>
<tr>
<td>Sales forecasting</td>
<td>97.2</td>
<td>100.0</td>
<td>92.3</td>
</tr>
<tr>
<td>Short-range general business forecasting</td>
<td>97.2</td>
<td>100.0</td>
<td>92.3</td>
</tr>
<tr>
<td>New product acceptance and potential</td>
<td>94.4</td>
<td>95.7</td>
<td>92.3</td>
</tr>
<tr>
<td>Market share analysis</td>
<td>94.4</td>
<td>100.0</td>
<td>84.6</td>
</tr>
<tr>
<td>Establishment or revision of sales territories</td>
<td>94.4</td>
<td>95.7</td>
<td>92.3</td>
</tr>
<tr>
<td>Price studies</td>
<td>94.4</td>
<td>95.7</td>
<td>92.3</td>
</tr>
<tr>
<td>Copy research</td>
<td>91.7</td>
<td>100.0</td>
<td>76.9</td>
</tr>
<tr>
<td>Media research</td>
<td>91.7</td>
<td>100.0</td>
<td>76.9</td>
</tr>
<tr>
<td>Studies of advertising effectiveness</td>
<td>91.7</td>
<td>78.3</td>
<td>84.6</td>
</tr>
<tr>
<td>Studies of competitive products</td>
<td>91.7</td>
<td>91.3</td>
<td>92.3</td>
</tr>
<tr>
<td>Long-range general business forecasting</td>
<td>91.7</td>
<td>95.7</td>
<td>84.6</td>
</tr>
<tr>
<td>Studies of distribution costs</td>
<td>91.7</td>
<td>95.7</td>
<td>84.6</td>
</tr>
<tr>
<td>Sales compensation studies</td>
<td>88.9</td>
<td>91.3</td>
<td>84.6</td>
</tr>
<tr>
<td>Studies of the effectiveness of promotional devices</td>
<td>88.9</td>
<td>87.0</td>
<td>92.3</td>
</tr>
<tr>
<td>Motivation research</td>
<td>86.1</td>
<td>87.0</td>
<td>84.6</td>
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<tr>
<td>Research on package design or physical characteristics</td>
<td>86.1</td>
<td>91.3</td>
<td>76.9</td>
</tr>
<tr>
<td>Forecast of new product demand</td>
<td>86.1</td>
<td>95.7</td>
<td>69.2</td>
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<tr>
<td>Studies of competitive advertising practices</td>
<td>83.3</td>
<td>87.0</td>
<td>76.9</td>
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<tr>
<td>Studies of customer dissatisfaction</td>
<td>83.3</td>
<td>87.0</td>
<td>76.9</td>
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<tr>
<td>Analysis of wholesaler's activities</td>
<td>77.8</td>
<td>87.0</td>
<td>61.5</td>
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<td>Test markets</td>
<td>77.8</td>
<td>82.6</td>
<td>69.2</td>
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<tr>
<td>Studies on the elimination of products</td>
<td>72.2</td>
<td>73.9</td>
<td>69.2</td>
</tr>
<tr>
<td>Consumer panel operations</td>
<td>55.6</td>
<td>56.5</td>
<td>53.8</td>
</tr>
<tr>
<td>Determination of market characteristics</td>
<td>97.2</td>
<td>100.0</td>
<td>92.3</td>
</tr>
</tbody>
</table>

Source: Primary
conducted by at least nine out of ten firms. The category of marketing research which achieved the highest overall incidence among the respondents concerned research on markets. As indicated in Table 6.1, a large percentage of the manufacturers conducted analyses of the size, potential, and characteristics of their markets, as well as forecasts of sales and general business conditions over the short term. In addition, approximately nine out of ten firms also forecasted new product demand and projected long-range general business conditions.

The extensive use of research on markets was partly a result of the high degree of competition among the manufacturers in the four industries surveyed. As indicated by the model, an increase in competition will tend to produce greater use of marketing research. Many manufacturers in the survey had noted a shift away from a sellers' market to a buyers' market for their products in Mexico. In each of the four industries, competition had become quite strong and this competitive environment forced the manufacturers to devote much of their research energies toward market analysis.

The extensive reliance upon research on markets was also a result of the geographical environment. The process of urbanization and the growth of population, in particular, had stimulated the use of research on markets. With the dynamic change occurring in the Mexican market the companies recognized the necessity for keeping abreast of these changes.
Thus, the companies tended to place great emphasis on analyses of market size and market potentials. There was also much emphasis placed upon securing knowledge about the characteristics of the relevant market groups in order to better understand the needs of these groups so that the proper appeals might be developed.

Thus, the data indicate that the firms tended to place great emphasis upon their market position. In spite of the fact that most manufacturers decried the inadequacy or lack of official government statistics and trade association data, these firms, nevertheless, used such data when it could be gathered as a basis for their market research. Thus, the dearth of data and the manufacturers' lack of confidence in much of that which did exist had not precluded extensive research on markets by the companies surveyed.

Not only were the manufacturers concerned with their relative market position, but they were also quite concerned about their absolute performance, and, thus, attempted to improve the efficiency of their sales operations.

Every firm in the survey conducted analyses of sales. This was the only research activity which achieved complete unanimity among the respondents. Such a situation was not unexpected, however, because the analysis of a company's sales records is a basic first step in any program of marketing management based on facts.6 It is probable that

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most firms throughout the world do at least some rudimentary analysis of their sales. Another element of sales research which was widely conducted was the setting of sales quotas. These marketers, therefore, clearly relied heavily upon internally-generated data as the foundation for much of their marketing research.

Advertising research was less widely employed by the respondents than was sales or market research. Product research, moreover, had the lowest overall incidence of use of any category among the manufacturers surveyed.

Foreign firms tended to be more active than Mexican companies in nearly every type of research. As evidenced in Table 6.1 there was a greater incidence of performance among foreign firms as compared to Mexican companies in twenty-three out of twenty-eight research categories. The reason for the greater use of marketing research by foreign firms was attributable to the fact that these were subsidiaries of companies which operated in sophisticated markets--most were subsidiaries of United States firms, for example. Therefore, these companies were generally well aware of the value of marketing research and typically relied heavily upon it in the home market. The parent firm, thus, had given impetus to the adoption of research in its foreign operations through its philosophical influence and staff research operations as well as company directives promoting its use.
## Table 6.2

**Percentage of Thirty Six Manufacturers Engaging in Specific Marketing Research Activities by Entity Conducting**

<table>
<thead>
<tr>
<th>Type of Research</th>
<th>Percentage of Companies Conducting Marketing Research by Entity</th>
<th>Percentage of Companies in Which Work is Performed</th>
<th>Advertising Agency</th>
<th>Other Contractor</th>
<th>Other</th>
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</thead>
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<tr>
<td><strong>Advertising Research</strong></td>
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</tr>
<tr>
<td>Motivation research</td>
<td>86.1</td>
<td>16.7</td>
<td>8.3</td>
<td>33.3</td>
<td>36.1</td>
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<tr>
<td>Copy research</td>
<td>91.7</td>
<td>16.7</td>
<td>13.9</td>
<td>63.9</td>
<td>22.2</td>
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<td>Media research</td>
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<td>13.9</td>
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<td>New Product acceptance and potential</td>
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<td>33.3</td>
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<td>63.9</td>
<td>2.8</td>
<td>5.6</td>
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<td>50.0</td>
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<td>Determination of market characteristics</td>
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<td>22.2</td>
<td>47.2</td>
<td>2.8</td>
<td>33.3</td>
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<td>16.7</td>
<td>80.6</td>
<td>2.8</td>
<td>5.6</td>
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<td>8.3</td>
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<td>80.6</td>
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<td>80.6</td>
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<td>2.8</td>
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<td>Studies of distribution costs</td>
<td>91.7</td>
<td>11.1</td>
<td>77.8</td>
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<tr>
<td>Analysis of wholesaler's activities</td>
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<td>8.3</td>
<td>66.7</td>
<td>2.8</td>
<td>5.6</td>
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<tr>
<td>Test markets</td>
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<td>25.0</td>
<td>47.2</td>
<td>11.1</td>
<td>13.9</td>
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<td>Consumer panel operations</td>
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<td>25.0</td>
<td>11.1</td>
<td>13.9</td>
</tr>
<tr>
<td>Setting sales quotes</td>
<td>87.2</td>
<td>11.1</td>
<td>53.3</td>
<td>2.8</td>
<td>2.8</td>
</tr>
<tr>
<td>Sales compensation studies</td>
<td>88.9</td>
<td>8.3</td>
<td>72.2</td>
<td>2.8</td>
<td>5.6</td>
</tr>
<tr>
<td>Studies of the effectiveness of promotional devices</td>
<td>88.9</td>
<td>16.7</td>
<td>66.7</td>
<td>25.0</td>
<td>5.6</td>
</tr>
<tr>
<td><strong>Price studies</strong></td>
<td>94.6</td>
<td>25.0</td>
<td>66.7</td>
<td>2.8</td>
<td>2.8</td>
</tr>
</tbody>
</table>

**NOTE:** The sum of the last five columns may exceed the percentage in the first column because a particular type of research may be performed in more than one place.

Source: Primary
Locus of Research

Table 6.2 presents the choice of groups used to conduct marketing research by these manufacturers. The Table shows that where marketing research departments existed within the firms, there was a tendency for the department to stress product research most strongly, with market research next in importance. Sales research and advertising research were not widely conducted through the marketing research departments of these firms.

Sales and distribution research, as well as research on markets, were generally conducted by another department within the firm such as the marketing or sales department, or the accounting or finance department. Product and advertising research were less widely conducted by such departments.

Advertising agencies emphasized advertising research, of course, but also had an important place in studies of sales promotional activities and in packaging research and design.

Marketing research consulting firms were also widely utilized for advertising research. In addition, product research and research on markets accounted for a large portion of their activities. Test markets were a final important area of research for outside consultants.

Regularity of Research Performance

Although, as indicated by Table 6.1, the number of
### Table 6.3

**Regularity of Use of Specific Marketing Research Activities by Thirty-Six Manufacturers in Order of Frequency Performed**

<table>
<thead>
<tr>
<th>Type of Research</th>
<th>Percentage of Companies Not Performing</th>
<th>Percentage of Companies Performing This Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Regularly</td>
</tr>
<tr>
<td>Sales analyses</td>
<td>----</td>
<td>94.4</td>
</tr>
<tr>
<td>Sales forecasting</td>
<td>2.8</td>
<td>91.7</td>
</tr>
<tr>
<td>Setting Sales quotas</td>
<td>2.8</td>
<td>88.9</td>
</tr>
<tr>
<td>Market share analysis</td>
<td>5.6</td>
<td>86.1</td>
</tr>
<tr>
<td>Short-range general business forecasting</td>
<td>2.8</td>
<td>86.1</td>
</tr>
<tr>
<td>Studies of competitive products</td>
<td>8.3</td>
<td>75.0</td>
</tr>
<tr>
<td>Analysis of market size</td>
<td>2.8</td>
<td>75.0</td>
</tr>
<tr>
<td>Development of market potentials</td>
<td>2.8</td>
<td>69.4</td>
</tr>
<tr>
<td>Long-range general business forecasting</td>
<td>8.3</td>
<td>66.7</td>
</tr>
<tr>
<td>Establishment or revision of sales territories</td>
<td>5.6</td>
<td>66.7</td>
</tr>
<tr>
<td>Forecast of new product demand</td>
<td>13.9</td>
<td>63.9</td>
</tr>
<tr>
<td>Studies of distribution costs</td>
<td>8.3</td>
<td>63.9</td>
</tr>
<tr>
<td>Price studies</td>
<td>5.6</td>
<td>63.9</td>
</tr>
<tr>
<td>New product acceptance and potential</td>
<td>5.6</td>
<td>58.3</td>
</tr>
<tr>
<td>Studies of the effectiveness of promotional devices</td>
<td>11.1</td>
<td>58.3</td>
</tr>
<tr>
<td>Determination of market characteristics</td>
<td>2.8</td>
<td>55.6</td>
</tr>
<tr>
<td>Sales compensation studies</td>
<td>11.1</td>
<td>50.0</td>
</tr>
<tr>
<td>Media research</td>
<td>8.3</td>
<td>47.2</td>
</tr>
<tr>
<td>Studies of advertising effectiveness</td>
<td>8.3</td>
<td>47.2</td>
</tr>
<tr>
<td>Studies of competitive advertising practices</td>
<td>16.7</td>
<td>47.2</td>
</tr>
<tr>
<td>Establishment or revision of sales territories</td>
<td>22.2</td>
<td>44.4</td>
</tr>
<tr>
<td>Test markets</td>
<td>22.2</td>
<td>41.7</td>
</tr>
<tr>
<td>Copy research</td>
<td>8.3</td>
<td>36.1</td>
</tr>
<tr>
<td>Studies of customer dissatisfaction</td>
<td>16.7</td>
<td>33.3</td>
</tr>
<tr>
<td>Research on package design or physical characteristics</td>
<td>13.9</td>
<td>30.6</td>
</tr>
<tr>
<td>Studies on the elimination of products</td>
<td>27.8</td>
<td>30.6</td>
</tr>
<tr>
<td>Consumer panel operations</td>
<td>44.4</td>
<td>25.0</td>
</tr>
<tr>
<td>Motivation research</td>
<td>13.9</td>
<td>16.7</td>
</tr>
</tbody>
</table>

Source: Primary
firms performing each type of research was quite impressive, on closer examination the regular utilization of such marketing research by the firms was found to be much less extensive. For example, in Table 6.3, the regularity of use of specific marketing research activities is presented. It is evident from these data that the regular use of some of these research techniques was not widespread.

At least nine out of ten firms regularly conducted sales forecasts and sales analyses. Other research activities which were regularly performed by at least three out of four firms included the setting of sales quotas, market share analyses, short-range general business forecasting, analysis of market size, and studies of competitive products. However, motivation research was performed regularly by less than twenty percent of the manufacturers. A prime reason for the lack of such research was claimed to be the absence of highly qualified individuals or companies to conduct such studies. Consumer panel operations were also infrequently utilized, largely because of the courtesy bias, which has already been discussed. Product research in the form of packaging research, product elimination studies and studies of customer satisfaction were regularly performed by only about one out of three firms. Package design studies have not been very important in Mexico in the past because few products were displayed on the retail shelf. Most were sold from under the counter in the small "hole-in-the-wall" store. Thus, because the patron frequently purchased
the product without seeing it, or on the suggestion of the vendor, there was little need for more attractive or more functional packaging. However, with the advent of self-service retail operations in Mexico, the importance of packaging has increased. Nevertheless, the fact that many United States products were wholly transferred from the American market to the Mexican market without change reduced the amount of packaging research done in Mexico. Then too, this type of research was not strongly represented with facilities for the conduct of such studies. Finally, the lack of sophisticated packaging machinery in Mexico limited the packaging possibilities, and, hence, the need for research.

Studies on the elimination of products were not widely utilized because of the fact that the companies maintained relatively stable product mixes. Few products had been eliminated by the firms.

Studies of customer dissatisfaction, which were performed less than regularly by approximately two-thirds of the firms, indicates the lack of a wholehearted acceptance by the manufacturers of the marketing concept and its emphasis on the customer orientation.

