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 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 and eventually gave birth to major chains, 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 during the past century, fueled by the automobile. These shifts channeled European retailing into U.S. department stores and chains. In Japan, the ultimate victors were Seibu and Takashimaya; in Europe, they were Ikea and Carrefour. In the U.S., it was Wal-Mart, and specialty chains as varied as The 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. While home-produced products are "unseen" in a nation's GDP, that does not mean that 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 policymakers, 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 policymakers. 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 of 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. The urban population in China is projected to reach 700 million by 2020. With relaxed consent for foreign direct investment and a projected population in India of 2 billion by 2050, the axis of GDP growth moves east fast.

Urban migration is igniting emerging markets ranging from Vietnam, 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

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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 the lack thereof) 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, but also 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 for slow growth.

Naïve critics complain that the U.S. no longer produces anything, hoping to return factory jobs to past levels. In fact, U.S. factories are producing more than at any other time in history. Output doubled over 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.

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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 the Ford Focus the top-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 (more than 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 companies are based in Bashundara, a towering 22-story shopping mall. The 2,500 mostly family-owned firms in Bashundara are beneficiaries of and contributors to prosperity.

In Bangladesh and elsewhere, marketing historians see 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 that 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.

Daron Acemoglu and James Robinson document why markets with similar geography, culture and resources vary

greatly in prosperity in their book, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty*. 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 Abhijit Banerjee and Esther Duflo in *Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty*. Inter-market strategies to poor consumers will find similar buying patterns, *Poor Economics* demonstrates, whether in the United States, Latin America, Africa or Bangladesh.

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. For example, by 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 also must understand the temporal nature of societal shifts and migration, a reversal or limitation of which is likely to ring in major changes, as well. **m**

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