

Pattison, John C.; Quelch, John A.

Article — Digitized Version

Marketing and distribution strategies for international organizations

Intereconomics

Suggested Citation: Pattison, John C.; Quelch, John A. (1979) : Marketing and distribution strategies for international organizations, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 14, Iss. 3, pp. 138-144,
<https://doi.org/10.1007/BF02924555>

This Version is available at:

<https://hdl.handle.net/10419/139613>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.

will not do to pick out one social area or another, plot social indicators for this particular area and cram it into an incongruous system of social indicators.

What is needed is the design of a rational way of life, a model for this and a rational budget showing time schedules and utility values. It will certainly not be a matter of simply extrapolating the previous consumption of time and utility values. A rational consumption scheme will have to be outlined, to be translated into a model and to be introduced into the social decision-making pro-

cess for production and consumption. The rationally determined material norms for the consumption of goods and services will have to be justified by reference to several criteria: the consumers' preferences, scientifically justifiable consumption norms, arguments concerning the level of productive forces (national or worldwide?) and arguments concerning the value of human lives. The Second and Third World have furnished examples of possible designs for such budgets. We should learn from them. Over important areas we long ago ceased to play the rule of international preceptor.

INSTITUTIONS

Marketing and Distribution Strategies for International Organizations

by John C. Pattison and John A. Quelch, Ontario *

Recently international organizations as e.g. the International Monetary Fund or the GATT have increasingly been criticized particularly by developing countries. Even the creation of a kind of super-UNCTAD is under discussion. Other institutions are also subjected to increasing pressure to justify the investments of their sponsors in terms of the "product" which they are offering. What about adequate strategies for the international organizations?

During the past three decades there has been a continuous expansion in the number, size and roles of international organizations. The proliferation is such that it is a problem for governments and the organizations themselves to arrange for several hundred functional and regional commissions, boards, committees and secretariats to work together effectively. Within the last few years, there has been increasing concern with operational efficiency and cost effectiveness of international organizations, as well as widespread criticisms of their activities and alleged ineffectiveness. Due to the increasing scrutiny by legis-

latures there is increasing pressure for each body to justify the investments of its national sponsors in terms of the "product" which the organization offers. The United Nations, the International Labour Organization (ILO), International Air Transport Association (IATA), Organization for Economic Cooperation and Development (OECD) are only a few examples of organizations with particularly deeply-rooted problems which have been extensively criticized in recent years.

Criticism from the clientele is extensive, but because of the nature of the product, is bound to be present in some quantities. In 1974, Richard Gardner wrote in *Foreign Affairs* (page 557) that "Nobody now takes a major issue to ECOSOC, UNC-

* The University of Western Ontario, School of Business Administration.

TAD, GATT, IMF or OECD with much hope for a constructive result." The *Economist* (January 12, 1976, page 81) raised the question, "Do we need an IMF?" Charles Kindleberger in *Power and Money* (Macmillan, 1970, page 12) noted that "The economist is inclined to ... suggest that international organizations are rather like children's parties with prizes for everyone, no matter who wins the game."¹ Conflicts with national governments often occur, for example, the OECD supported by the US and the UK has been critical of German macroeconomic policies. By and large, however, such criticisms are in inverse proportion to the size of the country (and hence in the share of the organization's budget).

Concern with financing these organisations has risen at a rapid pace in the 1970's. The reluctance of the US Congress in 1978 to show enthusiasm for the foreign aid bill is a case in point. About one third of the amount of the administration's original request was for the World Bank and other multilateral aid agencies. The concern was basically whether US interests are served effectively by international aid agencies using US funds. In Britain, a study in a 1976 issue of the *Lloyds Bank Review* by J. Diamond and J. Dodsworth stated that "In 16 out of 18 organizations, the USA underpays relative to its share of natural income." According to this study, the UK had a tendency to overpay in a large number of these bodies. These calculations are virtually meaningless if international organizations are viewed as selling a product or even providing a public good. The national contributions represent neither prices for services nor a well-thought-out system of international taxation. Nonetheless, the point is that the UK felt that it was overpaying relative to other countries.