Advertising research, particularly advertising effectiveness research, was less widely conducted than market or sales research. This was due, in part, to the fact that there was some inability to check inventories to
TABLE 6.4

REGULARITY OF USE OF SPECIFIC MARKETING RESEARCH ACTIVITIES CLASSIFIED ACCORDING TO LOCUS OF FIRM OWNERSHIP

<table>
<thead>
<tr>
<th>Types of Research</th>
<th>Percentage of Companies Performing This Activity</th>
<th>Regularly</th>
<th>Occasionally</th>
<th>Rarely</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mexican-Owned&lt;sup&gt;1&lt;/sup&gt;</td>
<td>Foreign-Owned&lt;sup&gt;2&lt;/sup&gt;</td>
<td>Mexican-Owned&lt;sup&gt;1&lt;/sup&gt;</td>
<td>Foreign-Owned&lt;sup&gt;2&lt;/sup&gt;</td>
</tr>
<tr>
<td>Advertising Research</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Motivation research</td>
<td></td>
<td>7.7</td>
<td>21.7</td>
<td>46.2</td>
</tr>
<tr>
<td>Copy research</td>
<td></td>
<td>15.4</td>
<td>47.8</td>
<td>38.5</td>
</tr>
<tr>
<td>Media research</td>
<td></td>
<td>23.1</td>
<td>60.9</td>
<td>30.8</td>
</tr>
<tr>
<td>Studies of advertising effectiveness</td>
<td></td>
<td>23.1</td>
<td>60.9</td>
<td>23.1</td>
</tr>
<tr>
<td>Studies of competitive advertising practices</td>
<td></td>
<td>23.1</td>
<td>60.9</td>
<td>23.1</td>
</tr>
<tr>
<td>Product Research</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New product acceptance and potential</td>
<td></td>
<td>46.2</td>
<td>65.2</td>
<td>38.5</td>
</tr>
<tr>
<td>Studies of competitive products</td>
<td></td>
<td>61.5</td>
<td>82.6</td>
<td>23.1</td>
</tr>
<tr>
<td>Research on package design or physical characteristics</td>
<td></td>
<td>30.8</td>
<td>30.4</td>
<td>30.8</td>
</tr>
<tr>
<td>Studies on the elimination of products</td>
<td></td>
<td>30.8</td>
<td>30.4</td>
<td>23.1</td>
</tr>
<tr>
<td>Studies of customer dissatisfaction</td>
<td></td>
<td>30.8</td>
<td>34.8</td>
<td>38.5</td>
</tr>
<tr>
<td>Research on Markets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Analyses of market size</td>
<td></td>
<td>69.2</td>
<td>78.3</td>
<td>23.1</td>
</tr>
<tr>
<td>Development of market potentials</td>
<td></td>
<td>61.5</td>
<td>73.9</td>
<td>30.8</td>
</tr>
<tr>
<td>Market share analysis</td>
<td></td>
<td>76.9</td>
<td>91.3</td>
<td>7.7</td>
</tr>
<tr>
<td>Determination of market characteristics</td>
<td></td>
<td>30.8</td>
<td>69.6</td>
<td>46.2</td>
</tr>
<tr>
<td>Sales forecasting</td>
<td></td>
<td>76.9</td>
<td>100.0</td>
<td>----</td>
</tr>
<tr>
<td>Short-range general business forecasting</td>
<td></td>
<td>61.5</td>
<td>100.0</td>
<td>23.1</td>
</tr>
<tr>
<td>Long-range general business forecasting</td>
<td></td>
<td>38.5</td>
<td>82.6</td>
<td>23.1</td>
</tr>
<tr>
<td>Forecast of new product demand</td>
<td></td>
<td>53.8</td>
<td>69.6</td>
<td>7.7</td>
</tr>
<tr>
<td>Sales and Distribution Research</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales analyses</td>
<td></td>
<td>92.3</td>
<td>95.7</td>
<td>----</td>
</tr>
<tr>
<td>Establishment or revision of sales territories</td>
<td></td>
<td>76.9</td>
<td>60.9</td>
<td>15.4</td>
</tr>
<tr>
<td>Studies of distribution costs</td>
<td></td>
<td>69.2</td>
<td>60.9</td>
<td>15.4</td>
</tr>
<tr>
<td>Analysis of wholesaler's activities</td>
<td></td>
<td>38.5</td>
<td>47.8</td>
<td>7.7</td>
</tr>
<tr>
<td>Test markets</td>
<td></td>
<td>38.5</td>
<td>43.5</td>
<td>30.8</td>
</tr>
<tr>
<td>Consumer panel operations</td>
<td></td>
<td>15.4</td>
<td>30.4</td>
<td>30.8</td>
</tr>
<tr>
<td>Setting sales quotas</td>
<td></td>
<td>76.9</td>
<td>95.7</td>
<td>15.4</td>
</tr>
<tr>
<td>Sales compensation studies</td>
<td></td>
<td>46.2</td>
<td>52.2</td>
<td>30.8</td>
</tr>
<tr>
<td>Studies of the effectiveness of promotional devices</td>
<td></td>
<td>53.8</td>
<td>60.9</td>
<td>23.1</td>
</tr>
<tr>
<td>Price studies</td>
<td></td>
<td>61.5</td>
<td>65.2</td>
<td>23.1</td>
</tr>
</tbody>
</table>

1 Base = 13
2 Base = 23

Source: Primary
determine the success of a campaign. The A. C. Nielsen Company experienced such a difficulty in conducting product movement research in Mexico. One of the large supermarket chains operating in Mexico would not allow the company to check its stores. Thus, the individualistic and secretive nature of some management groups reduced the possibility of conducting accurate and reliable research.

As Table 6.3 indicates, nearly a dozen research activities were not performed regularly by one-half of the firms. Nevertheless, the fact that a majority of the research activities listed were conducted on a regular basis by at least half of the manufacturers surveyed indicates that the function generally received widespread acceptance and found frequent use among these large companies.

Table 6.4 presents a comparison of the regularity of use of research practices classified according to the nationality of the firm. It is clear from this table that in practically all categories of research foreign firms were more regular practitioners than were Mexican firms. This indicates the greater acceptance of and reliance upon marketing research by the foreign manufacturers as compared to the Mexican companies.

In addition, Table 6.5 compares the regularity of use of specific marketing research activities by size of firm. Once again, the more regular use of marketing research by foreign firms may be noted from this table.
<table>
<thead>
<tr>
<th>Type of Research</th>
<th>Regularly</th>
<th>Occasionally</th>
<th>Rarely</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Small¹</td>
<td>Medium²</td>
<td>Large³</td>
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<tr>
<td><strong>Advertising Research</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Motivation research</td>
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<td>Copy research</td>
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<td>30.0</td>
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<td>25.0</td>
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<tr>
<td>Studies of advertising effectiveness</td>
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<td>16.6</td>
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<td>Studies of competitive advertising practices</td>
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<td>16.6</td>
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<td><strong>Product Research</strong></td>
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<tr>
<td>New product acceptance and potential</td>
<td>66.7</td>
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<tr>
<td>Studies of competitive products</td>
<td>83.3</td>
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<td>Research on package design or physical characteristics</td>
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<td>Studies on the elimination of products</td>
<td>41.7</td>
<td>35.7</td>
<td>16.6</td>
</tr>
<tr>
<td>Studies of customer dissatisfaction</td>
<td>41.7</td>
<td>33.3</td>
<td>60.0</td>
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<tr>
<td><strong>Research on Markets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Analysis of market size</td>
<td>75.0</td>
<td>80.0</td>
<td>71.4</td>
</tr>
<tr>
<td>Development of market potentials</td>
<td>75.0</td>
<td>80.0</td>
<td>57.1</td>
</tr>
<tr>
<td>Market share analysis</td>
<td>100.0</td>
<td>90.0</td>
<td>71.4</td>
</tr>
<tr>
<td>Determination of market characteristics</td>
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<td>42.9</td>
</tr>
<tr>
<td>Sales forecasting</td>
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<td>Short-range general business forecasting</td>
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<tr>
<td>Long-range general business forecasting</td>
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<td>64.3</td>
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<tr>
<td>Forecast of new product demand</td>
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<td>40.0</td>
<td>64.3</td>
</tr>
<tr>
<td><strong>Sales and Distribution Research</strong></td>
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<td></td>
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</tr>
<tr>
<td>Sales analyses</td>
<td>100.0</td>
<td>90.0</td>
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<tr>
<td>Establishment or revision of sales territories</td>
<td>83.3</td>
<td>60.0</td>
<td>57.1</td>
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<tr>
<td>Studies of distribution costs</td>
<td>66.7</td>
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<td>66.7</td>
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<td>42.9</td>
</tr>
<tr>
<td>Test markets</td>
<td>33.3</td>
<td>30.0</td>
<td>35.7</td>
</tr>
<tr>
<td>Consumer panel operations</td>
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<tr>
<td>Setting sales quotas</td>
<td>100.0</td>
<td>80.0</td>
<td>85.7</td>
</tr>
<tr>
<td>Sales compensation studies</td>
<td>66.7</td>
<td>30.0</td>
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</tr>
<tr>
<td>Studies of the effectiveness of promotional devices</td>
<td>75.0</td>
<td>50.0</td>
<td>42.9</td>
</tr>
<tr>
<td>Price studies</td>
<td>83.3</td>
<td>50.0</td>
<td>57.1</td>
</tr>
</tbody>
</table>

Source: Primary

¹Small (less than 500 employees) = 12 companies; ²Medium (500-1000 employees) = 10 companies; ³Large (more than 1,000 employees) = 14 companies
Smaller firms in the survey (those with 100-500 employees) were predominantly foreign companies and were, in general, more regular users of research than were larger companies (those with over 500 employees). Thus, although there was a greater tendency among larger firms to have a research department, there was a slightly greater tendency for smaller firms to conduct research activities regularly.

External Research Relationships

Use of Marketing Research Firms

Eighteen of thirty-six sample firms had conducted marketing studies through outside research firms. Five of the companies had contracted for marketing studies in 1969, five in 1968, and eight between 1964 and 1967. No studies were cited by the firms as having been conducted prior to 1964. However, this is misleading since a number of the respondents were not employed by their firms prior to 1964. An additional ten firms were conducting marketing research through outside firms at the time of this survey. Six firms had never conducted research through an outside company and two were uncertain.

Only one Mexican-owned firm had a research project under contract during the time of this survey. However, eight other Mexican firms had conducted such studies in the past.

Sixteen of the sample firms subscribed to continuing or syndicated research services. The types of data used
by these manufacturers were product movement and audience measurement services.

The average firm expended 44 percent of its 1968 budget for outside research services. Ten firms, however, spent none of their research monies on such services. Thus, among the firms which utilized outside sources in 1968 an average of 63 percent was expended.

Thirteen firms expected the percent of total research expenditures used for outside research services would increase in 1969. An additional twenty-one firms thought it would remain the same. Only two companies anticipated a decrease. Thus, it is significant that nearly all firms in the survey expected to utilize outside sources to a greater degree in the future. This finding points to an increased awareness of the benefits to be derived from marketing research, particularly that provided by outsiders.

Marketing Research Through Advertising Agencies

All but one of the manufacturers interviewed were clients of advertising agencies. Of the thirty-five firms which were clients, thirty-four conducted some of their marketing research through their agencies. The various types of research performed by the agencies have been cited previously. An important finding, however, was the generally unfavorable characterization by the companies of the research work conducted by the agencies. Fourteen of the firms described the research done by their agency or
agencies as only fair. Another eleven companies characterized such work as poor. Only five manufacturers described the agency's marketing research work as excellent. Three remaining firms voiced no opinion.

Foreign firms, in particular, had low opinions of the research performed by their agencies. Nineteen of the twenty-three foreign firms were accustomed to the services provided by agencies in the home market and felt that much less information was being provided by their agencies in Mexico.

The low evaluation of marketing research conducted by advertising agencies is not unique to Mexico, however. It has also been a common complaint among manufacturers in the United States.7

For many of the firms surveyed, there was no regularity in the supply of marketing research by the agency. When queried as to the type of marketing research information which the agency usually supplied, approximately one-third of the firms responded negatively. Thus, there was little regularity in the use of advertising agencies for marketing research. Numerous other companies voiced the complaint that too little information was supplied by their agencies, and that which was provided had to be requested. Consequently, many manufacturers were disgruntled over the lack of research initiative by their advertising agencies.

The failure of certain agencies to supply their clients' needs for information had caused some manufacturers to plan for the transfer of their accounts to other agencies which could better meet these needs. As one respondent stated, citing the poor quality of research done by the agencies, "Advertising agencies have research departments so that they can garner new accounts. But the departments are not really functional when a client needs them; they are only decorative."

These findings support the fact that client-agency relations are not as close as has been traditionally experienced in the United States. The explanation for this is to be found in the culture, particularly the individualistic nature of Mexican managers and their distrust of outsiders. This characteristic has no doubt limited the flow of information between advertisers and their agencies.

Factors Impeding the Use of Marketing Research

Although every firm in this survey conducted marketing research, there were, nevertheless, a number of factors which discouraged its use by these manufacturers. Some of the perceived barriers to the conduct of marketing research, particularly the primary data-gathering activities of the firms surveyed, were of an internal nature, while others were external.

Cost of Marketing Research

One of the primary barriers to the conduct of marketing
research in Mexico was the expense involved. As noted previously, this factor becomes more crucial in an undeveloped country than a developed country because sales are generally lower, hence, marketing research costs can represent a significant amount when expressed as a percentage of sales. The manufacturers in this survey voiced a common complaint that there simply was not enough money available to conduct the amount of research that was desired by the firms.

The use of outside research sources economized available funds. This action enabled the manufacturers to buy the needed research rather than maintain a field staff and processing department which were quite expensive, particularly with a variable workload.

Nevertheless, the costs of this option were still cited as a major disadvantage in using outside consultants. The respondents felt that although buying research was cheaper than maintaining a research department, the cost of conducting research through outside specialists in Mexico was, nevertheless, rather large. Thus, costs of research, even when done by outside firms, were burdensome to many manufacturers. The expense of the research process, therefore, was one important impediment to greater marketing research by firms.

Lack of Personnel

Another reason cited for not practicing greater
marketing research was the lack of competent research personnel. Such a factor was felt to be important on two levels. Within the individual firm, the respondents frequently cited the fact that there was no one capable of adequately fulfilling the research needs of the firm. A fundamental barrier to greater use was the recognition frequently voiced by the respondents that they simply did not know how to conduct certain types of research. Internal talent, therefore, was not strong in some cases.

External talent was also thought to be a problem. In spite of the fact that there were several prominent marketing research organizations in Mexico, as well as a few capable advertising agencies, some respondents felt there was a lack of sufficiently trained outside research personnel and organizations which could be used on a consulting basis. There was an element of doubt or skepticism on the part of several of the firms surveyed as to the technical ability and ethical responsibility of these research companies. In addition, there existed an image among many of the respondents that even those outside consultants which were qualified were overworked and, thus, could not produce the needed data and interpretations on schedule. There definitely existed, therefore, a need for some image remodeling by these outside
consultants in order to make their use more palatable to some of the respondents.

Survey Research Difficulties

An external deterrent to greater marketing research, specifically survey research, was the difficulty of the interviewing process. Factors contributing to this situation were discussed by the manufacturers surveyed. For example, the lack of well-trained interviewers was a problem, according to the manufacturers. Those companies with research departments also complained of the tight control necessary for field workers. In addition, there was a difficulty in reaching the upper socioeconomic classes because of the housing pattern and the intervention of servants. The problem of low literacy was a barrier among lower socioeconomic groups. The tendency of Mexicans to "help" the questionnaire, that is, to exhibit a courtesy bias, was another problem cited frequently by respondents.

One barrier to survey research was said to be the cultural background of the Mexican. Manufacturers, in discussing the differences between the American and Mexican cultures, noted that Mexicans--both final and intermediate consumers--were simply not as prone to volunteer information to a researcher as were Americans. For example, two beer manufacturers stated that it was difficult to obtain accurate sales data from bars because there was a fear that the
researcher was a representative of the government. Since many of these operators sold beer without a license, or perhaps did not meet their tax obligations, they were fearful that such surveys would result in a fine being levied against them. Consequently, they were reluctant to provide accurate sales information to the interviewer. Channel data, therefore, were often difficult to obtain for products. A similar reluctance to provide information also existed on the consumer level, according to the manufacturers.

Among the geographic factors cited as deterrents to greater marketing research, particularly survey research, was the great distance between major markets. Such a situation was claimed to result in high costs for marketing research. Closely related to this was the factor of poor transportation and communications in rural areas which created a problem for research. In addition to the distance between markets, there was also the problem of many small markets to be analyzed which boosted the cost of research. Thus, distance, cost, time, and communication were important impediments to research outside of the Federal District.

Lack of Adequate Data

Another difficulty for these manufacturers was the lack of sufficient secondary data. This was a rather universal complaint among the firms. The lack of an adequate
data base increased the problems in the already difficult process of research in Mexico.

The respondents voiced a number of complaints about the secondary data which they utilized. The most frequently mentioned shortcoming concerned the reliability of data. Nearly seven out of ten companies expressed the opinion that secondary data were generally unreliable or inaccurate. Three appliance manufacturers even attempted to estimate the inaccuracy at approximately twenty-five percent. Their experience and own research had shown that published production data supplied by their industrial chamber were only about seventy-five percent of actual.

The next most frequently mentioned defects were the insufficient amount of data supplied by the government and the information's lack of currency. Problems concerning secondary data in Mexico which were of less concern to the respondents included the improper organization or presentation of information to satisfy the needs of the users and the difficulty of securing certain data. Thus, there were felt to be many unsatisfactory aspects of secondary data in Mexico.

