“The Effects of Consumption, Production and Temporal Migration on Global Markets”

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History discloses that the most important people shaping global markets, employment and GDP are consumers. Media tend to attribute particularly economic health to political leaders, parliament or central banks, but marketers know that consumers control 70% or more of GDP in mature economies. Traditional economic analysis focuses on fiscal and monetary policies. Marketers and behavioral economists focus on consumers dominating global markets now and in the future, heavily shaped by temporal migration.

The European industrial revolution two centuries ago transformed agricultural workers, producing most of their own consumption needs, to city-dwellers, buying products and creating markets. Marketing evolution began with small retailers and service providers. They spawned department stores, eventually gave birth to major chains ranging from Aldi to Zara, hypermarkets, global brands, and international supply routes and manufacturing, serving similar segments across multiple cultures in the U.K., France, Germany and other countries.

The rural-urban migration surfaced in North America the past century, fueled by the automobile. These shifts channeled European retailing into U.S. department stores such as Macy’s and Sears and chains ranging from A&P to McDonalds. In Japan, the ultimate victors were Seibu and Takashimaya; in Europe, they were Ikea and Carrefour. In the U.S., it was Walmart and specialty chains as varied as Home Depot and Victoria’s Secret. Firms from three continents duke it out today for similar segments around the world, serving consumers recently converted from self-produced goods and services, (both unseen and non-monetized), to marketer-produced products. Just because home-produced products are “unseen” in a nation’s GDP does not mean they do not exist. Rather, once recognized (usually over time), production and consumption become visible because they are monetized and measured, and therefore now recognized in the GDP. Such a shift leads to a more systematic sector approach by producers, greater selectivity by consumers and more specific attention and measures taken by policy makers, all of which contributes to substantial GDP growth.

During such a growth process, exports often "prime the pump" and become a magnet for urban migration. But after the inflection point, blazing GDP growth is powered by domestic sales to domestic consumers and understood by policy makers. Marketers propose, but consumers dispose, therefore determining the growth of economies and health of individual firms.

U.S. GDP grew rapidly in past decades mostly because the proportion of urban baby-boomer women working outside their homes went from minuscule to massive. Food preparation, child-care, home maintenance and transportation changed from non-monetized to measured. GDP soared with mountains of markets for goods and services ranging from autos, refrigerators and automatic washing machines to restaurants, prepared foods and grocery stores, along with health care, lawn services, child-care and cleaning, mostly bought by consumers formerly producing those products themselves.

Around the turn of the current century, China activated a similar conversion from self-production to industrial production for 125 million consumers moving to cities, estimated by China experts to reach 700 million by 2020. (1) With relaxed consent for Foreign Direct Investment (FDI) and a projected population in India of two billion by 2050, the axis of GDP growth moves east fast.

Urban migration is igniting emerging markets (EM) ranging from Viet Nam and Ghana and other African nations to countries in Latin America and the Middle East. Monetary and fiscal policies provide the rails for GDP growth, but the locomotive is urban consumers. When hyper-stimulation of easy credit and excessive debt stokes the engine too fast, the economy risks a train wreck, as the United States, Greece, Spain and other nations have discovered. When economists do not understand the behavior and temporal role of consumers, they risk prescribing the wrong cure for the new norm in mature economies of slow-growth GDP and fewer jobs.

Inter-market segmentation, the process of reaching similar groups of customers transcending national or geographic boundaries, helps formulate marketing strategies to serve global segments in different stages of temporal migration. In markets already evolved from self-production to industrial-production, effective strategy focuses on minimizing within-segment variance in customer behavior and maximizing between-segment variance. Homogeneity of consumer behavior (or lack of it) exists locally, regionally and globally, linked profoundly (and predictably) to temporal stages of market development.

The transition from agrarian economies (emphasizing self-production of consumer goods, not measured in GDP) to urban societies with marketer-produced products (in GDP) not only transforms segmentation, it greatly affects GDP and jobs. Most markets in Europe and North America have reached the upper limits of asymptotic growth in rural-urban migration, suggesting the same conclusion about GDP growth. Failure to recognize these limits invites unrealistic expectations of GDP and the failure of economic policies chasing growth. Analysts failing to understand the cause of growth, risk prescribing futile and potentially even harmful cures of slow growth.