Reasons for the Growth

One of the consequences of the proliferation of organizations is the increased likelihood of competition for members, resources, and relative prominence. The time has come for international organizations to move more clearly and constructively to develop a mix of services designed to satisfy the needs of their customers, rather than the preferences of their secretariats or subsets of the membership. Such a process implies, in essence, that each body should formulate a marketing strategy of which one element is a comprehensive communications plan.

Before embarking on a discussion of the elements of a marketing strategy, a short digression into

the reasons for the growth of international organizations is in order. The number of organizations has expanded in harmony with the number of independent sovereign states and the end of explicit colonialism. Tied in with this, many of the older-established bodies have expanded their memberships in response to the growing number of nation states. Simultaneously, there has occurred a decline in the international dominance of some major powers such as the US, a rise in others such as Japan and Germany, and a recognition of an obligation on the part of the major powers to offer the remaining states arenas in which to express their views and ostensibly participate in decision-making. As a result of these trends, the role of many bodies has shifted from an emphasis on policy and decision-making to one of promoting communications.

It is useful to note the changing shares of the major countries in the industrialized world. The US has fallen from 59.0 % of OECD GNP in 1953 (a year which does not distort the immediate post-war reconstruction phase) to 39.4 % in 1976. Japan rose from 3.1 to 13.0 %, while Germany went from 5.6 to 10.5 %. The GNP of the six original members of the European Community rose from 18.8 to 26.3 %.² The nine member European Community has a market share of about 33 % of OECD GNP and is moving towards the US share. While it could be said that the US was at one time a sufficiently large part of the industrialized world's economy to provide leadership in international affairs, the reduction in its "market share" reduced both its incentive and its ability to provide policy coordination services³.

The abdication of overt leadership on the part of the individual major powers has necessitated a dramatic increase in the number of transnational interrelationships, particularly with regard to information flows. In an effort to reduce risk and uncertainty in policy-making, nations were eager to join or establish bodies involved in providing efficiencies in the generation and dissemination of information on an international scale.

The number of issues for which international information flows and cooperative decision-making are important is growing. There has long been a recognition that national jurisdictions are too small to successfully address many *economic* issues. But the development of new *technologies*, for example in the areas of communications and seabed exploration, necessitate that either an

¹ Further references may be found in John Pattison and M. Fratianni, *International Institutions and International Progress*, in: *The New Economics of the Less Developed Countries*, Nake Kamran, ed. (Boulder, Colorado: Westview Press, 1978), pp. 319-346.

² For some statistics, see Michele Fratianni and John Pattison, *The Economics of International Organizations*, a paper presented at the 1975 annual meeting of the Public Choice Society, revised 1978, mimeo.

³ For a mathematical and theoretical justification of this point, see Fratianni and Pattison, *ibid*.

established or a new body address the transnational implications of such advances. Another reason for the increase in the number of organizations is "forum shopping" where governments search out the organization most likely to promote a favourable outcome. This has created a market for services which were provided by existing bodies by the creation of new organizations, committees and so forth.

Marketing Concepts

The last factor mentioned above is one of the major reasons why existing bodies must embark upon serious marketing campaigns. The relative ease and low cost with which a new international organization or service can be established poses a threat to established bodies, if not to their existence at least to their relative importance (if the costs of retention are less than the costs and the ill-will of their elimination). The costs of switching a service from one body to another are also low. Thus, to maintain their existence and importance, the international organization must embrace the marketing concept, meaning that it must constantly be responsive to the evolving needs of its customers.