In spite of the many problems in data sources, notably government information, there was much optimism with regard to anticipated improvements. Either stated or implied in the responses by the manufacturers was the expectation that the quality and quantity of such data
would improve. Thus, firms expressed marked confidence about future conditions.

*The Influence of Marketing Research on Company Policies*

There was a conviction among the respondents that marketing research could make substantial contributions to the success of an organization.

It is interesting to note, however, that although nearly every respondent cited rather strong contributions which marketing research could make to a firm's success, the marketing research function of some of the manufacturers had not greatly influenced their companies' own policies. For example, twenty-one of the manufacturers stated that the results of their marketing research had strongly influenced their firm's policies. However, eleven of the companies cited only moderate influence, and four firms noted only superficial or no influence at all. Thus, in spite of the substantial contributions cited by respondents which marketing research could make to their organizations, fifteen firms found that the technique had not met its potential within their companies.

Several of the manufacturers which claimed that their research had made less than a strong influence expressed confidence, however, that this influence would become much stronger in the future. These firms noted that they were novices in marketing research but would become more proficient in its use in the future.
A contributing factor to the lack of success of marketing research is its proper acceptance and use by company executives. Fourteen of the thirty-six respondents mentioned that difficulties were encountered in gaining such acceptance and use. In addition, eight of the fifteen firms in which marketing research had made less than a strong influence cited improper acceptance and use as problems. Without such problems these firms might have found that their research had a more penetrating and pervasive effect on the firms' policies.

The difficulties most frequently mentioned were anchored in a basic lack of faith of certain executives with regard to marketing research. Several executives were unconvinced of the need and benefits to be derived from research. Some executives felt that because their firm had grown easily in the past with little guidance from marketing research there was no great need for the technique at that time. These respondents felt the firm would continue to grow easily in the future without its use.

A second and more widely mentioned difficulty also concerned the lack of faith in marketing research by certain members of the organization. The difficulty involved a hesitancy to accept conclusions offered by research. The sales manager, in particular, was frequently cited by respondents as an individual who tended to reject formal marketing research and relied instead on his "feel" for the market. Thus, the emotionalism which existed among
some Mexican executives outweighed the scientific approach to decision making through marketing research.

There was, in addition, a closely related problem which sprang from the executive's low evaluation of marketing research. It was quite difficult to gain implementation of research recommendations under such conditions. Thus, the result, as one company stated, was that "the research may simply lie idle in an executive's desk drawer."

Thus, the primary and pervasive reason for encountering difficulties in the proper acceptance or use of marketing research was simply a lack of conviction as to the need for research, as well as a lack of confidence in the results of such studies.

Summary

This chapter has described the marketing research practices of selected large consumer goods manufacturers in metropolitan Mexico City. The judgment sample was composed of large manufacturing firms, many of which were foreign-owned and well-established in Mexico. The thirty-six manufacturing firms in the study present an illustration of the organization and operation of the marketing research function within a developing economy. The information presented also allows the development of a model to explain the use of marketing research within a country.

The technique of marketing research was familiar to
large consumer goods manufacturers in Mexico. There was widespread use of marketing research among the firms in the study. Every manufacturer practiced the technique regularly. Among the twenty-eight types of research about which the respondents were questioned, every type was performed by at least half of the firms. In fact, nearly two-thirds of the research activities were conducted by ninety percent of the companies.

More important than merely the number of firms performing the various research techniques was the regularity or frequency with which such activities were conducted. This gave an indication of the depth of acceptance of marketing research by the firms. The regular use of a number of the research techniques was not extensive among the firms. However, a majority of the research activities analyzed were conducted on a regular basis by at least one-half of the manufacturers surveyed. Thus, the marketing research function must be described as having received generally widespread acceptance and regular use by these large firms in Mexico.

Foreign-based firms used more marketing research than did Mexican companies. Foreign firms had a greater incidence of performance in most categories of research than did Mexican firms. This stemmed from the conditioning of the firm and the marketing manager to the generally widespread use of the technique by the firms in the more sophisticated home markets, such as the United States.
Not only did foreign firms have a greater tendency to conduct the various types of marketing research, but their performance also tended to be more regular or frequent than that of Mexican-owned companies. Smaller firms (which tended to be foreign subsidiaries) were also more regular users of research than were the largest firms in the survey. These factors, therefore, reiterate the greater acceptance and reliance upon marketing research within foreign subsidiaries as compared to Mexican-owned firms.

The marketing research function within the sample firms was predominantly organized on a part-time basis. The incidence of a formalized research department tended to increase slightly as the size of firm increased. Moreover, foreign-owned firms had a much greater tendency to organize their research operations on a full-time departmental basis than did Mexican-owned firms. In spite of the lack of widespread use of marketing research on a full-time basis by the firms, over fifty percent of the companies with part-time research operations planned to form such departments. It is evident, therefore, that firms were moving toward a more full-time, formalized approach to their marketing research activities.

The expenditures budgeted for marketing research by these firms were found to compare favorably with the pattern found in American consumer goods companies. Even more important was the increasing percentage of sales spent for research over the five year period preceding this survey,
and the expected future increase reported by many of the firms.

One of the activities which received the greatest emphasis by these manufacturers was research on markets, including analyses of the size, potential, and characteristics of the markets, short-run forecasts of sales, short- and long-run forecasts of general business conditions, and forecasts of new product demand. The reasons for such extensive reliance on market research were the increasing competitiveness of the Mexican economy, particularly within these industries, and the dynamism of the Mexican markets.

Sales research was also rather strongly emphasized by the manufacturers. Sales analyses, setting of sales quotas, establishment or revision of sales territories, and price studies were all widely performed among the manufacturers. Such research activities underscored the importance of selling in the Mexican economy and the emphasis by the manufacturers upon improving the efficiency of their sales operations.

Advertising and product research were less widely and regularly performed by the manufacturers. The lack of advertising research can be traced to the fact that advertising, just as marketing research, was a developing art or science in Mexico. Manufacturers were more and more becoming aware of and convinced of the benefits of advertising. Nevertheless, several of the manufacturers did no advertising
and, hence, had no need for advertising research. Motiva-
tion research was little emphasized by the companies be-
cause there was felt to be a lack of specialists to conduct 
such research.

Product research neglect stemmed from the product 
orientation among some of the manufacturers. Many pro-
ducts had been wholly transferred from the American market, 
for example, to the Mexican market with little, if any, 
adaptation. This product orientation resulted in little 
attention being given to packaging or to customer dis-
satisfaction studies, for example.

The use of outside research firms by the sample firms--
both foreign subsidiaries as well as Mexican companies--was 
found to be rather extensive. Nine of the thirteen Mexican-
owned firms had contracted for outside research studies. 
Thus, large Mexican firms do utilize outside marketing re-
search agencies.

Marketing research was also performed for the manu-
facturers by their advertising agencies. However, this 
source of data received a generally low evaluation among 
the respondents.

The use of marketing research by the companies, par-
ticularly the conduct of primary data gathering activities, 
was impeded by several factors. One of the perceived 
barriers to research was cost. Another reason frequently 
cited was the lack of capable researchers, particularly in-
side the firm. Respondents often mentioned that they had
never thought of conducting a particular type of research in question and/or simply did not know how to perform such research. Some respondents also cited as a barrier the lack of an adequate supply of capable outside research firms to utilize.

The difficulty of the interviewing process was another factor deterring primary research. Geographic impediments resulting in distance, cost, time, and communications problems also acted as barriers to more extensive and effective marketing research by the manufacturers.

In spite of the philosophical allegiance given by the manufacturers to marketing research it was found that the technique had not had a great deal of influence within some of the firms. The reason for such a situation was found to be a lack of proper acceptance or use of marketing research. This was seen to result from a lack of conviction as to the need for research, as well as a lack of confidence in the findings of such studies.

The following chapter unifies the survey findings as well as secondary research to validate the environmental model.
CHAPTER VII
ENVIRONMENTAL FACTORS INFLUENCING THE USE
OF MARKETING RESEARCH IN MEXICO

The purpose of this chapter is to illustrate the environmental model with reference to the Mexican milieu. The environmental model has been shown to be a useful macro-analytical tool by which one may evaluate the general level of marketing research usage within a country. It is also equally relevant as a micro-analytical technique for interpreting the usage of marketing research within firms or industrial sectors.

The previous two chapters offered survey findings in order to develop a better understanding of the nature of marketing research in Mexico, particularly as it is practiced by large consumer goods manufacturers. These chapters revealed that although there exists a low level of usage of marketing research in Mexico generally, the sampled firms exhibited a widespread use of the technique.

The task of the present chapter is to describe the most important environmental variables in Mexico and their effect on the nature and usage of marketing research in the country. The survey within Mexico will be seen to support
the concepts offered by the model.

The Geographical Environment

A fundamental factor influencing the use of marketing research in Mexico is the geographical configuration.

Size of Market

It has been advanced in the proposed model that the geographical size of the market influences the use of marketing research. Thus, the more confined the market is, such as to a single urban location, or a relatively small country, the less use would be made of marketing research. Conversely, when market coverage is broad, greater use is made of the technique.

With an area of over 760,000 square miles, Mexico ranks ninth in size among the nations of the world, and is about one-fourth the size of the United States. The size of the nation places much pressure on these manufacturers which distribute their products over wide areas to secure sufficient marketing information.

Since most manufacturers in Mexico cater to a local market, their scope of distribution does not strongly necessitate the use of formalized marketing research to gather the needed data. Hence, in terms of overall usage of marketing research, most companies have little need for the technique because of the geographical size of their market.
However, the Mexican companies surveyed in this report all had national (and at least one had international) markets. The scope of coverage typically involved the primary market of Mexico City and also the cities of Monterrey and Guadalajara. The broad market coverage of these companies positively influenced them to utilize marketing research.

The extensive reliance of the surveyed manufacturers on market and sales research concurs in this finding that broad market coverage produces greater reliance on marketing research.

Physical Features

The nature of Mexico's geographic configuration presents some difficulties to the marketing research process and hence the usage.

Frank Tannenbaum has characterized the Mexican landscape as follows:

Mexico is an isolated country. Geographic obstacles have impeded communication and fostered a local, inward view and an aloofness from the outside that has proved not merely physical, but political and spiritual as well. Mexico is unlike any other country in the world, and almost every Mexican community enjoys its own quality of uniqueness. The physical geography could not have been better designed to isolate Mexico from the world and Mexicans from one another.¹

Donald Brand strikes a similar theme as he discusses the country's diversity:

There is great variation and range in elevation from

¹Frank Tannenbaum, Mexico, the Struggle for Peace and Bread (New York: Alfred A. Knopf, 1950), p. 3.
below sea level to nearly 19,000 feet; in landforms and terrain—from coastal lowlands and swamps to elevated plateaus and monotonous plains, and rugged mountains...; in climate and vegetation—from tropical rain forests to deserts... Physical barriers have led to various degrees of isolation which in turn has produced thousands of little settlement units and many scores of regions.\(^2\)

The great diversity of physical characteristics makes it misleading to generalize about the Mexican landscape. The people often differ between regions in appearance, language, economy, and social mores. Thus, diversity, separateness, and isolation are the rule. Because of the geographical diversity and isolation, unification on a national scale has been very difficult.\(^3\)

Although isolation has occurred because of the physical features of the land, Mexico has made great strides in unifying the many villages, towns, and cities with its transportation network. It has a well developed (for Latin America) highway and railroad system. Mexico enjoys the best balanced distribution of railway lines in relation to its territory of any Latin American country with 12,112 kilometers of railway line per 1000 square kilometers of territory. Mexico also occupies first place in Latin America with regard to length of paved highways. However, the country is second behind Venezuela with a density of 9.2 kilometers of paved highway per 10,000 inhabitants.


\(^3\)Tannenbaum, op. cit., p. 6.
Mexico ranks third in Latin America with 15.4 kilometers of paved highway per 1000 square kilometers of territory.\(^4\)

Thus, these elements have tended to prevent local manufacturers from creating a monopoly because of the lack of availability of competing products manufactured in other areas. The manufacturers in this survey were large and competed in all areas of the nation. Thus, there was no immunity from competition because of isolation.

In spite of Mexico's adequate transportation system research in rural areas was seen by executives to be impeded by poor transportation and communication.

Communication systems in urban as well as rural areas were seen as barriers to the conduct of marketing research. Low telephone penetration and weaknesses in mail service are deterring factors in the conduct of these types of surveys.

Population

Population Growth

Population growth is an important force for the increased use of marketing research. Mexico has one of the highest rates of population growth in the world--3.9 percent per year from 1960-1970. The total population stood at 48.4 million in 1970.\(^5\)


The size of Mexico's population gives the country the capacity for mass production of consumer goods. In addition, the growth of population in Mexico provides the stimulus for the marketing system to provide the increased goods desired by consumers.

**Effect of Age**

Besides sheer numbers of people, another important element of the population is the age distribution. Mexico is a country of young people. Over one-half of the population is under the age of twenty and approximately one-third is under ten while only 5.6 percent is over sixty years of age.\(^6\) Such a pattern of age distribution has great relevance for marketing, largely because of its influence on the demand for goods and services.

In order for the marketing system to ascertain the demands of the growing population and to effectively and efficiently provide for these needs, marketers must utilize research to a greater extent to provide the intelligent direction necessary for the system.

The fact that Mexico is a country of young people is quite important from the standpoint of innovative decisions. Mexico presents a favorable environment for the leadership of youth. Ramos states that:

Mexico is one of the leading countries in opportunities available to young people. Over the past

\(^6\)Ibid.
twenty years, high positions in society, letters, and politics have traditionally been occupied by young people whose spirit has prevailed in national life . . . it has been possible for anyone under thirty to participate and to exercise a guiding influence in his field.7

Thus, the general environment for such innovative activity as the adoption of marketing research is favorable in Mexico. This factor is reinforced by the findings among the sample firms. The executives interviewed were generally quite young.

Urbanization

Urbanization has an effect on the usage of marketing research as well as its nature. Urbanization fosters the growth of marketing research because of the increased market size and concentration. There is a large and growing migration of the rural population into urban areas in Mexico. In 1970, 58.5 percent of the total Mexican population resided in urban areas (over 2500 in population).8 The movement of peasants into the larger cities in Mexico adds to the already existing problems because most of these people are poor and have little or no education or special skills. Therefore, such population shifts add to the problems of housing and sanitation, and create more unemployment and underemployment.9

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7Samuel Ramos, Profile of Man and Culture in Mexico (Texas: University of Texas Press, 1962), pp. 139-140.
8"Final Census Figures," op. cit., p. 155.
9Brand, op. cit., pp. 12, 36.
Although the conditions for a mass market may not be improved in the short run, the growing population does form the nucleus for a mass consumer market. Consequently, the urbanization process has given a great boost to marketing research in Mexico, particularly to its use within the large population centers of Mexico City, Monterrey, and Guadalajara, which contained 17.8 percent of the population in 1960.  

As evidence that urbanization is proceeding, it is estimated that over one-third of all Mexicans now live in towns and cities of more than 25,000. However, the population remains quite dispersed. Tannenbaum, for example, makes the following observation:

Mexico is preponderently a country of little villages. Instead of living stretched along the countryside in separate farmsteads, the people are grouped together in thousands of little hamlets, villages, and towns.

Structurally the distribution of population of Mexico is unbalanced. Most communities possess none, or almost none, of the modern tools and no effective means of communication.

To better understand the distribution of population it should be noted that although there are over 90,000 localities in Mexico, only about 1.5 percent of these in 1960 were urban.

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11 Tannenbaum, op. cit., p. 10.

12 Brand, op. cit., p. 36.
The process of circular causation described in the model can readily be seen at work influencing the use of marketing research in Mexico. The effect of this process has been the development of Mexico City and of lesser importance, Guadalajara and Monterrey, as the centers where industrial production, banking, insurance, and the higher levels of intellectual pursuits have clustered.