Naïve critics complain, “We don’t make anything in this country anymore” hoping to return factory jobs to past levels. In fact, U.S. factories are producing more than any time in history. Output doubled the past three decades, but factory employees declined by a third. The way for mature economies to compete with emerging countries is to reduce labor content, continuing exactly what the U.S. has already done in both agriculture and manufacturing. A century ago, 70% of the labor force worked on the farm. Today, 1.8% of the labor force produces so much output that the nation’s greatest health problem is obesity, with ample surplus to export. Manufacturing employed 30% of the nation’s workers in 1950, dropping to 9% by 2010, headed to the same level as agriculture. Banks are rising in terms of revenues and profits, but project substantial job reductions of 25% in five years. Productivity produces higher paying jobs, but fewer of them, a major social concern raised by Jeremy Rifkin (2).

The rural-to-urban migration of jobs permits Chinese consumers now to eat pork once-a- day instead of once-a-month. There now is the creation of enormous markets not only for retailers restaurants and producers in China, but also for Chinese acquired global brands such as Smithfield in the United States. Rapid increases in GDP and global branding made Ford Focus the largest selling auto brand in the world, thanks partly to high Chinese sales. Context and customs matter, but they evolve in response to temporal shifts in production and consumption.

Bangladesh is prototypical of the transition from agrarian to industrial economies. In a nation the geographic size of Iowa with more people (over 160,000,000) than Russia, millions moved from rural regions to Dhaka and its factory-filled environs fulfilling global demand for quality apparel at low prices. GDP soared and millions of new city dwellers now spend their meager wages on groceries and restaurants, store-bought clothing and CNG-fueled vehicles. The by-product is copious numbers of merchants, marketers and manufacturers in a newly prosperous-middle class. Many are based in Bashundara, a towering 22–story shopping mall (reportedly the world's 12th largest), with consumer segments buying merchandise and ambiance comparable to modern malls around the globe. The 2,500 mostly family-owned firms in Bashundara are beneficiaries and contributors to prosperity, along with a few new billionaires created by its construction and management.

Marketing historians see in Bangladesh and elsewhere market segments similar to the early 1900s in America with harsh working conditions and frequent deadly accidents, exposed in books such as Upton Sinclair's *The Jungle*. Even when based on low wages and unsafe factories, prosperity lifts boats, but not all equally (or safely). History demonstrates the inevitable consequence of increased prosperity is increased inequality. Bangladesh, once the poorest nation in the world, now offers market segments similar to others around the world. Similar booms of a prosperous middle class are identifiable in India, Mexico, Turkey, Colombia, Thailand, Ghana, Nigeria and other nations.

Why markets with similar geography, culture and resources vary greatly in prosperity has been documented by Daron and Robinson (3). They compare British-based economies in North America and

Australia with Spanish colonies, revealing nations in which entrepreneurs “bubble up” from the masses to produce prosperity and modern market segments. They conclude that “inclusive” nations prosper, while “extractive” nations languish in poverty. Nations dominated by extractive government leaders, such as North Korea and Zimbabwe, produce wealthy political leaders, but poverty for the masses. Poor consumers make poor buying decisions, regardless of culture or geography, as shown by experimental evidence reported by Banerjee and Duflo (4). Inter-market strategies to poor consumers will find similar buying patterns, *Poor Economics* demonstrates, whether in the United States, Latin America, Africa, or Bangladesh. Marketing strategists will find similar market segments based on temporal migration, can be concluded from Schlager and Maas (5).

It will be very valuable for international marketers to identify both the industry and location where there is a transition of human activity from invisible and unmeasured to visible and recognized. By, for example, understanding how educational efforts at socialization, or how societal (including robotic) efforts at eldercare grow and permeate lives here and abroad, marketers can prepare and facilitate transformations of major import. We must also understand the temporal nature of societal shifts and migration, a reversal or limitation of which is likely to ring in major changes as well.

Some themes of this article are from Roger Blackwell, *Saving America: How Garage Entrepreneurs Create Jobs While Growing Small Firms into Large Fortunes* (Union Hill, forthcoming).
And
Michael R. Czinkota and Ilkka Ronkainen, *International Marketing,10th ed.,* Cengage, 2012

End Notes

1. Tom Doctoroff, *What Chinese Want: Culture, Communism and the Modern Chinese Consumer*, Palgrave Macmillan, 2012.

2. The End of Work: The Decline of the Global Labor Force and the Dawn of the Post-Market Era (Tarcher, 1996).

3. Daron Acemoglu and James Robinson *Why Nations Fail: The Origins of Power, Prosperity, and Poverty*. (Crown Business, 2012).

4. Abhijit Banerjee and Esther Duflo, *Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty* , Public Affairs, 2011.

5. Tobias Schlager and Peter Maas, "Fitting International Segmentation for Emerging Markets: Conceptual Development and Empirical Illustration, *Journal of International Marketing* Vol.21, No.2, 2013, pp 39-61.

If desired, the following picture can be used:


Bashundara Shopping Mall, Dhaka, Bangladesh

1690 words