Forum shopping may be a contributing factor to the growing number of organizations but it is not necessarily undesirable as is often asserted. If a country wishes to achieve a policy objective against the wishes of a secretariat or a subset of an organization's membership, it may try to shift the locus of decision-making to a new or existing body. This adjustment does, however, require an important grouping of countries to concur in the transition. This process need not be counter-productive if a significant agreement can be reached in the new body. This is likely where the original forum was comprised of a large number of members of different ideologies and where a high percentage of members' consent is required for policy decisions. Many governments are discovering that the most effective types of bodies in which to participate are those with a shorter charter, limited to members with similar characteristics and with a specific set of goals. This

trend is related to the increasing difficulty which international organizations have in formulating and implementing decisions as their membership increases. Thus, due to low entry barriers, major powers have found it to their benefit to work within bodies which are more manageable and which, by virtue of their smaller sizes facilitate the decision-making or communications processes. When considering the size of an international organization, note that the Group of Five comprises 76 % of the OECD area. For many economic questions to go further down the list to the Group of Seven, Group of Ten and so forth, results in minor additions to the GNPs involved (as a proxy for the benefit of the cooperation) yet greatly complicates the politics, economics and organization (e.g., simultaneous translation) of the group.

The relative influence of an organization and thus its ability to maintain its members' loyalty is a function of its ability to serve the policy goals of the membership. International organizations are the international equivalent of business trade associations and depend for their success on the degree of resources and commitment provided by the member countries⁴. As such, it is particularly important that the executive of an international organization and major parts of the secretariat be aware of the policy objectives and benefits sought from the organization by individual members. In very large organizations such as the UN or the OECD, the extent of this awareness is problematic. This is particularly true because each member nation has many interests and different ministries will usually have different goals. A country like a major company may well join 30 or 40 groups to assure coverage of its many interests. If an organization is unable either to identify the policy needs of its sponsor or serve the various policy desires, it reduces its ability to maintain the support of these members either in terms of budget or roles.

⁴ The analogy to trade associations is a useful one. The analysis of trade associations carried out by Stigler could just as profitably be done for countries joining international organizations. See George Stigler, *Free Riders and Collective Action: An Appendix to Theories of Economic Regulation*, *Bell Journal of Economics and Management Science*, Vol. 5, No. 2 (Autumn 1974), pp. 359-365.

KONJUNKTUR VON MORGEN

The short report on domestic and world business trends and raw material markets
published every fortnight by HWWA-Institut für Wirtschaftsforschung – Hamburg

ISSN 0023-3439

VERLAG WELTARCHIV GMBH - HAMBURG

As the number of organizations increases, the possibility of duplication of services and, therefore, of head-to-head competition for resources among groups with overlapping mandates increases. From the standpoint of the sponsoring nation, there is some rationale for duplication. The uncertainties of information may be reduced if more than one independent body generates the same information. In addition, duplication may be regarded as a means of restricting the potential power and independence of an organization, or subsets of its membership.

The risk of competition and duplication suggests that the body should aim either to deliver a "unique" set of services or to deliver a set of services in a uniquely effective manner such that imitation by either a new group or an existing body attempting to expand its mandate will be difficult. The best source of self-protection is a clear understanding of the needs of actual and potential member countries, and the development of a service mix which effectively addresses these needs. However, as the membership expands, it becomes more difficult to deliver this service mix without compromising the interests of some members.

Differences between International Organizations and Private Business

In the development of a marketing strategy an organization must realize the existence of significant differences between itself and a private business. Unlike most private enterprises, an international organization is originally created by its customers and as a result has an immediate market for its product. Thus, the organization has a customer base to satisfy immediately upon its inception. To sustain itself the organization must continue to consider its mandate carefully. The body must be able to foresee the changing needs of its members and adapt its policies and priorities to satisfy these needs, or else decline in importance. But as in the business context altering policies to meet the changing needs of some customers risks alienating others to whom the current strategy appeals. Some United Nations' activities and calls for a New International Economic Order are examples.

A second significant difference between a non-profit institution such as an international organization and a business firm is the lack of a monetary yardstick. A business can assess the degree to which it is meeting existing customer needs and creating new customers by the yardstick of profits or sales as well as a wealth of accounting data. In the case of an international organization, there is no immediate measure. Rather, it must try

to measure its importance compared with the competition to determine if it is serving customer needs. It can be argued that declines in membership and membership support can be used as a measure, but this is usually influenced by longer term factors that are not directly related to shorter term effectiveness. Also, such a measure is not of much help since it provides no advance warning of problems.