The strongest of these centers, however, has been Mexico City, which has been the chief seat of power and influence since colonial times. Brand notes that

For centuries it has been the primate city - much larger than any other city in population, and the leading commercial, industrial, financial, educational and ecclesiastic center, as well as the mainspring of political and military power.13

Tannenbaum describes the process of attraction and power of the city as follows:

... Mexico City stands like an absorbing octopus, a great and beautiful city in its own right, but, because of its disproportionate place in the hierarchy of Mexican communities, overshadowing and dominating all else. Mexico City claims all, rules all, and does its best to absorb all— in politics, in income, in culture.14

The Mexico City metropolitan area has a population of over eight million and is the political, cultural, and economic center of the nation.15 It accounts for over 35 per cent of the industrial establishments, about 50

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13 Ibid., p. 55.
14 Tannenbaum, op. cit., p. 11.
15 The following data on Mexico City, Monterrey, and Guadalajara are contained in Mexico, A Market for U. S. Products. op. cit., pp. 12, 18, 20, and 26.
percent of the value of production, over 55 percent of the labor force, 30 percent of the purchasing power, and 36 percent of the motor vehicle registration in the country. Mexico's most extensive and rapid industrial development has taken place there.

Mexico City is the financial capital and the hub of the railway, airline, highway, and communications system of the country. It is also the tourist center of the nation. The Federal District is the single largest market for most consumer goods in Mexico, as evidenced by Table 7.1. Mexico's second and third largest cities are Guadalajara and Monterrey, respectively.

TABLE 7.1
MEXICO'S THREE LARGEST MARKETS

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<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>Federal District</td>
<td>6,526</td>
<td>14.8</td>
<td>25.3</td>
<td>35.2</td>
</tr>
<tr>
<td>Guadalajara</td>
<td>1,095</td>
<td>2.5</td>
<td>4.4</td>
<td>6.4</td>
</tr>
<tr>
<td>Monterrey</td>
<td>1,032</td>
<td>2.3</td>
<td>4.2</td>
<td>4.7</td>
</tr>
</tbody>
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The growth and development of Mexico City has fostered the development of marketing research. With the growth of large scale industry in this area, and the urban market to
support its production has also come a rise in the use of marketing research to properly direct these activities.

The process of urbanization and circular causation have had a definite impact on the conduct of research. The use of the technique is concentrated largely in the urban centers by companies which conduct research, particularly the manufacturers surveyed in this study.

It has been shown that Mexico City is the primary city in the country. For each company in the survey it represented the major market in Mexico. For this reason, and because the companies were all located in the Mexico City area, research was predominantly concentrated there. In addition, the fact that the major marketing research firms in Mexico were domiciled in Mexico City influenced the tendency to conduct most research in this area. Costs were also smaller when research was confined to major urban areas rather than country-wide studies. Thus, the practice of marketing research by the companies in this study was seen to be an urbanized brand.

Thus, the geographical environment fosters and impedes the use of marketing research in Mexico. Factors which are favorable to its adoption and use are the large size of the market (for the sample firms which distribute nationwide); continuing urbanization which results in research concentration in the major urban markets, particularly Mexico City, Guadalajara, and Monterrey; and rapid growth
In the population which results in larger markets with greater demands on the marketing system.

In addition, Mexico is a country of young people who have the possibility to exercise a guiding influence in their fields. They are important in the adoption of innovations such as marketing research. The executives in this survey were young and this factor supports the expectation of innovation in marketing research by these firms.

The dramatic extremes of physical features in Mexico create a tendency toward isolation of population groups and thus markets. Under such conditions manufacturers could develop a monopoly advantage. However, the Mexican transportation system has deterred such situations from arising by attempting to unify these many markets. Nevertheless, transportation inadequacies create problems for research in rural areas, according to the manufacturers. In addition, physical barriers impede communication systems such as telephone and mail and thus reduce survey possibilities in Mexico.

The Cultural Environment

The nature of the Mexican culture is highly relevant in a study of the use of marketing research in the country. The most important aspects of Mexican culture for the purposes of this investigation are discussed in this section.

Cultural Similarity

One variable of importance to the acceptance and
adoption of the technique of marketing research is the process of cultural assimilation. It has previously been stated that innovations are more likely to be accepted if there exists some basic affinity between nations.

If Mexico had an Anglo-European cultural foundation similar to those countries which have widely adopted the technique, it would be expected to follow a similar pattern of rapid acceptance. However, since Mexico has a different cultural background from these countries it is possible to understand the relative lack of use of the technique generally among firms in Mexico.

The effect of different cultural backgrounds on the use of marketing research is evident in the case of Spain. The country does not have an Anglo-European background, influencing its cultural and thought patterns, and this is an important reason why it is one of the lowest ranking countries in Europe in terms of the development and use of marketing research.16

Thus, the underlying cultural foundation influences the use and nature of marketing research in Mexico and other Latin American countries as will be seen in this section.

Cultural Borrowing

Cultural similarity is not the only determinant of the adoption of marketing research. The technique will be

"borrowed" from another culture if there is a strong need for it in order to solve marketing and business problems. The degree of receptivity to change of Mexicans is an important factor in explaining the acceptance of the technique.

Within Mexico two patterns of thought exist with regard to the acceptance of innovation. Citing one pattern, McCann\textsuperscript{17} states that within the Anglo-American there is inquisitiveness, a dissatisfaction with the present state of the arts and a never-diminishing drive to improve the performance of tasks. Not only does he desire to find ways of doing things better; but also of finding better things to do.

In contrast to this philosophy, according to McCann, the Mexican is more likely to be satisfied with the existing, workable solution or method, especially when it concerns routine and humdrum activities.

If the Mexican feels strongly about certain matters and activities, however, McCann notes that the Mexican has the ability and creativeness to be quite imaginative and ingenious in finding a solution to the problem confronting him.\textsuperscript{18}


\textsuperscript{18}Ibid., p. 36.
The response made by the Mexican to solve a problem may frequently include "borrowing" from another culture when the borrowed element is recognized as superior. The climate for the cultural borrowing of marketing research techniques from more advanced countries such as the United States is very favorable within Mexico. As Fayerweather observes, "The Mexican culture falls toward the extreme of favorableness to innovation."¹⁹ He further states that

... the average Mexican executive is open to innovations. He will accept ideas from the United States, which he willingly recognizes as superior in the field of industrial management. And he is anxious to create new ideas himself. This capacity is a great potential asset.²⁰

One of the factors which contributes to this favorable attitude of Mexicans toward innovation is their ethnic background. Mexico is basically a mestizo nation; that is, most of the people are part Indian and part Spanish. Innovation is a fundamental characteristic of both ethnic groups. In the mestizo, an individual is produced who dislikes monotony and has a compelling urge to create.

Another factor contributing to Mexican innovative attitude is the Mexican history, which is characterized by change and lack of strong national traditions. Mexicans have not had a broad stabilizing tradition. Even today


²⁰ Ibid., p. 58.
Mexicans speak of their ongoing "Revolution," this one being social and economic, however, rather than political. Thus, change, especially for the urban Mexican, is natural.

Moreover, Mexicans are quite open to changes coming from outside their country. Malinchtismo, a word which expresses this attitude, symbolizes the feeling of the Mexicans that their culture has proved inferior and that they must accept as superior those ideas which come from other nations.  

As Ramos states

A double aspect of Mexican life has been the disparagement the average Mexican directs toward himself and his country, and the resulting desire to imitate whatever is foreign. Imitation was a means of negating this supposed inferiority of native culture.

The nature of the Mexican culture with regard to innovation, therefore, has an important influence on the adoption of marketing research. It is to be expected that given this environment, the executives in this study would be favorably disposed to innovations which have proved successful in other countries and have been seen to work in Mexico, as well. The survey findings of widespread research usage among large Mexican firms supports this expectation. The foreign subsidiary executives were accustomed to the use of marketing research by the parent

21 Ibid., pp. 55-58.

22 Ramos, op. cit., p. XI.
company in the home market and therefore had a readiness to adopt the technique because of its successful use abroad.

Religion

Religion indirectly influences marketing in Mexico and therefore could have an effect on the spread of research. According to Robert Alexander, the Roman Catholic Church has been an important impediment to economic progress in Latin America, generally. However, he states that in recent decades the Church has tended to shift its emphasis from defense of the economic, social, and political status quo and of its own privileges, to a more critical attitude toward the Latin American society in which it is ministering.23

Thus, the impact of religion on the Mexican economic system is not as strong as it has been in the past. The large companies in the modern industrial sectors of this study underscore the weakening hold of religion. These companies are oriented strongly toward profit objectives to be derived from increasing the consumption of their products among the populace. Thus, such a philosophy is in conflict with any ideas of asceticism among the population. The real impact of religion in Mexico is felt

through its influence on the educational system and thought structure to be discussed subsequently.

Taboo and Ethical Structure

Two variables which influence the actual conduct of marketing research are the taboo structure and ethical structure of the population. These variables operate externally and have an effect on the practice of marketing research but do not have an effect on the actual adoption decision for the technique. Thus, the effect of this variable is no different for the large or small firm, but affects all which conduct research. That taboos exist in Mexico was evident from the survey data. Research firms in Mexico City had experienced difficulty in conducting marketing surveys because of the reluctance on the part of respondents to provide certain types of data. Such an effect impedes the research process in the country.

The ethical structure of Mexicans creates difficulties in the conduct of research and contributes to a lack of acceptance of its results. The practice cited earlier of "helping" the questionnaire is found in Mexico as well as Brazil and other Latin American countries. The respondents within the sample firm in Mexico stated that such a courtesy bias exists and constitutes a problem in conducting marketing research in the nation.

Another problem in the marketing research process in Mexico is the influence of "mordida" (the "bite" or bribe).
The scope of mordida includes graft, extortion, and bribery, and seems to be an outgrowth, among other factors, of tradition, attitude, and low salaries in Mexico. Of course, the phenomenon is not peculiar to Mexico, but is widespread throughout the world. It is widely known that a mordida must frequently be paid in many government offices in Mexico to get anything done. It was learned that mordida was utilized by several sample firms in order to obtain data on other firms or government statistics.

The influence of exaggerated responses on the acceptance of marketing research results was evident in a number of firms. For example, where industry associations had compiled production data from responding members and disseminated this information back to association manufacturers, there was a basic distrust among many of the producers concerning the accuracy of the data. It was assumed by these producers that firms exaggerated their production estimates so no competitors would know the true size of the market. The executives lacked respect for the research which had been conducted.

Thus, the lack of ethics in some elements of marketing research can be seen to have a deleterious effect on the


accuracy of research conducted and the confidence placed in research findings by marketing executives in Mexico. Decisions made on the basis of inaccurate data could certainly result in less than optimal outcomes.

Cultural Differences

Another environmental variable is the extent of cultural differences between population groups. It has been proposed that a broad range of differences between population groups will lead to a more extensive use of marketing research in order to ascertain the characteristics of these groups and develop the proper marketing mix to satisfy these various segments. Where population groups are relatively homogeneous, less marketing research is necessary. Thus, the nature of the market which the firm faces is an important element.

The firms in this survey were seen to distribute their products nationwide to numerous market segments. This pattern of marketing required extensive analysis of consuming groups to develop the right blend of marketing mix elements to appeal to the various markets. Thus, because of the nation-wide pattern of sales by these manufacturers to widely differing customer segments, the companies found it necessary to rely on marketing research.

Thus, the cultural environment has an effect on the use of marketing research in Mexico. In spite of the lack of an Anglo-European cultural heritage, Mexico has been
amenable to the "borrowing" of the technique of marketing research as evidenced by the sample firms. Three factors which produce such a receptive situation to innovations are the mestizo ethnic background of the people, the lack of a broad stabilizing tradition, and the feeling among Mexicans that their culture is inferior.

The effect of religion on the marketing system is becoming increasingly less important, particularly in the urban areas of the nation. However, the religious system prevalent in Mexico has been a deterrent to economic progress and, hence, to the progress of marketing research.

Survey research in Mexico encounters difficulties because of the taboo and ethical structure of the people. Some subjects simply are not discussed among Mexicans and this might cause problems understanding purchase motivations for certain products. In addition, a strong courtesy bias exists in Mexico which may lead to obtaining very favorable but inaccurate survey findings, according to the companies interviewed.

The widespread cultural differences among the population groups necessitated marketing research within the surveyed firm in order to define these patterns and develop the proper marketing mix to satisfy various markets.

The Educational and Philosophical Environment

The educational and philosophical structure of Mexico have an important influence on the use of marketing research.
Among the factors which are relevant in this category are the level of literacy of the population, the nature of the Mexican educational system, the Mexican's view of scientific method in decision making and the achievement motivation of Mexican executives.

Level of Literacy

An important factor influencing the practice of marketing research is the extent of literacy among the population. In 1970, 76 percent of the population ten years of age or older could read. This is an increase from 1960, when only 67 percent of such people could read. In spite of the improvement, there are still 7.7 million illiterates in Mexico.\(^{26}\) In addition, a large number of the illiterates are functionally illiterate. By 1973 the government intends to make 80 percent of all Mexicans literate.\(^{27}\) Nevertheless, the present large number of illiterate or functionally illiterate citizens has contributed to the lack of use of marketing research in Mexico.

An additional fact which discourages the practice of rural surveys is that a part of Mexico's population does not speak Spanish, but some Indian language. In 1970, 3.2 million people were bilingual with almost one million of

\(^{26}\)"Final Census Figures," \textit{loc. cit.}

these being monolingual in an Indian language.  

The low level of literacy has impeded the practice of marketing research generally and particularly the use of certain survey techniques, according to the executives in the sample firms.

The decision to adopt marketing research was favorably influenced by the executives' levels of education. The greater extent of education of these men in comparison to many small firm managers helps explain their greater readiness to accept the use of the technique in decision making. The surveyed executives were in general, highly educated. Thirty-two of the respondents had a university education. Seven of the men had obtained graduate degrees. Three of the remaining four had attended but had not completed a university curriculum.

Twenty-one of the executives had studied business administration. Engineering and law were also represented by the respondents.

The fact that most of the executives had been educated in business administration served to provide a favorable environment for the adoption of the technique. The greater educational level of these men had no doubt encouraged them to have a questioning mind. In addition, some of these executives had been educated in the United States which also accounts for their having an analytical

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28"Final Census Figures", op. cit., p. 156.
outlook.

The Educational System

The Mexican educational system has been a contributor to the lack of greater use of marketing research generally in the country. According to Fayerweather, the deterrent lies in the pattern of thought which has evolved from the educational system of Mexico. The basic characteristic of education in northwestern Europe and the Anglo-Saxon countries--the practice of questioning and examining--is in marked contrast to that in areas which were insulated from the scientific revolution, such as Spain and its colonies. Thus, in areas such as Mexico, education has until very recently consisted basically of disciplined acquisition of knowledge.

Mexican education has taken this approach although there have been recent efforts of educational leaders to introduce practices which develop individual thinking. However, such attempts have met with difficulties because of the pervasive belief that the job of the schools is to indoctrinate the students in "revealed truth." 29

Thus in Latin American countries such as Mexico learning is something that is handed down from teacher to student without question or hesitation. Such an education molds the individual's approach to life and work. As

Fayerweather observes,

He tends to look for guiding rules upon which to act - to past practice, to tradition, to the instructions of a superior. He does not naturally think in terms of independently arriving at a solution by his own analytical work, and that, of course, is an attitude at the heart of market analysis or any other aspect of scientific management.30

This attitude results largely from the Roman Catholic religious system and its influence on Mexicans. Thus, the nature of the educational system, which deters individual thinking, impedes the acceptance and use of marketing research by businesses in Mexico.

View of Scientific Method

The educational system of Mexico has a very important influence on the view of businessmen toward the scientific method, which is an important part of marketing research. In addition, Fayerweather has noted that the analytical approach to management has been opposed in Mexico by two traditional approaches: established rules and impulse.31 Cultural forces in Mexico support both of these approaches. Another element deterring analysis is the tendency toward proyectismo.

Impulse

Salvador de Madariaga, in a description of the national

30 Fayerweather, International Marketing, op. cit., p. 94.

psychologies of the English, French, and Spanish, establishes fundamental differences in their characteristics which may be applied to the United States-Mexican situation.

Executives from England and the United States receive satisfaction primarily from action, not from thought as the French do. Englishmen and Americans are doers, not thinkers. Extended thought and detailed analysis are not as natural and enjoyable for the Englishman and American as these activities are for the Frenchman. Yet, analysis does have a part to play in spite of this basic orientation, because the executive who wants to get effective results learns that careful thinking and planning can contribute to doing a good job. Thus, the analytical approach has been adopted because it gives better results.

The analytical approach is best expressed by the use of scientific method. To United States management it has become an indispensable aid to sound decision making. Effective management involves recognizing the problem, determining its cause, developing alternative solutions, and testing the chosen solution to the problem. Scientific method is used by American managers because it has been shown to lead to sound, profitable decisions.

Mexican managers, on the other hand, do not have such high regard and respect for scientific method. Because scientific method demands disciplined, patient, objective thinking and necessitates intellectual confinement, it runs counter to the Mexican manager's inherent
drive for free expression of feelings and thought.

The Mexican (who is similar to the Spanish) is a man of passion. As Ramos observes, "Passion is the note which sets the tone of life in Mexico. . . ."\textsuperscript{32} The Mexican tends toward impatience, impulsiveness, and disregard for objectivity.\textsuperscript{33} He is not essentially concerned with results. Action is merely an outlet for his emotions or feelings. The important element is spontaneous expression. Spontaneous expression and scientific method are incompatible. The Mexican views scientific method as uninteresting and unexciting—even if it does work—and chooses instead to follow his subjective, intuitive urgings. Fayerweather characterizes the approach as follows:

The value of action lies in its effectiveness as a release and a means of expressing inner urges. When the individual has a feeling about something, he wishes to act immediately according to his inclination. With this psychology, the analytical approach is nothing but an impediment. It means that rather than acting according to his feelings, the man must check them against external consideration and in the process, postpone their expression until perhaps they have gone out of his heart.\textsuperscript{34}

Established Rules

On the other hand, when the man of passion does not have feeling, he is apathetic. He is inclined to do things in the manner which requires the least risk and effort.

\textsuperscript{32}Ramos, \textit{op. cit.}, p. 133.

\textsuperscript{33}McCann, \textit{op. cit.}, p. 30.

\textsuperscript{34}Fayerweather, \textit{The Executive Overseas, op. cit.}, p. 63.
This is where established rules become important, according to Fayerweather.

Confronted by a situation in which action is required but about which he has no feelings, the man of passion find it easiest simply to conform to some existing pattern. If he follows the rule there will be no complaints, he will not have to make a mental effort, and the situation will be taken care of.35

The influence of custom was evident at the lower managerial levels within the surveyed firms. According to the executives, sales managers tended to question the nature of marketing research and preferred to rely on their experience, intuition, or "feel" for the market. This indicates the affinity which these men had to the custom or routine of conducting their jobs. Such a reliance upon custom as the basis for action had frustrated the adoption and success of marketing research in some of the firms.

Proyectismo

A final element which limits acceptance of the analytical viewpoint in Mexico concerns proyectismo. Proyectismo consists essentially of constructing plans without much critical analysis and then assuming the plans to be an accomplished fact. It includes not only daydreaming and wishful thinking, but goes beyond this in the extent to which the individual is caught up in belief and identification with his schemes as a form of reality. Fayerweather makes the following statement regarding Mexican executives:

35Ibid., p. 64.
Listening to one of them describing a plan, you realize that, however unlikely or uncertain of success the plan may be, the man is experiencing in its conception the same type of satisfactions which a man of action would realize only as he carried it out. And for him the satisfactions are the greater because a plan which exists only in his mind or on paper does not need to suffer the buffeting of conflicts and obstacles.\textsuperscript{36}

Thus, in Mexico generally the following factors unite to impede the acceptance of an analytical point of view, and hence, of marketing research: (1) The Spanish and French influence on Latin American higher educational institutions which tend to present an intellectual environment far more humanistic and artistic than scientific, where there is a respect for dogma; (2) The lack of opportunities for professional education for managers; (3) Personality characteristics of the Mexicans including an emotional and impulsive approach to life, reliance on established rules, and a tendency toward proyectismo. When these characteristics occur in the extreme, they are certainly inconsistent with effective management.

It is clear from the widespread use of marketing research by these executives that such characteristics do not appear as dominant traits. According to Fayerweather, the men who become executives are the more analytically oriented and realistic members of society. Many of them, being creative and ambitious, are not greatly bound by

\textsuperscript{36}Ibid., p. 66.
respect for dogma and authority.37

Nevertheless, most Mexican executives do have tendencies in this direction because of their cultural background, as this study shows. The survey results point out that Mexican executives were not quite as analytically oriented as were foreign managers. For example foreign subsidiaries were seen to have a greater tendency to conduct marketing research, to perform more types of marketing research, and perform research more regularly than their Mexican counterparts.

Business Education

From the standpoint of professional management education, business administration, and the social sciences, the United States is clearly the leader, at both the undergraduate and graduate levels.38 Of the less developed countries, however, Mexico is a leader in business education, according to Farmer and Richman.39 Nevertheless, Mexico has not been able to meet the need for administration in the nation. For example, only twenty per cent of Mexican administrators have earned degrees in commercial schools; in the United States ninety per cent of the administrators

37Ibid., p. 148.


39Ibid.
have such degrees.\textsuperscript{40}

Only 5,000 students are graduated each year from schools of commerce in Mexico. Nevertheless, this is the specialty which has increased the most in recent years.\textsuperscript{41} In 1970, 177,286 students were enrolled in higher education. Of this number 41,949 or 23.7 percent were pursuing a business education. However, most of these students were in accounting as the following table shows.

\textbf{TABLE 7.2}

\textbf{PERCENTAGE OF MEXICAN STUDENTS ENROLLED IN HIGHER EDUCATION MAJORING IN BUSINESS SUBJECTS}

<table>
<thead>
<tr>
<th>Subject</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting</td>
<td>15.2</td>
</tr>
<tr>
<td>Business Administration</td>
<td>4.3</td>
</tr>
<tr>
<td>Economics</td>
<td>3.8</td>
</tr>
<tr>
<td>Other</td>
<td>0.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>\textbf{23.7}</td>
</tr>
</tbody>
</table>


Mexico cannot be classified at an advanced level with respect to marketing education. Yet, there has been acceptance of the importance of marketing and its functions according to \textit{Technical Education in Mexico} (Part V) \textit{Review of the Economic Situation of Mexico}, Vol. XLII, No. 482 (January, 1966), p. 5.

\textsuperscript{40}Ibid.

\textsuperscript{41}Ibid.
in university curricula.

The subject of marketing research is being increasingly taught in Mexican universities.\textsuperscript{42} Marketing and marketing research are also being offered in short courses for executives, presented by management and marketing associations.\textsuperscript{43} Thus, as such efforts increase, the use of marketing research can be expected to grow.

\textbf{Achievement Motivation}

The achievement motivation of managers is another philosophical element influencing the use of research. David McClelland cites evidence which indicates that there tends to be a negative correlation between high achievement drive in managers and their need for affiliation, affiliation being defined as concern for establishing, maintaining, or restoring a positive affective relationship with another person or organization.

Thus, where managers have a high achievement drive they tend to have little need for affiliation.\textsuperscript{44} Farmer and Richman observe that "This situation is generally more conducive to a high level of managerial effectiveness and productive efficiency than the reverse, since behavior associated with a high need for affiliation is often in

\begin{itemize}
  \item[\textsuperscript{42}]George M. Gaither, "Marketing Research in Mexico," \textit{The International Advertiser}, (February, 1961), p. 12.
  \item[\textsuperscript{43}]Ibid.
\end{itemize}
conflict with productive achievement and efficiency.\textsuperscript{45} However, the latter case appears to be evident in Mexico where Fayerweather's study of Mexican executives reveals that they often seem more concerned with adjusting the relationships among people than with solving a problem more efficiently, whatever the cost in human relations.\textsuperscript{46}

The low achievement drive of Mexicans evidenced by the great interest in human relations at the expense of managerial effectiveness and productive efficiency has tended to impede an increased use of techniques such as marketing research, which are designed to improve the latter characteristics.

Once again, this difference between foreign subsidiary managers and Mexican managers is evident in the differences in the use of the technique of marketing research by the firms. The low achievement drive and higher need for affiliation results in less use of marketing research within Mexican companies compared to foreign subsidiaries.

Thus, educational and philosophical factors have had a very strong effect on the use of marketing research by Mexicans. The low level of literacy has been a large impediment to survey research in Mexico. However, more

\textsuperscript{45}Farmer and Richman, \textit{Comparative Management and Economic Progress}, \textit{op. cit.}, p. 163.

\textsuperscript{46}Fayerweather, \textit{The Executive Overseas}, \textit{op. cit.}, p. 76.
important than the state of educational levels, is the nature of education in Mexico. The pattern of thought which has evolved from the system is one that does not foster independent analytic thinking, so important to marketing research. The nature of education in Mexico reinforces the tendency toward impulse. Mexicans are characterized as men of passion; that is, they are not essentially concerned with results. Action is simply an outlet for their emotions. In addition, proyectismo has deterred the acceptance of the analytical viewpoint.

**The Social Environment**

A number of important sociological variables influence the use of marketing research in Mexico. These variables include the family system and its effect on productive enterprises, the social status conferred on marketing within Mexico, social relationships and organizational contacts.

**The Family System**

The pervasive effect of the family system in productive enterprises has been an impediment to the spread of marketing research in Mexico. The reason for this is that family and personal loyalties in the Spanish and Portuguese traditions are so strong in Latin America as to make difficult the development of dependable large impersonal organizations like corporations. As Dean states
Latin Americans tend to give confidence to relatives more than to outsiders, and there is a common tendency among government officials and business executives to seek relatives as subordinates. The preference from doing business through family and friends remains strong.47

Not only are many businesses family-owned and managed, but organizations are rather small. For example, 97 percent of all food processing enterprises in Mexico employ less than five persons.48 In addition, stores employing less than four persons constitute 94.4 percent of the total commercial establishments.49

The resulting tendency toward small-scale and/or family organizations and the resulting lack of specialization within the businesses impedes the development of marketing research in Mexico generally.

Thus, small, unspecialized family-held companies in developing countries typically make little use of marketing research. Although family-owned and managed organizations are very widespread in Mexico and other developing countries, the companies in this survey were large, corporate organizations. Thus, the large-scale nature of the sample firms


along with their greater extent of organizational specialization accounted for their generally widespread emphasis on marketing research.

Social Status of Marketers

The social status of marketers, in general, influences the development of marketing and marketing research. The higher the social status associated with a particular career, the greater will be the number of capable individuals drawn into that career. It is important, therefore, that marketing have a relatively high social status in order to garner its share of talented labor and thus advance the discipline to an even higher level.

However, in Mexico Fayerweather has determined that marketing is an activity which commands little professional esteem. Within the middle- and upper-class levels of Mexican society, from which most executives are drawn, the social status hierarchy is headed by lawyers and doctors followed closely by other highly educated specialists such as historians, economists, and scientists. Engineers rank slightly lower, but are still in the elite group. The following non-professional majority are also differentiated according to their work: government officials rank highest, followed by military officers, and toward the bottom of the hierarchy are found businessmen. The business field may also be differentiated. For example, banking and accounting are highly respected; but sales managers, personnel managers,
and even general managers have virtually no professional status in Mexico.  

According to Vernon, the low social status of businessmen is attributable, in part, to the distorted image which certain groups have of them. The typical description of Mexico's business leaders, when made by Mexican intellectuals, for example, scathingly characterizes them as being "... ruthless, moneygrubbing opportunists, utterly devoid of social consciousness, without culture or refinement, imitating the worst in North American society, extravagant without limit." Such a viewpoint serves to constrict the supply of talent entering the business field. The pattern of low social status, therefore, impedes the acceptance and development of modern marketing and marketing research as professions in Mexico.

Social Relationships

Social relationships are quite important in explaining the use of marketing research. According to Fayerweather, the way in which people approach their relations with other people may be explained with reference to two basic personality types: the "individualistic" and the "group-oriented." The pattern of personality types prevalent in

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50 Fayerweather, The Executive Overseas, op. cit., p. 95.


a country is a result of that country's economic and social history.

**Group-Oriented Personality**

The group-oriented personality has a feeling of relationship and union with other people. He obtains satisfaction largely from being a part of a smoothly operating group or from the group meeting its objectives. The group-oriented person views others with confidence and senses that they have the same group objectives as he.

**Individualistic Personality**

The individualistic personality, on the other hand, walls himself off as much as possible from others around him. While he may be sociable and communicative in nonessential activities such as recreation and social functions, he may be isolated and secretive in essential activities, such as work. His objective is maximum self-sufficiency. He looks upon those around him as necessary evils; he is distrustful and hostile toward them and suspects them of predatory intentions toward him. The individualistic pattern prevails in Mexico as well as in most of the countries of the world.53

In Mexico, for example, up until the revolution of 1910, the nature of the society was such that "... a man's chief opportunity for advancement lay in receiving

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53Ibid., p. 22.
favors from those above him and exploiting those below." Thus, "A man fought, intrigued, and bargained for a position from which he could exploit others for his own advantage."54

In countries where the trader merchant has dominated economic life individualistic attitudes are strong. Fayerweather states that in Mexico prior to the revolution, . . . virtually all organizations were one man shows ranging from push cart merchants to factories dominated by the owner-manager whose subordinates served only to transmit and enforce his order. In this system success went to the entrepreneur who could outwit, outmaneuver, and outbargain the others, a game for which the individualistic personality was well suited.55

Factors which have reinforced the individualistic attitude in Mexico are the authoritarian father, and the authoritarian nature of the church and the schools.56

An important element of the individualistic personality in Mexico is the great suspicion of others, particularly the distrust of strangers. This tendency is described in Octavio Paz' analysis of the Mexican character:

The Mexican . . . seems . . . to be a person who shuts himself away to protect himself. . . . He is jealous of his own privacy and that of others. . . . He builds a wall of indifference and remoteness between reality and himself. . . . The Mexican is always remote, from the world and from other people. The speech of our people reflects the extent to which we protect ourselves from the outside world; the ideal of manliness is never to "crack," never to back down. Those who "open themselves up" are

54 Ibid.
55 Ibid., p. 23.
56 Ibid., pp. 24-30.
cowards. Unlike other people, we believe that opening oneself up is a weakness or a betrayal. The Mexican can bend, can bow humbly, can even stoop, but he cannot back down, that is, he cannot allow the outside world to penetrate his privacy.

Hermeticism is one of the several recourses of our suspicion and distrust.

... Our relationships with other men are always tinged with suspicion. 57

Such a factor presents tremendous problems for marketing research inside and outside the firm. The results of this attitude toward the use of a staff activity such as marketing research are cited by McCann when he describes the pattern of relationships which develops between the individualistic manager, his subordinates, and his peers. He perceives them as threats to his position and as competition in his drive for advancement.

It is common, therefore, to find a pattern of relationships, exhibiting attitudes of distrust, hostility, and chicanery. Such a pattern may manifest itself in an individual's unwillingness to give peers any information that could conceivably be used against him. This characteristic alone is enough to render most line and staff relationships fruitless. 58

Within such an environment, the staff function of marketing research is certain to be inhibited. Thus, inside the firm, the decision to adopt and use marketing research faces tough obstacles in the way of individualistic attitudes which militate against the technique. Where


58 McCann, op cit., p. 33.
such attitudes prevail, research will be given little im-
portance within the firm.

The situation within Mexico with respect to the
attitudes of executives toward the use of managerial tech-
niques such as marketing research is described by Vernon
when he characterizes the two types of Mexican businessmen
who now dominate the scene:

One is the familiar macho type, who sees
himself as engaged in a secretive contest
aimed at besting the government, the con-
sumer, and the competitor. Deception,
manipulation, influence and secrecy are
his tools. The other group - newer in origin,
younger in age - consists of the trained,
'scientific' business executives, chafing
under the restraints of their elders, im-
patiently looking for opportunities to
apply their 'rational' tools of analysis to
business problems.59

The individualistic personality pattern of Mexico
and its influence in bringing about suspicion and dis-
trust has a dramatic effect on the conduct of marketing
research, notably survey research.

A strong effort is made to maintain one's privacy.
It is noticeable in the pattern of housing dominant in
Latin America, which is derived from the Spanish format.
The following statement characterizes the Mexican pattern:

The architecture of the houses--their barred windows
and well-guarded doors, which prevent intrusion from
prying curiosity--together with the climate and cus-
toms, conspire to incline the people to lead ex-
clusive lives.60

59Vernon, op. cit., p. 160.
60Fanny Iglehart, Face to Face With the Mexicans
Such housing pattern poses strong obstacles to survey research in Mexico as revealed by the experiences of marketing research firms in Mexico City.