Both of these factors must be borne in mind by the organization when it attempts to apply the marketing techniques discussed below. There are three basic marketing concepts that are available to the executives of international organizations to facilitate the maintenance of membership and relative prominence. Through *segmentation*, the actual and potential customers of the organization may be clustered according to size, geographical location, political system, the relative importance attached to different benefits associated with membership, or other variables such as economic openness and interdependence. The segmentation process attempts to identify the common characteristics of the members and through this approach, indicates which needs the body must serve to fulfill the needs of its members. Conflicts seem very likely to exist among the market segments, so it will not be possible to target at several segments simultaneously.

Differentiation refers to differences in the packages of benefits offered. When specifying the organization's mandate and designing the service mix it is essential to know what benefits are offered by other, potentially competing bodies. It should be noted that the services offered are implied or explicitly stated in its mandate and it may be difficult for an established body to change these services. Differentiation does not necessarily have to be in the form of different services. Many international organizations deal with similar agricultural issues, as an example. In this case differentiation must be based upon superior quality of services or upon an increased service to a national sponsor or group of sponsors. Differentiation by providing better service to a particular clientele is one way for them to develop their markets where the basic prognosis is not favorable.

When both segmentation and differentiation analysis have been completed, it will be possible for executives of international organizations to develop a *positioning* strategy. Positioning involves both the specification of a target segment of potential customers and the definition of a differentiated service mix which addresses the needs of this segment. This must be consistent with the mandate or it can change the mandate. Again,

though, an organization is not free to move into areas to which it has no mandate, it must work within its limits to develop a program that will satisfy its initial sponsors and, perhaps, at a later stage, possibly satisfy the needs of other potential members.

A market positioning strategy is particularly important for international organizations because once the product is purchased by one set of clients it may be difficult or impossible to sell to someone else. The OECD secretariat may want to add East Germany, for example, as a major economic force in Europe, however for other members with a predominantly capitalist economy this might prove unacceptable. Similarly OPEC might not want to include Canada or the UK as members even though they are petroleum exporting countries. A positioning strategy will, therefore, evolve from answering the fundamental question, by which the mandate is defined, "What business are we in?"

Identification of Consumer Needs and Characteristics

The sponsoring member countries are generally regarded as the customers of international organizations. These customers may be examined on an individual basis or in terms of groupings relevant to a specific organization or common to several or all international organizations. In a broader sense, however, the ultimate consumers are the national publics influenced by its activities. It might be argued, therefore, that the organization should be cognizant of the needs and sentiments of these ultimate consumers and, indeed, actively promote itself to these consumers to raise public awareness and favorable attitudes regarding its continued existence and influence. It is possible, for example, to envisage the United Nations financing a communications campaign directed at tax-paying citizens of Western democracies. The European Community has regularly commissioned public opinion polls in member countries. However, the political leaderships of the sponsoring nations may regard such efforts as attempts to compromise their control of the activities of the organization. In addition, sponsoring nations generally wish to claim responsibility and credit for actions or events which are, in fact, attributable to the intermediation of the body. This approach both depends upon and reinforces the maintenance of an image of ineffectiveness among the voting public.

Recent confrontations between the US Congress and the Administration and between the US Government and international bodies have occurred partly because of a lack of appreciation of

US consumer needs and sentiments by these bodies. However, given the multilateral nature of these organizations it is virtually impossible that such conflicts do not arise. It is easy to understand opposition to World Bank lending to Viet Nam from a US point of view, but more difficult from the viewpoint of the majority of World Bank contributors. It is also natural for Congress to want to receive credit and influence national policies with aid money. It is precisely because of the latter problem that nearly one third of world aid is channelled through multilateral agencies, compared with 10% in the mid-1960's. US opposition to high salaries and benefits is more difficult to fault, as most national members of the major international organizations have far lower domestic pay scales, and often higher taxation than either senior US government salaries or the salaries at the leading organizations.

Confusion about the nature of the ultimate consumer of the services of international organizations was recently displayed in a World Bank report on audit results of project performance. The Bank stated (*Annual Review of Project Performance Audit Results*, World Bank, February 1978, p. iii) because ... confidentiality cannot be compromised without compromising the integrity of the reviews, specific project names, as well as names of countries, have been deleted from this published summary. However, the Bank went on to note

"... the Bank is accountable to its shareholders — its member governments ... It is the shareholders, therefore, who receive the Project Performance Audit Reports on the results of the individual operations."