Suspicion and distrust are also evident in Mexican business relationships. For example, Frank Dunbaugh states that prying into business secrets can create obstacles in Latin America:

A major difficulty in obtaining accurate facts is the suspicious attitude of distributors and dealers. Sales executives in Cuba, Venezuela and Mexico have told me that they found it impossible to gain any knowledge of the sales results of their advertising and promotion campaigns because dealers would not allow them to check inventories either before or afterwards. Many Latin American retailers regard this as spying. Whether they are worried about the tax collector or whether this is just a carry-over from the days when business matters were strictly private affairs, their feelings definitely hinder the progress of market research.

Consequently, where such individualistic attitudes are prevalent, as in Mexico, businessmen look askance at cooperation; thus, the transmission of marketing information is impeded. Such a factor was widely mentioned by the firms surveyed as a barrier to the practice of marketing research in Mexico.

Authority Delegation and Decision-Making Participation

An additional element which deters greater use of marketing research in Mexico is the Mexican manager's attitude toward delegation of authority and participation in

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decision-making. Whereas United States managers can be characterized as being "pro-delegation," Mexican managers can be described as being "anti-delegation." McCann states that this characteristic springs from strong authoritarian attitudes and an impelling need to be individualistic. Over the years the role of the Roman Catholic Church, the role of the military, and existence of a basically two-class social system have brought the people to accept and expect authoritarian leadership. The Mexican manager also has strong psychological drive to be individualistic which he satisfies by making as many of the significant decisions as he can within his realm of authority.62 Such a tendency negates the participation in decision making by a staff group such as marketing research.

Closely allied to the concept of authority delegation is participation by subordinates in the decision-making process. Once again, United States executives can be characterized as being "pro-participation," while Mexican managers tend to be "anti-participation." The requisites to subordinates decision-making participation are generally lacking among Mexican managers. According to McCann, "The prevailing authoritarian attitudes and a keen awareness of appropriate superior-subordinate roles do not prompt them to seek ideas, opinions, and advice from subordinates."63

62McCann, op. cit., pp. 31-32.
63Ibid., p. 32.
Dean makes the following observation:

Avoiding the impersonal procedures of "staff work," and other paraphernalia of modern United States society, the Latin American official or executive tends to delegate very little responsibility, scrutinizing in detail much that United States executives would consider trivial, and as a result often becoming bogged down in work and slowing affairs that may be of great urgency.\(^{64}\)

Given such an environment, the Mexican manager will be less inclined to use consultative or participative techniques. Thus, staff work performed by a marketing research department tends to be less effective than it might otherwise, if it is used at all.

In spite of the fact that all firms in this survey utilized marketing research, the Mexican firms performed the technique less widely than did foreign firms. In addition, the Mexican companies were less likely to have a staff department conducting marketing research.

Organizational Contacts

The nature of organizational relationships, as well as that among individuals is also quite important in influencing the use of marketing research. The fact that these firms are very large increases the scope and extent of extraorganizational relationships which these firms have in comparison to those of small manufacturers. Large firms generally have more extraorganizational contacts with channel members, suppliers, competitors, and supporting

\(^{64}\)Dean, loc. cit.
firms such as advertising agencies, as well as with the parent company, if the firm happens to be a subsidiary of a foreign corporation.

The latitude of such contacts may facilitate the exposure to the use of innovations such as marketing research and thus may influence the acceptance of the technique by these firms.

**Influence of Foreign Businesses**

Foreign businesses can be instrumental in the adoption of an innovation such as marketing research. Thus, the greater the extent of contact between Mexican companies and, for example, American firms already using marketing research, the greater will be the spread of the technique. The increased use of marketing research is largely a result of the inflow of foreign investment, particularly American. In 1965, total United States direct investment amounted to about 1.2 billion dollars with two-thirds in manufacturing.65

The pervasive influence of United States technology is apparent throughout the Mexican economy. As Raymond Vernon notes, "United States technology flows into the country through the ad hoc visits of outside technicians, through formal technical assistance or licensing contracts, and through the channels established between subsidiaries and their parent companies."66

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66 *Vernon*, op. cit., p. 22.
The demonstration effect of the foreign subsidiaries on the Mexican firms was not mentioned specifically by the Mexican companies. It is certain that foreign firms conducting research in Mexico had some influence in this direction, nevertheless. There was definitely an indirect influence mounted by the foreign manufacturers which influenced adoption of the technique of marketing research by Mexican firms. Support for this conclusion comes from the references made by Mexican firms concerning competitive factors and the internal need for information which resulted in large part from the aggressive actions of these foreign manufacturing firms. Thus, the foreign firms influenced research adoption primarily through their effect on competition rather than by demonstration.

Influence of the Parent Corporation

The contact between foreign subsidiaries operating in Mexico and their parent corporations in the United States and Europe had an influence on the subsidiaries' decisions to adopt marketing research. The nature of this influence was found to be rather direct in some instances where the parent corporation had dictated that the subsidiary perform certain marketing research. More generally, however, the influence was felt indirectly through the parent corporation's expectation of adequate performance by the subsidiary in the Mexican market. In order to produce such performance, the subsidiaries found that they needed adequate information in order to make optimal decisions. Therefore, this "need to know" produced the relatively high level of marketing
research which was found among the companies.

Influence of Advertising Agencies and Marketing Research Firms

The contact between industrial organizations and advertising agencies and competition between the agencies themselves may stimulate the growth of marketing research. The industries in this study were found to be heavy users of advertising as the budgets in Table 7.3 reveal. The strong reliance on advertising spurred the use of research by the manufacturers in this survey. As one Mexican advertising agency executive observes, "With a growing, sophisticated market as the burgeoning middle-class reflects higher incomes and greater purchasing power, local agencies found increasing competition for the advertising peso and the need to offer the client more in the way of services. And the service more in demand than ever . . .  is marketing information."67

The influence of advertising agencies in the adoption process of marketing research in Mexico, however, was not very potent, although the agencies were important sources for the conduct of certain types of marketing research. Not one of the manufacturers questioned mentioned an advertising agency as the catalytic agent influencing the adoption decision. Apparently the agencies were somewhat passive elements through which research studies were conducted

TABLE 7.3

ADVERTISING BUDGET DISTRIBUTION BY MEDIA AMONG SELECTED MEXICAN INDUSTRIES

<table>
<thead>
<tr>
<th>Industry</th>
<th>Estimated Budget in Dollars</th>
<th>Television</th>
<th>Radio</th>
<th>Newspaper</th>
<th>Magazines</th>
<th>Movies</th>
<th>Outdoor</th>
<th>% of Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Soaps, Cleansers, Detergents</td>
<td>11,554,320</td>
<td>71.6</td>
<td>17.0</td>
<td>4.8</td>
<td>6.6</td>
<td>-</td>
<td>-</td>
<td>7.4</td>
</tr>
<tr>
<td>Food</td>
<td>9,241,920</td>
<td>67.2</td>
<td>20.5</td>
<td>3.5</td>
<td>6.2</td>
<td>-</td>
<td>2.6</td>
<td>4.3</td>
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<td>Wines and Liquors</td>
<td>7,115,560</td>
<td>40.0</td>
<td>23.5</td>
<td>11.9</td>
<td>8.3</td>
<td>3.6</td>
<td>12.7</td>
<td>10.5</td>
</tr>
<tr>
<td>Soft Drinks</td>
<td>8,609,488</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
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</tr>
<tr>
<td>Beer</td>
<td>4,514,960</td>
<td>*</td>
<td>*</td>
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<td>Home Appliances</td>
<td>4,972,248</td>
<td>20.7</td>
<td>41.0</td>
<td>27.4</td>
<td>6.8</td>
<td>-</td>
<td>4.1</td>
<td>2.2</td>
</tr>
</tbody>
</table>

*Did not furnish data.

after the decision to adopt the technique had been made. The fact that the research done by many agencies in Mexico City was judged so critically by their clients would also tend to indicate that the needs of the manufacturers were frequently more sophisticated than the abilities of their agencies. Thus, the agencies, in this particular case, did not appear to exert very much of a fomenting influence in the adoption process.

Contact with marketing research firms proved to be an important source of influence on the conduct of marketing research by these manufacturers. It has been revealed that twenty-eight firms had used the services of such consultants.

Most firms in the survey expected their use of external sources of marketing research information to increase in the future. Thus, the influence of these sources should increase. The stronger relationship which is building should result in an increased use of marketing research information by the firms.

**Influence of the Government**

There was no apparent influence by the Mexican government in the decision of these firms to adopt marketing research. This finding is attributable to the fact that these firms were in consumer goods industries—industries in which there was relatively little government investment. Had these been industrial goods manufacturers, on the other
hand, the influence of government might have been more noticeable, since a large portion of the investment in such industries is channeled through the government development bank, NAFIN. Thus, it is reasonable to expect that such control would be accompanied by a strong push to utilize effective managerial tools and techniques, such as marketing research, to ensure the viability of the enterprise and, hence, the government's investment.

Industry-University Contact

The companies in this survey had virtually no contact with Mexican universities. Thus, there was no impact by educators on the marketing research policies of the companies mentioned by the respondents.

The greatest extent of university contact resulted in the companies which used university students as workers on survey projects. The lack of adequate industry-university contact is one reason why instruction at educational institutions is inadequate for filling the needs of business enterprises in Mexico. Such a result, according to one publication "is due to the fact that institutions of university level are out of touch with business executives; students that are graduated lack practical preparation, even though they learned a great many theories." 68

There is a need for better relations between business

68"Technical Education in Mexico," loc. cit.
executives and university faculty which would foster greater dissemination of managerial practices such as marketing research.

The social environment, therefore, has a large influence on the use of marketing research in Mexico. The effect of the pervasive system of family-organized business enterprises has limited greater acceptance of marketing research in Mexico generally. However, the companies interviewed in this survey were large, corporate organizations which relied on more modern and rational methods of staffing and had a greater degree of specialization, hence used marketing research to a greater extent.

The low social status of marketers in Mexico is a barrier to recruiting talented individuals into the occupation and thus deters acceptance and use of marketing research.

Another sociological variable which forms a major barrier to the use of marketing research, particularly survey research in Mexico is the individualistic personality. Businessmen, as well as consumers, reveal a suspicious and secretive attitude which impedes the transmission of marketing information. Although this cultural variable forms the background of the Mexican managers in this study, it does not have primary influence on them. Thus, their use of marketing research is at a relatively high level, yet not as widespread or regular as the foreign executives in this survey.
Contact between organizations was seen to have a beneficial influence on the use of marketing research by the firms in this survey. The influence was sometimes indirect, however, as in the case of foreign business firms stimulating competition rather than acting primarily as demonstrators of research techniques. Contact with the subsidiary's parent corporation was seen to be a more direct influence. Weaker influencing agents were found to be advertising agencies, government, and the universities.

The Economic Environment

Economic factors have a large influence on the use of marketing research in Mexico. This section discusses the major variables and their effect.

General Economic Framework

The general economic framework of Mexico is a mixture of capitalism and socialism. Measured in output terms, the economy is one of private enterprise, with over 90 percent of the country's gross national product in 1950 contributed by the private sector. Yet the sectors of the Mexican economy which are not privately owned are quite important. For example, Brandenburg notes that the state has whole or partial ownership over the following economic sectors; subsoils; agriculture; irrigation; communications and transportation; basic industries such as electric power,

69Vernon, op. cit., p. 7.
petroleum exploration and refining, and iron and steel; plants in other industries; municipal services; hospitals; banking and finance; distribution of consumer goods; and churches. One of the chief reasons for the enlarging state ownership has been the insufficiency of private investment in order to meet the country's economic development goals.

The manufacturing activity of Mexico is largely in the hands of private enterprise--approximately 96 percent in 1959. Thus, there is presently little central planning of such activities, and consequently marketing research is basically performed privately by manufacturing firms rather than centrally by the government bureaucracy.

Although there is a strong element of socialism in the Mexican economic system the government has voiced no disparagement of marketing activities. There has even been some public investment in the distributive sector in order to facilitate and improve the marketing process, particularly to low-income groups. For example, the government has been expanding and modernizing public markets and engaging in distribution of basic consumer goods through government-owned stores and mobile vans. Since the Mexican government recognizes the importance of an adequate marketing system, this attitude should provide a favorable environment for further improvements in the system, such as greater use of marketing research.

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70 Brandenburg, op. cit., pp. 229-231.
Level of Economic Development

The stage of economic and marketing development of Mexico is a very basic factor explaining the use of marketing research. The Mexican economy is presently at the "take-off" stage of development. Although such a description of the level of development is useful, it is also somewhat misleading—it is like an average which may hide extreme diversities within the economy. Similarly, any brief titular description of the Mexican marketing system is misleading—for this system also is quite diverse.

The pattern of Mexican marketing is represented, on one hand, by the most modern of commercial practices, as exhibited by shopping centers containing beautiful new department stores and supermarkets. Yet, coexistent with this system there is also an archaic distribution system, based on the Indian and Spanish influenced colonial-type open markets or small shops where business is done by individual bargaining. And the marketing system is even more primitive in some areas.

Similarly, the use of marketing research in Mexico is quite varied. As seen in Chapter IV the level of usage of marketing research is rather limited overall. However, as seen in Chapter VI the use of research by the sample firms is much more intensive than this general pattern would suggest. At the same time, however, the extent of use and intensity of research in Mexico's large firms is not nearly as great as is the case in the United States.
Although the system of marketing in Mexico is quite varied, as is the case in most countries of the world, the extent of advancement of the system is inextricably tied to the development of the economic system. For, after all, the highest form of marketing development can only evolve as conditions are favorable within an economy to support its continued existence.

**Dynamism of the Economy**

Mexico has exhibited a very dynamic economy over the past decades. Between 1950 and 1965 the average gross national product growth rate was 6.1 percent. Projected growth between 1965-70 was set at a 6 percent minimum annual increase in real gross national product. Preliminary data indicate the country will achieve its goal. The country has achieved the highest growth rate of any Latin American nation, but not as fast as the spectacular performances of Japan and Germany. The great dynamism of Mexico's economy has changed consumption patterns and forced the marketing system to utilize research to ascertain the new patterns.

**Buyer's or Seller's Market**

The extent of a buyer's or seller's market is a

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72 Ibid., p. 104.

73 Vernon, *op. cit.*, p. 5.
major economic environmental variable influencing the use
of marketing research by manufacturers. Two factors in-
fluence the extent to which such a situation prevails with-
in Mexico, and, hence, the use of marketing research by the
sample firms. These conditions are the degree of inflation
and the manufacturing capacity.

Inflation

It has been shown in the model that rapid inflation
creates a seller's market psychology which impedes the need
for research by companies operating within such an environ-
ment. The mild inflation within Mexico has not spawned such
an unfavorable environment.

The rapid economic growth of Mexico has brought
about some inflation; however, the country has not suffered
great price instability. There have been no devaluations
of the peso since 1954. In spite of the constant foreign
exchange rate since 1954, prices have gone up within the
country. During the 1950's the wholesale price index in
the capital increased by 80 percent and the cost of living
index by 110 percent, in contrast to the United States where
wholesale and consumer prices rose by 16 percent.

The Mexican inflation, however, has been mild com-
pared to the situation in other Latin American nations such
as Argentina, Chile, Brazil, Bolivia, and Paraguay. Since
1958 the inflationary trend has been very moderate.74 Thus,

74George F. Leaming and Walter H. Delaplane, "An Economy
of Contrasts," Six Faces of Mexico, Russell C. Ewing, Editor
in Mexico, manufacturers have not faced rampant inflation with the resulting seller's market. Consequently, the acceptance and use of marketing research by the manufacturers in this survey was seen to be at a relatively high level.

Manufacturing Capacity

In spite of the limited Mexican market the consumer goods manufacturing capacity in Mexico has expanded tremendously such that it needs several million additional paying customers. Brandenburg characterizes the situation as follows:

There is excessive production in virtually every line of package foodstuffs and beverages, articles for the home, and other consumer items. From giant factories, processing plants, bakeries, and breweries down to small "cottage industries," the number of establishments manufacturing consumer goods has mushroomed. Freely competitive capitalism (and, in some instances, monopolistic capitalism) characterizes the consumer-goods industry. . . . There are too many plants, too much productive capacity, and too many trade-marks on the Mexican market.75

Thus, the extent of a buyer's market in Mexico has affected the managerial attitudes of the companies sampled. They have adopted rational techniques, such as marketing research, in order to guide their decision making and improve their market position. Hence, the result, as evidenced by the large consumer goods manufacturers in this survey, is a widespread use of marketing research.