Apparently, the taxpayers and citizens who are the ultimate shareholders are not entitled to know how their money is spent.

Representation also affords member countries a highly desired form of patronage in terms of appointments, travel and so forth. These are often highly visible at the national political level, but not all members use the opportunities which are offered. The relative attractiveness of an organization may depend, in part, upon the degree to which the decision-makers believe that their personal preferences may be maximized. In dealing with economic policy, there is a clear preference revealed towards attending meetings of the OECD rather than, for example, the IMF. To some extent, this is a preference for one location over another. Historically, the major organizations have been located in attractive cities such as Paris, Geneva, and Rome, rather than cities with better communications facilities but perhaps less ambience. The location of the IMF in Washington is a result

of legal stipulations in the Articles of Agreement. While superficial, in terms of the basic operations of these bodies, these are marketing considerations which an organization should not ignore.

Three Dimensions

In many respects an international organization must market its products in the same way as an industry sells a major industrial product, rather than as a retail marketing exercise. In the industrial purchasing situation, it is first necessary to identify the key decision-makers and their relationship to key policy makers. These people are likely to be senior economic and political technicians rather than the most senior civil servants and the Cabinet Ministers. There are then three dimensions to the marketing-purchasing decision. First, what can the international organization (seller) do for the government (purchaser)? Second, what can the seller do for the employee himself? Third, how do the decisions and the activities of the body affect the security of the employee? Will the organization criticize policies the employee promotes? Will it offer alternative policies to undermine his policy suggestions? Will the work of the organization reflect poorly upon the government and hence its role in their joint activities? The purchasing decision is one where both seller and purchaser must have an active role on an ongoing basis for the success of both. For example, from time to time, economic policies required for Latin America have been more easily implemented through the intermediation of the IMF than they could have been if promoted by the US Government which had a major interest in these countries. Similarly, US interests were well looked after in a recent IMF loan to Egypt. The French Government has pressed the IMF in the past to finance buffer stocks, mainly to improve relations with French-speaking African associates and other developing countries. France would receive a large benefit relative to its share of the costs.

To serve the general needs of the sponsors as outlined above, two different types of world organizations have evolved over time⁵. The first of these are functionally specific *service* organizations established to accomplish clearly defined tasks. The second type, the general *forum* organization is a large multi-purpose group with a broad membership range.

Functionally specific bodies are thought to be more effective than multi-purpose ones. However, this judgement should be tempered with the realization that two types of organizations do not

necessarily have the same types of goals. Specific groups attempt to solve problems and to develop, form or implement policy in specific areas, and the results are readily seen. Multi-purpose organizations tend to serve as forums for the exchange of information, for the testing of new ideas, and as arenas in which to express concern. Although results are harder to measure the importance of such organizations should not be underestimated.

A positioning strategy will ordinarily necessitate that the organization first determines whether it views its mission as that of a forum or service organization. The flexibility of existing groups with regard to this decision is limited by its historical development and by the perceptions and preferences of member and non-member nations alike. In addition, there is some evidence that bodies evolve from policy-making or service organizations to organizations serving primarily a forum function. The ability to adopt a specific positioning strategy, is to a large extent determined by the organization's age or, in marketing terms, its stage in the product life cycle. A relatively young body without a historical record of performance will more easily adapt to new functions than one with a tradition of service in a given area.

The positioning strategy of the organization must next be more closely defined in terms of the needs of its target customers. This process may be complicated by variations among members in terms of their needs or the relative emphasis placed upon them. The needs of an individual member country may also be expected to vary with time as policies and personnel change, suggesting that the body must constantly reassess the definition of its mission in the light of shifts in the benefits sought by members. Finally, an organization seeking to expand its membership must also consider the needs of potential target customers and their compatibility with the benefits sought by existing customers in shaping its positioning strategy. For example, a Report of the Trilateral Commission has recommended that Iran, Brazil and Mexico should be invited to join the OECD⁶. From a marketing viewpoint, this move might reduce the value of the OECD to many, but not all, existing members.