Competition

The effect of competition is evident by the marketing

75Brandenburg, op. cit., p. 290.
research practices of these manufacturers. The foregoing characterization by Brandenburg cites the extent of competition in these industries. These external competitive pressures generated an internal need for management to be provided with information for proper decision making.

The managers in this survey referred to a need for certain types of marketing information. Their comments reflected the fact that they simply could not operate successfully within an atmosphere where there was an information void. There was an internal need for information in order that optimum decisions might be made. Thus, the managers recognized the drawbacks inherent in the irrational or "seat of the pants" approach to marketing decision making. According to the manufacturers, it was impossible to achieve success without information on markets, products, advertising, customers, competitors, and other elements of the environment.

Government tariff-policies have been responsible for the lack of greater competition in some Mexican industries. By maintaining artificially high tariffs, numerous industries have not been forced to increase their efficiency. Consequently, many firms have had little stimulus to utilize marketing research in an effort to create a more rational business operation.

The basic guiding principle is to provide a duty which will guarantee the market for the national product. At present the average duty on raw materials is 5 percent,
on capital goods 10-15 percent, on consumer goods 50 percent, and on articles considered luxury goods 100 percent.\textsuperscript{76}

According to one source,

As industrial development advanced in the sixties, certain problems . . . began to arise. Absolute and indiscriminate protection had created, in certain cases, a cost-structure which made it impossible for production to compete internationally, together with excessive profit rates. There were few incentives for updating plants and incorporating new techniques, since industry could count on a practically guaranteed captive market.\textsuperscript{77}

The present pattern of protection has been undergoing an overhaul. The government has set certain performance standards and new factories must meet standards of quality, quantity, and delivery date. In addition, the Secretary of Industry and Commerce has stated that tariffs will be revised and excessive protectionism will end.\textsuperscript{78}

International Markets

The foreign trade structure of a nation can be a factor influencing the use of marketing research. As the volume of foreign trade expands, as distance increases, and as the value and sophistication of products entering


into trade becomes greater, the use of marketing research by the exporting country tends to increase.

Mexico's export growth rate was 57.5 percent between 1960 and 1966. Such a trend would normally tend to stimulate the country's use of marketing research. However, the short distance involved in the trading patterns and the nature of the products exported have tended to negate the greater use of the technique. For example, the United States continues to be Mexico's best customer, absorbing approximately 60 percent of the country's exports in 1967. Mexico has attempted to widen its market, however, by exporting in greater quantities to Japan and The European Free Trade Association countries. Europe and Asia accounted for approximately 12 percent and 10 percent, respectively, of Mexico's exports in 1964.

The bulk of Mexico's exports have been agricultural and mineral products. Thus, there has been little need for research to analyze markets, prices, or promotions of such products. However, exports of manufactured products have increased, growing from 12 percent to 20 percent of total exports between 1958 and 1964. The sales of these

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81 *Learning and Delaplane*, op. cit., p. 229.
82 *Brand*, op. cit., p. 126.
manufactured products are subject to greater competitive pressures; thus, the use of marketing research in Mexican firms to provide proper direction to the marketing of such goods should increase.

Type of Industry

The nature of the industrial base is also an important variable which influences the use of marketing research in Mexico. The industries which tend to be in the forefront of use of marketing research are those which are new, have the most modern plant and equipment, and are keenly competitive.

This pattern was supported by the Mexican companies surveyed in this study. First of all, these companies were members of the consumer goods sector which typically conducts more marketing research than industrial goods firms. In addition, these companies were found to have relatively new, modern facilities with an emphasis on product development (if not in Mexico, at least by the subsidiary's parent organization in the home country—which products might then be transplanted). The companies were also quite competitive as described earlier.

The sample firms were also large scale entities. The size of these firms enabled them to allocate a larger share of their budgets toward research activities than small firms might afford.

These findings, therefore, support additional elements of the model. The general economic framework, although
strongly tinged with socialism, nevertheless offers a favorable environment for consumer goods manufacture. This is a sector in which the government has little ownership but desires to increase efficiency of marketing activities.

Mexico is at the take-off stage of economic development. As the country proceeds to develop, there should be an increased use of marketing research according to the curve of research usage. The Mexican economy is growing very rapidly and this dynamism has changed consumption patterns necessitating the widespread use of marketing research by the large manufacturers in this study.

Inflation has been mild in Mexico and therefore has not impeded the acceptance of marketing research by causing a seller's market. The low consumer purchasing power coupled with excess capacity within the consumer goods manufacturing sector also contributed to a buyer's market condition.

Mexico's foreign trade structure has not been an important factor influencing greater use of marketing research because the patterns of trade and the products entering international trade are not those which bring about a strong need for such a technique.

Government policies with regard to protectionism have fostered an attitude in some industries which is opposed to greater use of marketing research.
Finally, the type of industry is seen to be an important consideration in the use of marketing research. The companies surveyed all were members of the most progressive industries in the consumer goods sector and had relatively new, modern facilities. The companies were also large in size, a factor greatly influencing their ability to conduct marketing research.

The Political Environment

The political environment has an impact on the use of marketing research through its effect on the economic system and its support for governmental services, such as statistical services.

Political Organization

The Mexican political system has provided the country with tremendous stability. The system has succeeded because of its one-party nature, which Brand characterizes as tyrannical:

The tyranny is not of the classic overt despotic type: there is freedom of speech, belief, and movement. Rather it is the benevolent tyranny of a one-party government which allows the people to approve only the candidates and programs that have been predetermined.\(^{83}\)

The extreme power of the one-party system is evidenced in the economic sphere, where there is a large amount of control or direction of resources. The government has steadily moved to reduce and control foreign investment in

\(^{83}\)Ibid., p. 12.
Mexico. Originally, the path was through outright expropriation; since then, the government has applied the rule of Mexicanization, meaning that a majority of the invested capital must be Mexican.

The policy of industrial development is being achieved by intervention and guidance on the part of the government. According to Tannenbaum,

... one of the cardinal beliefs of the present leadership is that the government must intervene to protect Mexico against the foreign interests and even more, to stimulate and direct the industrial and economic development of the country. In fact ... the government is involved, directly or indirectly, through semi-official agencies operating with government credit, with government personnel and in conformance with some governmental objectives in almost every economic enterprise in the country. 84

The result of such a political organization has been great stability for Mexico. Mexico has been able to contain unstabilizing influences. This has great significance for the operation of business enterprises and is favorable to greater economic development. As economic development proceeds, the use of marketing research can be expected to increase.

Government Statistical Services

The final element of the political system which has much influence on the use of marketing research in Mexico is the statistical gathering process. Without sufficient basic data with which to work the marketing research process

84Tannenbaum, op. cit., p. 234.
is greatly handicapped. In Mexico the reliability and coverage of official statistics is best summarized in the following statement by the Combined Mexican Working Party:

In most fields, the official statistics are incomplete or inaccurate or both, and in some instances discrepancies have proved baffling. . . . There is a real need in Mexico to improve official statistics and to integrate the activities of agencies engaged in collecting or regrouping statistics.85

Many government departments prepare regular statistical series, or special materials. The General Statistical Bureau (Direccion General de Estadistica) of the Ministry of Industry and Commerce is attempting to establish common statistical standards and methods for all government agencies; but little progress has been made in this regard since the law was passed in 1958.

Robert Shafer characterizes the quality, quantity, and method of publication of Mexican statistics as merely "adequate." Among the reasons for the deficiencies in Mexican statistics, Shafer cites the following:

For one thing, the compartmentalization of the bureaucracy . . . has encouraged secretiveness in the treatment of statistical information. For another thing, some complaints are not so much about the inadequacy or inaccuracy of traditional figures on such things as government revenues or public investment, as about the absence or inadequacy of data requiring types of information-gathering not yet sufficiently elaborated by the government (e.g., on actual family income or

expenditures, or the investment plans of private enterprise, or the skills of industrial workers).  

As the data of the present study indicate, such deficiencies have severely impeded the use of marketing research in Mexico and retarded the development of more sophisticated research projects. As Shafer observes, "It is widely recognized that improvements in the statistical field are everyday more desirable as the size and complexity of Mexican economic development operations increase." It is equally evident that as the marketing system develops there is a desperate need for the development of the Mexican statistical process which, at best, can only be described as adequate.

Political factors have, on the whole, contributed to economic stability, thus fostering business growth and the increased use of marketing research. However, certain government services, such as the statistical gathering process, are deficient and, therefore, have made the marketing research task more difficult.

Summary

The use of marketing research in Mexico is determined by environmental factors. Certain elements of the environment function in a manner which fosters the use

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87 Ibid.
of research by firms, while others operate to impede the spread of the technique. The effect of these variables was evident within the sample firms and throughout the economy as a whole.

Geographical factors were fundamental in influencing the use of marketing research. Most firms in Mexico are confined to a localized market and thus find little need for research. However, the surveyed manufacturers were at least nationwide in the scope of their distribution and hence found a more compelling need for research. Physical features of the Mexican landscape were cited as deterring the conduct of marketing research, mainly surveys, because of the difficulty of reaching much of Mexico's population. Urbanization had resulted in greater needs for research because of the growing mass market. It had also resulted in an urbanized brand of research confined primarily to the major cities of Mexico City, Monterrey, and Guadalajara where most of the population, research firms, and competition were concentrated, and where costs could be minimized.

The cultural environment was extremely influential in the use of marketing research by the firms. A favorable element in Mexico was seen to be the amenable attitude of executives toward the borrowing from other nations of managerial techniques recognized as superior. This attitude was fostered by the mestizo background of the Mexican and the feeling of malinchismo. The executives in this study were generally young, a factor which is also important in the adoption of an innovation.
The Catholic Church has been an impediment to economic advancement in the past but the church is becoming more favorable to change. The taboo and ethical structure of Mexico was seen to have an effect on survey research by inhibiting responses to certain questions, or by distorting responses in a favorable direction because of the courtesy bias existing among Mexicans. The marketing of products to widely divergent cultural groups throughout Mexico was seen to be a favorable influence on the usage of marketing research by the manufacturers.

The educational and philosophical environment was an important determinant of the use of marketing research. The generally low level of literacy of Mexicans was frequently cited by the researchers as an impediment to survey research, particularly mail surveys.

The educational system of Mexico does not create a favorable attitude toward the use of such techniques. The Mexican approach to learning is one of indoctrination, with learning handed down from teacher to student without question or hesitation. This molds the individual's approach to life and work. Established rules and impulse have opposed the analytical approach to management in Mexico. The tendency toward proyectismo has also impeded the use of marketing research. In addition, business education is not stressed in Mexico.

The social environment had a large impact on the use
of marketing research in Mexico. The tendency toward small-scale and/or family organizations and the resulting lack of specialization within businesses has impeded the development of research in Mexico. The low social status of marketers in Mexico has been a barrier to recruiting talented individuals into the occupation and, thus, deters acceptance and use of marketing research. The individualistic personality of Mexicans harbors distrust and suspicion which creates among businessmen and consumers a secretive attitude which impedes the transmission of information. This individualistic attitude also results in a lack of authority delegation and hinders the participation of staff groups such as marketing research in the decision making process.

In spite of the fact that these social factors had a strong influence in the Mexican economy generally, they did not form the dominant personality pattern of the surveyed executives. These firms were, therefore, more intensive users of marketing research. In addition, the large size of the companies and their resultant ability to more easily afford research and to departmentize for its conduct was a definite positive influence on the widespread use of the technique. Organizational contacts also had an influence on the rise of marketing research by the firms surveyed.

The economic environment in Mexico had a strong influence on the use of marketing research. Although the
economy is tinged with socialism, this factor has not much affected the use of marketing research in the surveyed industries. The dynamic growth of the economy and the changing consumption patterns have fostered the use of research among the sample manufacturers. Inflation has been mild in Mexico and thus has not given way to a seller's market condition. The low consumer purchasing power and the excess capacity of firms in the surveyed industries has also contributed to the prevailing buyer's market. The foreign trade structure of the nation and the extent of protectionism have not given great impetus to the use of marketing research in Mexico. The type of industry was seen to be an important factor in the use of marketing research in Mexico with consumer goods manufacturers in progressive industries having new, modern facilities tending to be at the forefront of the technique's use.

The political environment was of importance through its effect on the economic system and the nature of governmental services. The political structure of Mexico has contributed to stability and, therefore, business growth, which provides a favorable atmosphere for the increased use of marketing research. Statistical services of the Mexican government have, however, impeded the practice of these manufacturers because of deficiencies in the work and the lack of needed information.
CHAPTER VIII
SUMMARY AND CONCLUSIONS

The purpose of this study has been to develop a model of variables which influence the adoption and use of marketing research by management. The elements contained in the model have been defined, explained, and illustrated with the specific case of Mexico.

Chapter II cited the role of marketing in economic development and it was determined that the function's contribution was quite important.

Chapter III discussed the benefits to be derived from the use of marketing research. It was seen to provide advantages or benefits for management, the firm, consumers and, in general, contribute to economic development. Thus, the result of acceptance and utilization of marketing research by firms is an increased rationalization of economic activity which is beneficial to all.

Because of the importance of marketing research, not only in the functioning of marketing, but also in the life-stream of the economy, Chapter IV examined six basic influencing variables and numerous subfactors which have a positive or negative impact on the use of the technique, particularly from the standpoint of the firm's management.
Marketing research is both an attitude (the use of scientific method), and a set of techniques. Thus, the factors in the model were related to the twofold nature of the entity. That is, discussion centered on those elements which foster or impede the conduct or implementation of research techniques, particularly surveys, and those factors which aid or hinder the use of scientific method or philosophy in decision making. It was determined from the model that six variables are important in the process of acceptance and use of marketing research:

1. Geographical Factors
2. Cultural Factors
3. Educational and Philosophical Factors
4. Sociological Factors
5. Economic Factors
6. Political Factors

The general use of marketing research in Mexico was discussed in Chapter V. It was noted that the overall level of usage of marketing research in the nation is not great. For example marketing research expenditures as a percentage of national income in Mexico are relatively low compared to more economically developed nations.

The conduct of research in Mexico was seen to be hindered by a number of factors. Surveys, for example, are limited by low literary levels and poor telephone penetration. The range of choice of marketing research facilities is also somewhat limited. In addition, the cost of marketing research is burdensome to many companies because it often represents a larger percentage of sales.
or of marketing costs compared to firms, for example, in the United States which, on the average, have larger sales. However, costs of conducting marketing research in Mexico are somewhat lower than costs in the United States because of Mexico's lower wage rate. The lack of adequate statistics also causes problems.

Chapter VI presented survey findings concerning consumer goods manufacturers in Mexico. The technique was found to be familiar to the manufacturers and practiced regularly by them. However, foreign firms had a greater tendency to conduct marketing research and did so on a more regular basis. The organization for marketing research practice within the sample firms was generally established on only a part-time basis. However, foreign firms had a much greater tendency to organize their research operations on a full-time departmental basis. Budgeted expenditures for marketing research by the firms were found to compare favorably with the pattern for American consumer goods manufacturers.

It appears, therefore, that in spite of claims made by some authors as to the extreme paucity of marketing research in the underdeveloped countries, such a situation is not substantiated in the case of these large consumer goods manufacturers in Mexico. It is true, however, that in Mexico generally, there is a relative lack of use of marketing research.
There were forces opposing the acceptance of marketing research within the sample companies. Cited factors included cost, lack of talented researchers, geographical, and cultural constraints. Also of importance was the opposition to marketing research caused by the lack of conviction as to the need for as well as a lack of confidence in the findings of such studies. These and other constraints were developed more fully in the chapter which followed.

Chapter VII discussed the environmental model in terms of secondary data on the Mexican environment as well as the experiences of the surveyed firms. The six environmental factors were found to be influential in the use of marketing research within Mexico generally, and by the sample firms in particular. These variables influenced the nature of marketing research as well as its usage.

Uses of the Model

The model which has been developed within these pages is seen to be a useful tool for the analysis of marketing research within a country's economy, an economic sector, or simply within an individual firm. Thus, the model is useful as either a macro or microanalytical tool.

The model identifies the most important environmental variables impinging on the use of marketing research by firms. This facet is quite important because of the ultimate purpose of the model. The goal of such an analysis
is to be able to identify those variables which impede the usage of marketing research in an effort to control these factors. For example, the environmental elements which deter firms from the use of marketing research must be improved. That is, such variables must be made more hospitable to the use of the technique.