Development of Marketing Strategy

Once the basic positioning strategy is established, the elements of the marketing strategy must be closely defined. The four elements most frequently addressed are product policy, pricing policy, distribution policy, and communication policy.

⁵ In the sense of Cox and Jacobson. See Robert W. Cox and H. K. Jacobson, *The Anatomy of Influence* (New Haven: Yale University Press, 1973), pp. 5, 6.

⁶ C. Fred Bergsten et al., *The Reform of International Institutions* (New York: The Trilateral Commission, 1976), p. 25.

The product is essentially the mix of services defined by the positioning strategy. In addition, the actual members of the organization may be viewed as an element in differentiating the product offering, particularly if the body is interested in attracting new member countries. Actual and potential members generally hold memberships in several rather than one group each providing complementary benefits to the members. The design of the organization's product must take account of this reality — the mix of services which would be appropriate if a country could only be a member of one body would likely be much less specialized than if the same country could belong to several concurrently.

The price paid by a country for membership varies from one organization to another, but will include a contribution towards the operating expenses, funds which the organization may transfer to other countries in the developing world, the implications of membership for the attitudes of other countries and for membership of other organizations. Other non-monetary membership fees are also involved. The obligations of membership represent a substantial portion of the implicit price tag. The GATT membership fee, for example, includes an obligation to afford trade concessions to the contracting parties. OECD or IMF membership presupposes an acceptance of the obligation to reflect international priorities in domestic policies.

The price tag of membership is not only a function of the services delivered but also of the number of members. Because the value of membership does not bear a linear relationship to the number of members, payoffs may have to be divided among more members in a larger club. Consequently, the price tag may be lower. One element of the services is the relative influence which the member has within the organization. Weighted voting, such as that used by the IMF, generally attempts to relate costs to relative benefits, and makes such bodies more attractive to their larger and more economically important customers.

Distribution policy involves the delivery of the service mix to members. The location of the headquarters and branch offices, and the frequency and duration of meetings bear upon the relative attractiveness in terms of both costs and the appeal to policymakers in member countries. If several bodies are located in the same city, information flows between the organizations are facilitated. Thus, the IMF established a branch office in Geneva to better regulate its relations with other UN bodies. In addition, the cost of coverage of several organizations to the member country is reduced if they are located in the same city; such economies are of particular relevance to develop-

ing countries with restricted foreign currency to allocate to international involvement.

Communications policy covers the dissemination of information and persuasive communications to actual and potential members or to other publics such as voters in member countries. Some organizations, particularly many service oriented bodies, are interested only in internal communications among members and aim to retain a low profile in the international arena. They have little use for an externally directed communications policy aimed at generating new members or public support. Indeed, rather than marketing the organization, there may be more interest in *demarketing*, that is using communications to de-emphasize either certain activities of the organization or perhaps the degree of decision making, authority or policy advice occurring within the organization in order to reduce their negative exposure to some member countries. Returning to the congressional-administration-World Bank problem, demarketing certain World Bank functions in the US could be advantageous.

Conclusions

The development, adoption and implementation of marketing strategies for international organizations offers many advantages to national governments and to the organizations themselves. First, the competition which will be encouraged among these bodies will tend to promote the systematic ends of the international economy by creating incentives to fill needed roles in the international political and economic framework. Currently, many secretariats of international organizations have too great a freedom to follow their internal goals which often leads to duplication of services, since entry costs to an established organization are low. Second, marketing strategies will likely improve the image of international organizations held by their own employees. This would do much to raise the low level of morale in these bodies and to improve the recruiting of good executives and technicians upon whom the responsibility for the future of much international cooperation will ultimately fall. Finally, a proper marketing strategy is likely to lead to increased acceptance of the activities of the body not only by member nations but by citizens of these countries. Currently, public attitudes towards international organizations are likely far more hostile than those of the civil servants and government members who service these bodies on behalf of their member states. The business community in particular, is one segment of the ultimate market where cooperation and compliance are necessary, especially for multinational companies, but where the current acceptance is incredibly low.