Thus, by identifying the key variables and the nature of their influence these factors may be enhanced so that firms may make greater use of marketing research. For example, it was discovered that a great impediment to the use of marketing research is the lack of an analytical outlook by the Mexican. However, this situation could be improved by a reorientation of the educational system to inculcate into students a more thoughtful and analytical approach to problem solving. With greater appreciation for scientific method should come a greater use of marketing research. Thus, by such methods the environment may be restructured to produce a more favorable milieu.

By creating a more favorable environment, increases in the use of marketing research can be expected with the result that the economy may progress rapidly to a higher level of development.

In addition to implementing long range changes in the environment, there are some approaches to increasing the use of marketing research in a country such as Mexico which may have a more immediate effect. First, more emphasis should be devoted to university training in marketing
research and to training for management personnel in the subject. This would help to instill a greater appreciation and understanding of the technique in those who are or will be managing Mexico's industrial enterprises.

Because costs are claimed to be burdensome to many manufacturers, some attempt must be made to reduce these costs so that large companies may do more research and so that smaller companies may find it financially feasible to begin using the technique. First of all, a better understanding must be fostered among management of medium-sized and small companies of the benefits to be derived from marketing research. When the cost is related to these benefits management may become more amenable to the use of research.

In order to actually reduce the cost of marketing research for companies several options are available. One possibility is for firms to conduct joint research. Virtually none of the companies surveyed in Mexico utilized any such program. There were only limited instances of research firms performing omnibus surveys allowing several manufacturers to contribute questions of interest to them, yet unrelated overall. The use of industry associations for research was also neglected, other than for production data, which was claimed by the manufacturers to be distorted anyway. Some manufacturers were unaware that their particular industry had an association, while other
manufacturers stated that their associations were relatively inactive. A final possibility for cost reduction is to have marketing research firms conduct investigations on their own initiative and sell this to firms at inexpensive rates.

Product movement data and audience measurements are a first step in this direction. However, charges for such services, particularly Nielsen data, were felt by subscribers to be burdensome. Some manufacturers found it impossible to subscribe because they could not equate the benefits to costs. Here again, an educational responsibility exists.

The question of the usefulness of market data to individual firms when it is being shared with competitors is sure to be raised by the firms. It is true that a big advantage of marketing research is learning something not known to competitors. However, different companies will make different interpretations of the same information. Thus, there is still the possibility of gaining a competitive advantage in spite of the sharing of data.

**Limitations**

One limitation of the present study is the problem of model development. There was no established model available which could be used to evaluate the usage of marketing research in Mexico. Thus, a hybrid model was developed utilizing two widely accepted frameworks. In addition, the present state of the art with regard to the use of this
type of model in marketing is not very advanced. The
great complexity of the environment makes the task of de­
velopment and testing of such a model extremely difficult.
Thus, the model described in this project is an imperfect
one reflecting the evolutionary nature of the field's
development.

Another limitation of the research conducted con­
cerns the conditions surrounding the study. Because of
time and financial constraints it was not possible to
broaden the survey to include additional industries and
firms or sample other cities in Mexico. Thus, the research
is only representative of large companies in these four
industries in Mexico City.

Therefore, a basic limitation to this study is the
degree of finality of the conclusions reached. It is dif­
ficult to extrapolate these findings to other industries,
and countries. The findings of this report are not absolute
proof of the influence of environmental elements on the use
of marketing research. Certainly more research needs to be
conducted on these relationships. However, this research
does provide a needed step in the direction of increased
understanding of the impact of the environment on the firm
and its adoption of managerial techniques. The model
serves as a comprehensive, integrated framework by which
other industries and/or countries may be analyzed. It is
hoped that additional research will be conducted to further
validate the model. There are several areas in which such research could be conducted.

**Further Research**

There is an important need for further study of the relationships between environmental factors and marketing systems. More research is needed concerning the impact of environmental factors on the development of marketing structures and processes. Such research could provide definite conclusions regarding these complex relationships.

Further research should involve utilization of the model developed in this study, for example, in the analysis of marketing research in other countries. The model provides a comprehensive basic framework with which the use and nature of the technique in a country may be studied.

Marketing research might be studied in other countries to determine any patterns that may be present with respect to the use of marketing research. Is there a pattern for the effect of environmental variables on marketing research in Latin America, for example? Is this pattern similar to that for European countries? It seems likely that although the environmental elements will be present in each country, the impact of each factor will vary by country. Thus, cultural factors may be the major impediment in one nation, while economic factors could be the primary barrier in another.

The model offers potential as an analytical framework
for studying the overall use of marketing research within a country. It holds the possibility for prediction of the degree of use of marketing research by analysis of the environmental variables in the model. For example, each element could be quantified and rated in relation to the same variable in other countries. These ratings could then be totaled for each country to obtain each country's overall score. Those countries with the highest scores should have the greatest utilization of marketing research. To ascertain whether the ratings are correct, estimates could be obtained on the expenditures for marketing research in each country. These estimates could be used in the computation of ratios such as marketing research expenditures to either GNP or population. The ratios obtained could then be compared to the rankings derived under the qualitative analysis to determine the predictive ability of the model.

The goal of such a project would be to increase the expenditures for marketing research by firms within an economy and thus lead the nation to a higher level of economic development.

In conclusion, the present study has provided an understanding of the environmental elements which influence the nature and usage of marketing research by firms in a country, specifically within Mexico. It is hoped that this study will serve to guide the manipulation of controllable environmental variables to create a more favorable
environment for the adoption of marketing research. The result of such an effort can be more economic stability, greater productivity in the distribution of goods, expansion of consumption, and increased well-being of citizens.
APPENDIX A
MARKETING RESEARCH QUESTIONNAIRE

1. When was your company founded? __________

2. How many people are currently employed by your firm? ___

3. Approximately what percentage of the firm is owned by Mexicans or those residing in Mexico?
   
   0 - 25
   26 - 50
   51 - 75
   76 - 100
   not reported

4. Would you classify your products as:
   
   _______ industrial       _______ consumer
   _______ %               _______ %

5. What product lines does your firm produce?

6. What channels of distribution do you use? How do you classify your major sales areas?

7. What advertising methods do you employ?
   What internal promotion techniques are used?

8. How do you arrive at a price for your products?

9. With regard to market strategy, what are your company's primary goals?

10. What changes have you seen in your marketing activities over the past five years, and what changes do you expect in the future?

   Organization and Structure

11. How many employees - both full and part-time - are
assigned to marketing research in your company?

No. of full-time research employees_______
No. of part-time research employees_______
Total research employees_______

12. Do you have a marketing research department or is this merely an adjunct function?

_________Department
_________Adjunct function

13. (If no specific department) Do you intend to create a marketing research department? _____Yes _____No

(If yes) When?_________

14. (If a specific department) When was the marketing research department established?_________

15. What is the job title of the top research executive?

16. What is the job title of the individual to whom the marketing research head reports?

17. Is this individual a member of:

_____ Top management
_____ Other corporate or general management
_____ Marketing management
_____ Marketing operations
_____ Other

18. What considerations led your company to decide on this reporting relationship for marketing research?

19. The marketing research department is generally organized in one of four ways: by the "processing" of research, by its application, by brand, or by a combination of these three ways. How would you characterize the organization of your group?

_____ Processing-oriented
_____ Application-oriented
_____ Brand-oriented
_____ Combination

20. What do you think are the most important qualities desired of the research manager in the order of their importance?
Personnel

21. Does your company use formal, written job descriptions outlining responsibilities, duties, and accountability in seeking new research employees?
   
   ______ Yes ______ No

22. Do you use written employee specifications, that is, a description of the type of individual necessary to fill a research job?
   
   ______ Yes ______ No

23. What steps or tools do you use in actually recruiting and selecting an employee for the research department?

24. What type of training program is followed for the new research employee?

25. Would you compare your use of graduates or current university students of business administration in the marketing research department today to five years ago. What role do you see for them in the future?

26. What level of formal schooling have you completed?
   
   ______ No formal schooling ______ Some Universidad
   ______ Primaria ______ Completed Universidad
   ______ Secundaria ______ Post graduate work
   ______ Preparataria ______ Vocational school

27. What course of study did you pursue in school?

Research Activities

28. On the sheet which I am handing to you, I would like for you to circle the appropriate code for each type of marketing research listed. That is, circle 1 if, for example, motivation research is not done, 2 if it is done by the market research department, 3 if done by another department within the firm, 4 if done by an advertising agency, 5, if done by an outside contractor or 6 if there is some other arrangement. Please be sure to circle a code for each line.

29. Now if you will again circle a code number for each type of marketing research listed according to the frequency with which that research is conducted. Please be sure that only one code is circled on each line.
30. I would now like to go over this list once again concentrating only on the types of research which you have circled as not being done at the present time. As I mention each type would you tell me why that particular research is not done. In addition, please tell me whether you expect such research to be performed, whether by your firm or an outside agency, five years from today?

(If company does no research, answer questions 31-33)

31. Why does your company not presently use marketing research?

32. Has your company done any marketing study in the past? 
   ____ Yes  ____ No
   a. (If yes) When?
   b. " For what purpose were those studies used?
   c. " Why did your company stop using marketing research?

33. Do you intend to use marketing research in the future? 
   ____ Yes  ____ No
   a. (If Yes) Why have you made that decision?
   b. " Will these studies be done by:
       ____ Specialized companies
       ____ Your company
   c. " Do you intend to create a marketing research department?
       ____ Yes  ____ No

34. Could you give me some examples of projects presently being researched by or for your company?

35. Does your company utilize secondary data, that is, data compiled by other groups such as the government, secretariats, or economic research groups? 
   ____ Yes  ____ No
   a. (If Yes) What type of secondary data do you rely upon most frequently?
   b. " How has your use of secondary data changed over the past five years?

36. What do you feel are the major shortcomings of secondary data?

37. In your opinion, how could these shortcomings be overcome?
For each type of research listed below, please circle the appropriate code. Please be sure to circle a code for each line.

ADVERTISING RESEARCH
a. Motivation research
b. Copy research
c. Media research
d. Studies of advertising effectiveness
e. Studies of competitive advertising practices
f. Other

PRODUCT RESEARCH
a. New product acceptance and potential
b. Studies of competitive products
c. Research on package design or physical characteristics
d. Studies on the elimination of products
e. Studies of customer dissatisfaction
f. Other

RESEARCH ON MARKETS
a. Analysis of market size
b. Development of market potentials
c. Market share analysis
d. Determination of market characteristics
e. Sales forecasting
f. Short-range general business forecasting (up to 1 year)
g. Long-range general business forecasting (over 1 year)
h. Forecast of new product demand
i. Other

SALES AND DISTRIBUTION RESEARCH
a. Sales Analyses
b. Establishment or revision of sales territories
c. Studies of distribution costs
d. Analysis of wholesaler's activities
e. Test markets
f. Consumer panel operations
g. Setting sales quotas
h. Sales compensation studies
i. Studies of the effectiveness of promotional devices
j. Price studies
k. Other
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| h.  | 2 | 3 | 4 |
| i.  | 2 | 3 | 4 |
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38. Does your company attempt to collect primary data, that is, compile your own statistics?
   _____ Yes    _____ No
   (If Yes) What problems do you encounter in conducting primary research, and how do you overcome such barriers?

39. Does your company use primary or secondary data more frequently?
   _____ Primary    _____ Secondary    _____ Both about equal

40. In what ways do you expect your use of primary and secondary data to change in the next five years?

41. Have you ever done research covering your competitor's marketing strategy?
   _____ Yes    _____ No
   (If yes) Could you give me some examples?

External Relationships

42. Do you presently have a contract with any outside research firm for marketing studies?
   _____ Yes    _____ No

43. Does your company subscribe to any continuing or "syndicated" research service?
   _____ Yes    _____ No
   (If yes) What kind of information is provided and how is this information used?

44. What do you feel are the major advantages and disadvantages of using outside research sources?

45. What considerations did you take into account in selecting (the outside research firm) or (the syndicated research service)?

46. Is your company a client of an advertising agency?
   _____ Yes    _____ No
   a. (If yes) What type of marketing research information does the agency usually supply your company?
   b. " How would you characterize the research work which the agency does for your company?
      _____ Excellent    _____ Fair
      _____ Poor    _____ No opinion
47. Would you compare your use of external sources of marketing research information today to five years ago and what you expect your needs to be in the future?

48. Do you regularly exchange marketing information with your competitors?
   ______ Yes    ______ No
   (If yes) What type of information

49. Do you employ cooperative research performed by your chamber or trade association?
   ______ Yes    ______ No
   What type of research?

50. How much contact exists between your company and:
   Government agencies?
   The universities?

51. There are a number of environmental variables that may have influenced your decision to adopt marketing research. Could you suggest some of these influences and rank them in order of their importance?

52. What do you feel are the contributions, if any, which marketing research can make, both now and in the future, to the success of an organization?

53. Would you say that the result of your marketing research has influenced your company's policies:
   ______ Strongly
   ______ Moderately
   ______ Superficially
   ______ None at all

54. Do you encounter any difficulties in obtaining the proper use or acceptance of marketing research by executives in your company?
   ______ Yes    ______ No
   (If yes) Could you give me some examples?

55. What are the major problems you face in performing marketing research in Mexico?

Financial Control and Budgeting

56. Where does responsibility lie for construction and control of the research budget?

57. How does your company determine or prepare its marketing research budget?
58. Approximately how much was budgeted in your last fiscal year for marketing research, including payroll, overhead, and all other expenses?__________

59. What percent of gross sales did this represent?____%

60. Is this expected to vary in fiscal 1969?
   ____ Higher
   ____ Lower
   ____ Same

61. What has been the trend of research spending against your total sales volume over the last five years?
   ____ Increased
   ____ Decreased
   ____ Decreased same percent

62. About what percent of the total pesos spent for research in 1968 was for outside services?______%

63. Is this expected to vary in 1969?
   ____ Higher
   ____ Lower
   ____ Same

64. What is your share of the total Mexican market for your product?
   _____% _____ Don't Know _____ Would rather not say

65. Please tell me which category approximates your 1968 sales volume.
   a. 10,000,000 pesos or under
   b. 10,000,001 to 25,000,000
   c. 25,000,001 to 50,000,000
   d. 50,000,001 to 100,000,000
   e. 100,000,001 to 250,000,000
   f. 250,000,001 to 500,000,000
   g. 500,000,001 to 1,000,000,000
   h. Over 1,000,000,000
66. In the last five years what has been the percentage change in sales volume in pesos for your products?

- Sales Declined
- 0 to 10% growth
- 11 to 20% growth
- 21 to 50% growth
- 51 to 100% growth
- over 100% growth

67. What do you expect your percentage growth in sales to be over the next five years?

68. Please estimate your company's overall rate of return (profit after taxes as a percentage of 1968 sales).

- Less than 0%
- 0 to 5%
- 6 to 10%
- 11 to 20%
- 21 to 30%
- 31 to 50%
- Over 50%

69. What do you expect your percentage growth in profit to be over the next five years?
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Miscellaneous


**Government Documents**


**Unpublished Material**

VITA

David Lamond Loudon, son of Edwin and Ruth Loudon, was born on November 6, 1944 in Baton Rouge, Louisiana. He attended public schools of that city and was graduated from Baton Rouge High School in 1962.

He entered Louisiana State University in June, 1962 and received the Bachelor of Science Degree in business administration in January, 1966.

He entered the Graduate School of Louisiana State University in January, 1966 to pursue the degree of Master of Business Administration. He married Carol Lynn Guy of St. Louis, Missouri in August, 1966.

He was employed by Louisiana National Bank from 1965 to 1966. During 1966 and 1967, he worked for the United States Postal Service and served as a graduate assistant at Louisiana State University. He was an intern with the Southern Regional Education Board and worked with the Louisiana Department of Commerce and Industry during the Summer of 1968.

He earned his Master of Business Administration degree in August, 1967 and began work on his doctorate in Business Administration in September, 1967 at Louisiana State University. He was an Instructor in Marketing during the 1969 and 1970 academic years at Louisiana State University. He is currently a candidate for the degree of Doctor of Philosophy in the Department of Marketing.
EXAMINATION AND THESIS REPORT

Candidate: David L. Loudon

Major Field: Marketing

Title of Thesis: An Environmental Model of the Factors Influencing the Use of Marketing Research Within a Country With Particular Reference to the Case of Mexico.

Approved:

Lee Richardson
Major Professor and Chairman

Max Goodrich
Dean of the Graduate School

EXAMINING COMMITTEE:

Adel El-Ansary
Fred L. Endley
Edmund R. Gray

Date of Examination: