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Ph.D. Thesis

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MARKET STRUCTURE AND
MARKETING PRACTICES OF THE
LIBYAN FOOD MANUFACTURING INDUSTRY

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SUMMARY

The basis of this study is an examination of the market structure and marketing practices of the Libyan food manufacturing industry. Although marketing literature about this part of the world is almost non-existent, the researcher made a considerable effort to obtain relevant information from various sources available in order to form a comprehensive background against which marketing practices of different marketing institutions could be analysed.

Certain environmental factors were examined and proved to have major influence in shaping the structure of the Libyan market. Consequently, marketing practices differed from one sub-market to another, i.e. it was found that the physical structure of the country divided the national market into relatively small sub-markets which in turn favoured an industrial structure consisting of small units. Accordingly, the levels of production operations of the Libyan food manufacturers are relatively low and their related marketing practices are less than sophisticated.

Despite the fact that Libya became one of the major oil producing countries as from the early 1960s, it was found that the availability of capital is not a single answer to the question of rapid economic and social development. Other factors such as lack of managerial talents, high illiteracy rates, low levels of technological know-how, along with other factors within the socio-psychological set-up of the country, proved to be decisive factors frustrating rapid industrialisation.

It was concluded that certain marketing conditions have to be created, some of which within firms and others within the marketing environment. Without such improvements, the Libyan food manufacturers are heading towards a situation where the marketing sector of the economy will be out of phase with industrialisation.

ABSTRACT

In view of absent marketing literature about the Libyan markets, the researcher felt that the key to the Libyan market could be found within the framework of comparative marketing systems and practices of the developing nations. It was thus assumed that market structures, marketing institutions and marketing practices of developing nations have certain common characteristics. The starting point, therefore, was to identify the common characteristics prevalent in those countries through elaborate reviews of existing marketing literature of the developing nations.

To this end, the researcher devoted the first chapter of the thesis to reviewing various theories, papers, books, empirical works and periodicals relevant to this study in order to properly understand the similarities and differences between different marketing systems of the developing nations. The literature review was then summarised in broad conclusions on which certain hypotheses were generated.

The research design, hypothesis, research objectives, methodology and sampling techniques are all discussed in chapter two. In addition to these, interviewing techniques along with sample structure and characteristics are analysed. The food manufacturing firms under study consisted of three different categories (macaroni, tomatoes and confectionary firms) whose markets are described.

In order to properly evaluate the results of the empirical study undertaken for the purpose of this research, one must have enough background knowledge to view the subject with perspective. In this respect, chapter three of this thesis is devoted to analysing the historical background of the Libyan economy. It was found that the Libyan economy has the characteristics of what is known as "dual economy". Subsequently, marketing institutions and practices as well as the market structure in the advanced sector of the economy, differ significantly from those of the poor sector.

Chapter four focusses on the manufacturing structure and basic marketing infrastructure as a part of the marketing environment in which the manufacturing firms under study operate. It was found that business structure in Libya is similar to that prevalent in the developing nations, i.e. manufacturing establishments are relatively small and the existing retailing system of the distribution channels is based upon small units, owned by individual or family proprietors, have small physical and personnel size, and carry out low levels of operations. Supermarkets, chain and department stores are completely absent in the distribution channels, except for a few self-service shops which began to appear in the late 1960s, and which are mainly located in the coastal cities of Tripoli and Benghazi.

Selected marketing environmental factors, such as geographic, demographic, socio-religious, as well as buyer behaviour analysis, are all examined in chapter five. Major changes which occurred in the Libyan marketing environment over the last twenty-five years starting from 1950, are discussed and future trends pinpointed. Among the findings of chapter five is the growing change taking place in the Libyan male-dominated society, i.e. shopping activities have traditionally fallen within the role of the male in the male-dominated society in Libya, but the impact of female education is beginning to make itself felt as more and more females are showing interest in outdoor activities, including shopping, which is a new trend in recent years.

Chapter six deals with sample characteristics and organisational structure of firms. The organisation of the marketing function within firms is also analysed and found to follow a three-stage pattern. Owner managers appear to hold responsibility for most of the marketing activities, whereas professionally managed firms tend to group the marketing activities within a sales department, which is in turn a division of a commercial management.

The acceptance of the modern marketing concept was found very low and individual marketing techniques were not fully employed, i.e. product development research and long range marketing planning were hardly employed. Most respondents tended to understate the potential value of carefully selected channels of distribution, and the most important factors in selecting particular middle-men were found to be their financial strength and business morality.

Levels of competition are generally low because of government protective measures against foreign competitors and the market demand usually exceeds the supply. Both factors tend to discourage management from employing sophisticated techniques of promotion. These points are all discussed in chapter seven. In addition to this, evaluation of hypothesis, the relative importance of individual marketing facets to the overall marketing strategies of firms and the assessment of various channels of distribution used by the sample, are all analysed in chapter seven.

Chapter eight is a summary of the research findings in which conclusions, recommendations, trends and implications are discussed.

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CHAPTER ONE

MARKETING CHARACTERISTICS AND PRACTICES IN THE DEVELOPING COUNTRIES: A REVIEW

Introduction

The purpose of this literature review is to bring together both the theoretical and empirical work done on market structure, marketing characteristics and practices along with the transferability of the western management and marketing practices to developing countries. This will enable the researcher to develop the basis on which his arguments and analysis could be structured in a systematic manner.

To this end, the researcher traced research papers, periodicals, books and monograph series written during the period between 1950 and 1975, although earlier publications which are relevant to this study are referred to from time to time. Furthermore, the researcher made a special effort to examine selected environmental factors which have an impact on the market structures and marketing practices of under developed countries.

The evaluation of marketing practices along with the evaluation of marketing management within firms have been discussed in order to conceptualise the evolutionary processes in terms of different stages of marketing development.

1. The significance of comparative marketing studies

One of the expanding frontiers of marketing thought today is the comparative study of marketing systems abroad. This area of study has been stimulated by the growing expansion of the overseas activities of various companies throughout the world.

Most of the published literature in this area, however, emphasises similarities between various markets and marketing practices of different countries rather than the differences between them. Some of these studies went on to suggest the existence of the national market notion through wide generalisations. (22). The term "national market" refers to all the sub-markets within a nation throughout its geographical boundaries. Those sub-markets in fact do not present consistent or identical marketing practices, i.e. small markets in rural areas such as villages, small towns and oases in the Libyan desert may have differing marketing arrangements from those in big cities like Tripoli and Benghazi. In those small markets none of the marketing arrangements really cover the needs of the mass of small farmers and market gardeners who have to take their chance in the local town or village markets or entrust the marketing of their surplus produce to local merchants and accept whatever prices the latter offer. These small producers - as stated in a report written by a team from the International Bank for Reconstruction and Development in 1960 (69) usually know next to nothing about the market possibilities outside their own neighbourhood; they have no transport of their own other than a camel or a donkey; they have few facilities for storage and generally poor marketing facilities. The markets in Tripoli and Benghazi are in no way comparable with those already described either in marketing facilities available or in their degree of sophistication. Therefore one can argue that differing marketing practices and arrangements exist within a nation, at least insofar as the under-developed nations are concerned, a matter which makes it more difficult to assume that every nation has a national market where identical marketing practices exist. When it comes to the world wide markets one would expect even greater differences (as far as markets and marketing practices are concerned), due to different cultures and civilisations which exist. The success or failure of international as well as multi-national corporations, therefore depends on how much they know about individual markets throughout the world of their operations.

Our discussion, in this stage of the literature review, will be focussed on answering the following question. "What benefit can we expect to gain from expending much effort upon improving our knowledge of the domestic marketing systems of other countries?"

each system could be successfully adopted by which country.

- A.4. Furthermore, exposure to different philosophies and practices helps prevent provincialism in the teaching and study of business administration. Such exposure also provides opportunities to analyse the performance of institutions that do not exist in one's own country.

To conclude, the purely academic studies of domestic marketing systems serves the marketer interested in various parts of the world. On the other hand, such studies are essential to the marketing student who wishes to expand his horizons beyond those of his primary national frame of reference.

The study of comparative marketing systems of other countries, in fact, attracts another agent who wishes to implement the existing knowledge about marketing practices abroad to his own business and that is companies involved in overseas operations. The interests of those companies are discussed below.

B. The Interest of the Companies in Overseas Operations

Stewart Henderson Britt, the editorial director of the Marketing Science Institute once remarked that for an increasing number of products, the market of the 1960's and 1970's does not stop at Los Angeles, New York City, Chicago, or even Montreal. Beirut, Lima and Glasgow are as near as the nearest jet or even the nearest telephone for business and marketing activities.(84). The result is the rise of the multi-national corporations, and the accompanying maturation of international marketing. Less often is the cultivation of foreign markets a separate activity; more and more it is taking its place in the mainstream of marketing.

It is almost certain that the success or failure of multi-national, as well as national companies involved in exporting their produce, depends on how much they know about the markets and marketing practices in the countries they are involved in. More important is how can marketing executives organise the information they obtain to help coordinate their planning, control and evaluation of foreign operations.

The development of the study of marketing systems and practices of other countries, therefore, is a major concern of the companies expanding their activities to the world wide markets.

Summary

The study of domestic marketing systems has been stimulated by the growing expansion of the overseas activities of various companies throughout the world.

Such studies are a main concern both to academics as well as those companies involved in overseas activities. Marketing students who wish to broaden their knowledge beyond those of their primary national frame of reference are also provided with basic knowledge which will enable them to pursue further investigations in the subject.

In the previous section we discussed the importance of domestic marketing studies of other countries and pinpointed the agents interested in the field. Our next step is to review the common marketing aspects which characterise the underdeveloped countries with special reference to those instigating marketing development. However, talking about common characteristics of under developed countries does not necessarily imply that such characteristics are shared by every individual country. Therefore, specific examples will be given throughout this review with special reference to a particular country or group of countries.

2. Markets and marketing characteristics of under-developed countries

A. Market structure

- A.1. Generally speaking, one of the greatest obstacles to marketing development in the underdeveloped countries is the unfavourable attitudes of the people toward marketing and its middlemen, i.e. considerable segments of the population of emerging nations do not appreciate the economic values of marketing. The middleman is regarded as the one who follows a dishonorable profession. Westfall and Boyd(1960), (137) for example, in a study on India, stated that the Indians regard middlemen as schemers trying to profit at the expense of the public; the educational authorities in under developed countries also neglect marketing education. Nimr Eid, stated that, "A cursory examination of the Universities Curricula in these countries would reveal that little emphasis is placed on marketing per se". (104) An emphasis on technical education and the humanities has produced company executives who have little interest in marketing as a management function. Salesmen and sales managers are regarded as appendages of questionable value, while engineers and production managers have enjoyed higher prestige.
- A.2. Among the characteristics of the emerging nations, because of nonhomogeneity of the markets and marketing practices, a fair "dual economy" is a common phenomenon where a country may have one or more major cities where the standard and pattern of living differs significantly from the rest of the economy.

Libya is a clear example of such a case, where modern industries are accompanied by modern marketing institutions and agents in Tripoli and Benghazi. Meanwhile cyclical markets, subsistence in agriculture, horizontal marketing and bartering still exist in the rural areas of the country.

Those isolated areas therefore, are more likely to concentrate on their existing primitive ways of living and more likely to be self-sufficient in most of their economic activities.

Historically, if one looks at the developments which occurred in the north African coastal line and compare it with the southern parts of these countries - Libya, Algeria, Tunisia and Morocco - one can easily notice the contribution of the successive invading forces, mainly European, to the state of dual economy in this part of the world. The European colonialism in those countries has focussed in the northern parts of these countries rather than the south, mainly because of the concentration of the population in these countries in the north and because of the instability of the nomadic way of living in the Sahara which made it more difficult for the Europeans to control. The result was a concentrated effort to develop the northern parts of those countries economically combined with less effort given to the rest of the other areas.

In a report of a mission organised by the International Bank for Reconstruction and Development in 1960, it was stated that Libya is a clear example of a dual economy. After describing the primitive face of the economy it went on "The modern sector of the economy (coastal areas) is not a new thing. It was developed by the Italians before World War II and since then it has been reviewed and supported by foreign aid and foreign military expenditures, which are presently equal to over one third of the Libyan national product " (69).

This phenomenon has its marketing implications. As the Marketing Science Institute stated, "the appropriate marketing strategy or policy for a metropolis like Bangkok, Buenos Aires, Cairo, or Manila may differ from that for the rest of the country. Actually, there may be more market similarities among modern urban enclaves in different countries than there are between urban and rural sectors in a given country." (84). Thus each firm should determine the influences of this factor on its own operations.

In her study of five different countries, Susan Douglas (40) concluded that the high degree of variation in marketing practices within a country suggested that the notion of a "typical" national pattern of marketing practices may be an over simplification.

A.3. High rates of illiteracy and low per capita income are also common characteristics of the under developed countries which tend to hinder the profile of the markets and marketing practices of various companies. Even the oil producing countries - the middle-east for instance - tend to share these characteristics despite the great opportunities, generated from oil revenues, for expanding industries and development. Charles F. Stewart states that the middle-east market is much narrower than the figures for oil revenues would suggest.(130). His conclusion was drawn from the fact that despite the oil revenues a large part of the population in the area are not yet in the market at all. The distribution of income is extremely skewed, on both a geographical and a personal basis. That is to say that the ruling bodies including royal families and their associates enjoy a large portion of the countries' wealth, and geographically the big cities, where most of the business activities are concentrated, are better off in the distribution of income, than the rest of the country.

B. Marketing Channels Structure

It has been argued that the marketing structure in a country reflects the stage of economic development in that country. (45).

Leo Erickson states that in marketing, as in other areas of social and economic activity, institutions and methodology do not arise simply through chance. Rather they are a reflection of the particular environment in which they are found. The institutions which are engaged in marketing, and the methods used to market output, reflect the environmental factors which are lumped together and called the market.

George H. Wadinambiaratchi went further to state that the channels of distribution in a country reflect the stage of economic development in that country. (135). This view was supported by a marketing study of nine developing nations in 1959 - Brazil, Egypt, India, Japan, the middle east. Puerto Rico, Tropical Africa, Turkey and Venezuela. It was found that:

1. The more developed countries have more levels of distribution, more speciality stores and supermarkets more department stores, and more stores in the rural areas.
2. The influence of the foreign import agents declines with economic development.
3. Manufacturer - wholesaler - retailer functions become separated with economic development.

4. Wholesaler functions approximate those in North America with increasing economic development.
5. Financing function of wholesalers declines and wholesale mark-ups increase with increasing development.

Although this indicator of increased development has not been explained by the author, it is taken here to be referring to a situation where the wholesalers provide financial facilities to small retailers in terms of credit. With increasing development, retailers grow stronger financially. Therefore the financing function of wholesalers declines. This explanation seems to gain support from the next indicator, where the author concluded that the size of the average store increases with increasing development.

6. The number of small stores declines and size of the average store increases with increasing development.
7. The role of the pedlar and itinerant trader, and the importance of the open-garden-fair declines with increasing development. (There are clear examples that Governments in some of the emerging countries regard the role of the pedlar and itinerant traders as a kind of under employment and actions were taken in Libya, for example, to clear some areas in the major cities from this kind of trader. Thus one can easily fall into a drastic error if a conclusion is drawn that the decline of such traders in a country reflects any kind of development.)
8. Retail margins improve with increasing economic development.

Referring to the Middle-East markets, Charles F. Stewart states that the retail distribution is characterised by large numbers of little shops with small capital investment, low turnover, high margins, and high mortality. Most food stores possess all these characteristics.

Stewart also noted: "The retailer will have the desired item in an hour, a day, or next week. The store layouts are generally haphazard; there is no stock control; and only the most elementary accounting records are kept." (130)

It is also important to refer to the fact that the channels of distribution in a large number of under developed countries are import-oriented and this case brings about some conflicts between the needs of domestic manufacturers and the channel agents.

A.A. Sherbim, pinpointed three points of such conflicts. (119).

1. Imports not only segment the domestic market, they may also fragment it. Thus import wholesalers are not prone to create a national market where lower margins are allowed in rather scattered areas. They tend to run their businesses in the big cities. Thus the existing channels may not serve a domestic manufacturer who is contemplating nation wide distribution.
2. Import oriented channels are generally characterised by a lack of functional specialisation. The concept of a channel as a chain of intermediaries directly linked to each other is hardly applicable to the model. Intermediaries may simultaneously assume such different functions as importing, wholesaling, and retailing. The general rule is to be present in any capacity when a chance to sell appears. Thus, an intermediary does not sell to a specific link in the channel but to a range of other intermediaries
3. The variation in product specifications, resulting from different foreign origins, and in available supplies, leads to unfavourable practices for domestic manufacturing. For instance bargaining becomes a standard practice since it makes possible rapid adjustments to any changes in the market situation. Profits, in a sense are not conceived as compensation for the performance of certain tasks; they simply reflect the trader's ability to take advantage of the market situation. Such a bargaining position in the marketing channel is in a conflict with the interests of a domestic manufacturer who might be better served by consistent service to consumers as well as an easy flow of his produce through the distribution channels without interruptions of trader's bargaining power.

At the retail level, there is more than a little evidence that the structure of the retail channel is influenced by regional and economic factors in the under-developed countries. Taylor (143), for instance, referring to Brazil says: "If the area in which the community is located is prosperous, two or three general stores may be found, but if the community is located in a depressed area, only one outlet serves the entire community the existence of the limited line store is dependent on the size and economic level of the community ... in regions of lower economic level, the number of establishments follow the density of population in terms of purchasing power". Two more studies confirmed this belief. Firstly Stewart referring to the Middle-East says "product composition, of course, emanates primarily from the pattern of income distribution and tastes." (130). Secondly, Edward Marcus referring to Tropical Africa says, "...in a market as changing as the African one, it becomes

extremely important to keep in constant touch with the final consumer and to follow the impact of income changes on his taste for material goods." L. Hirsch (64) states that there is no clear cut specialisation of distribution activities either vertically by successive levels of distribution or horizontally by type of goods handled in many under-developed countries. He maintains that this blurring of functions causes overlapping within the functions performed by channel agents rather than a shortening of the chain of distribution.

He wrote: "The situation may simply be a reflection of the relative lack of specialisation prevalent in a low-income economy." More specifically because of such factors as the prevalent market structure, the low cost of labour, and lack of fixed prices, it may often make economic sense for a merchant to widen the nominal distribution level at which he operates (see Hirsch p.287).

There is every evidence in the marketing literature to indicate that the unfortunate position of the channels of distribution in developing countries is only a natural stage of the evolution, first from a non-monetary subsistence economy to monetary economy, and later from an economy of scarcity, where demand exceeds supply, to one of comfort, where supply more than meets demand. Such sequence of development does not always follow in a balanced way with respect to every element of a marketing system, i.e. slow development in the marketing channels could slow the development of other elements in the marketing system, i.e. marketing activities of manufacturers concerning levels of operations, new products developed not finding proper channels of distribution, and controlling certain areas of marketing decisions where manufacturers are interested to exercise some degree of control.

In the conclusion to his study on the Middle East, Stewart suggests that the fact that the market is increasing only slowly probably accounts for the persistence of distribution methods developed for another age and for the continued concentration of many disparate lines in the hands of a single agent. In fact private family type of ownership in channels is a common characteristic shared by most of the under-developed countries.

Some authors in the field went further to suggest that the number and size of the outlets in under-developed countries appear to be a function of a) size of the family - most establishments are owner managed; b) availability of own capital to be an entrepreneur; and c) consumer purchases - daily shopping and absence of transportation, both due to low incomes, necessitates location of small stores at frequent intervals. (134)

From the previous review, few persons would dispute the fact that neither marketing techniques in general nor specific distribution methods, are the same in all countries. It has been said that marketing is the most backward part of the economic system in under-developed countries. Possibly as stated before it is due to the fact that the economic value of marketing is not very much appreciated in these countries, But still some common characteristics would be pinpointed in the under-developed countries with respect to some, if not all, the elements of their markets, marketing practices and associated channels of distribution.

In marketing, as in other areas of social and economic activity, institutions and methodology do not arise simply through chance. Rather they are developments resulting from the past and accumulated experience. In other words, the institutions and methodology of today determines the type of institutions and methodologies for tomorrow. Thus for deep understanding of the marketing and distribution methods existing in the under-developed countries, as discussed earlier, it could be better looked at and explained in terms of the evolution of marketing practices. For further details this will be discussed at a later stage when talking about 'marketing evolution and practices within firms'.

3. Business Structure.

The structure of business and internal trade of under-developed countries is another area that reflects primitiveness in handling economic and marketing activities in those areas.

The inheritance of family type businesses, low rates of capital formation at individual levels due to low per capita income, and small land properties used for agricultural purposes are all factors contributing to the existing structure of businesses. Among the results of this situation are frugality and self-sufficiency of a large number of the population in the emerging countries and this situation is among other factors hindering the development of national forms of internal trade. One great obstacle in this field is the fact that trade is split into a great number of small tradesmen who are barely able to make a living.

The small tradesman is still the predominant supplier of daily necessities. Since little capital is required for entering this kind of trade rendering it readily accessible, retail trade lures the unemployed. The trading goods are then mostly procured on a "hand-to-mouth" basis. This of course makes the goods more expensive for the customer.

Such a situation has led some authorities in the field to suggest the reform of internal trade by certain major measures taken by governments concerned. C. Kapfrer, referring to the problem says, "the reformation of the internal trade, therefore, is a progressive step by the government in order to

allow adequate services and prices for the consumers. The answer could be found in promoting the marketing of agricultural products through co-operatives, while trying to arrange the handling of imported goods through official and semi-official enterprise". Rene Dumont seems to hold a similar idea. He believes that weakness in infrastructure, lack of African technicians, high cost of transportation and the inevitably small factories to begin with, need the government to play a positive role in business reforms. He was referring to African countries and says, "purchases of food from abroad must be reduced in order to demand more of an effort from workers and producers". Though he believes in an active government role in business and trade, he suggested that customs protection should not be exaggerated or continued too long, because the natural tendency of any businessman, even if it is the government, is to let up if he is behind a protective barrier.

The nature of business ownership in the emerging countries is one of the major obstacles to marketing progress. It is a well known fact that many single families control the ownership of a large number of firms. Even large firms are owned and run by a small group. In such closely held firms, top and middle management positions are confined to family members. With a rigid promotional policy, it becomes quite difficult to recruit capable middle management from outside the family, in some cases from close relatives. In such an organisational structure, professional marketing know-how would find little room.

Such a type of ownership is followed by another pattern of geographical distribution of business in the under-developed countries. The trading agents and the producing firms are mainly located in the major cities where most of the population are concentrated. The attraction of the big cities and the urban life have stimulated the establishment of most of the economic and commercial activities in such a way that makes the difference between these cities and the rest of the country so significant.

Nimr Eid added that because of the limited effective demand for many commodities and the very scarce resources available in the under-developed countries, the governments generally follow the policy of deliberately not encouraging competition. Thus many industries in these countries are comprised of one or two firms (104). Under these conditions marketing is probably equated with transporting the goods to convenient locations and completing the sales by the simple exchange of money for goods. In fact the small producers in the under-developed countries always complain about severe competition both by large local and foreign companies.

It is also the case with small European manufacturers. Here R. Davies (32) stated that he was told during many of his interviews that "our market is very small and therefore we cannot compete as you do in the States". The literature in the field is full of such examples, sometimes more specific as the attitude of the African businessmen in Kenya towards Middle-East and Asian businessmen competing against them. Perhaps the whole idea against competition, in the emerging countries, is one of retaining the high margins on small volumes experienced for a long time in these countries. If this is the case, one can classify such attitude toward competition as one of those militating against expanding production and improving the marketing system as a whole.

At the managerial level of producing firms, one can hardly escape a long discussion about the state of production orientation. This is not only a common case in the under-developed countries, but some manufacturing firms in Europe also did not catch up with the new concept of market orientation.

Otto H. Nowotny (106) went deeper in analysing psychic and philosophic factors in management attitudes when he wrote, "A Comparison of management philosophy in Western Europe and in the United States suggests that one of the most striking differences is in the orientation toward time. One might imagine a janus-like figure with the face of the European looking back while that of his American counterpart looks out into the future. Because of his attachment to the past, the European often respects such management attributes as wisdom, stability, convention, necessity, quality, and individuality, whereas the American is more likely to admire vitality, mobility, informality, abundance, quantity and organisation. Like a young impatient man, the American is eager to apply his overflowing energy (much of which is wasted in the process) and is concerned with the present and frequently ignores the possible future incidental effects of his actions. The European, on the other hand, resembles an older man, tempered and cautious who prefers slow, organic growth to rapid change. His most positive characteristic might be wisdom, which also makes him less mobile and less enterprising. Obviously the proper blend of energy and wisdom would benefit both parties".

O. Nowotny concluded that the basic characteristics of American and European management philosophies are so strikingly complementary that a combination of what is best in both must lead to an improvement in the conduct of Euro-American free enterprise economics. The crucial question, however, is how to bring about this desirable change. Nowotny, in his article attempted to deal in a systematic manner with some of the major aspects of American and European philosophies, but did not undertake any empirical study, a matter that makes his generalisations arguable.

It would be a fair conclusion to be made out of Nowotny's generalisations that unless Europeans abandon some of their excessive attachment to the past, and Americans their more or less profound disregard for it, little change can be expected. There is much, however, to be learned by the emerging countries from this contest as they are more attached to traditions, habits, family ties and kinship, tribalism, religious and social values. All those elements of the social set up in the emerging countries have their impacts on shaping business and types of businessmen's attitudes toward management philosophies and marketing practices.

Another factor which characterises businesses in under-developed countries is the state of production orientation rather than marketing orientation. Generally speaking, the emerging nations can be described as production orientated. The important thing in these countries is to produce rather than to sell.

Nimr Eid, was referring to marketing oriented organisations when he wrote, "The marketing concept finds expression in the simple statement; nothing happens until a sale is made." Thus one would expect a parallel statement that fits production orientated organisations of the under developed countries on the line of "nothing happens until a product is made."

The little concern given to the market and how its wants and need affect the decisions of individual firms of under developed countries could also be attributed to the fact that the demand for a large number of goods and services typically exceeds their supply. Therefore, such firms undertaking small scale production would not feel the need for expanding their marketing techniques and efforts. Instead, production problems are more likely to be given the first priority when it comes to expanding their scale of operations.

As most of the authorities in the field of economic growth have suggested, it is only as nations experience economic growth that their marketing activities become highly sophisticated. This implies, and in fact reinforces, what has previously been stated that little concern is given to the marketing activities when demand exceeds supply. It is intended, at a later stage of this summary, to discuss various stages of marketing development and marketing practices of manufacturing firms in order to determine the evolution of their marketing practices and what marketing developments are more likely to emerge at all levels of the evolutionary process.

David Carson referred to Egypt as a practical example in support of the idea. Following the 1952 revolution in Egypt, the military regime was determined to stimulate economic development. Since then much industrial development has taken place, but a number of serious marketing problems have also arisen. The cement, synthetic fibre, and textile industries have had difficulties in selling their increased output as they moved from a static where demand exceeds supply to surplus in supply. And in 1957 several leading textile manufacturers requested that no further expansion of their industry be attempted before market studies could be made to determine the extent of consumer demand for present and future products.

Apparently the marketing sector was out of phase with industrialisation. This example expresses the fact that the concept of market orientation is more likely to emerge when marketing problems arise; it equally clearly suggests that the economic planners give little concern to the development of marketing.

Speaking at the F.A.O. Conference in Rome on November 7, 1967, Secretary Freeman noted that, "a number of developing countries now dependent on concessional food imports are predicting self-sufficiency in production within the next five years. "Yet" he observed, "there is little evidence within some of these countries of efforts underway to develop a proper marketing system, the system needed to move massive quantities of food from the countryside into urban areas - the system without which self-sufficiency can never become a reality marketing more than perhaps any other link in the agricultural (system) is overlooked." (76)

Up to this stage of the review, we have seen many aspects of markets and marketing shared by most of the under developed countries. This is in no way suggesting that these shared or common marketing aspects are identical in every individual case of the countries concerned. As we have previously mentioned, however, the assumption that identical national market and marketing practices in a single country occur, is a gross over-simplification.

Most of the studies dealing with comparative marketing systems tend to emphasise the differences between marketing practices and institutions rather than the similarities. In order to understand what they do reflect, some believe that differences in marketing systems may largely be a reflection of different national environments. (A national environment is defined in this context as the socio-economic, geographical, cultural, political and religious complex of a country).

Managerial philosophy - in which marketing thoughts are part - as understood in a broader sense, is a product of a given culture and environment. We therefore extend the discussion to answering the following vital question. How valid is it to suggest that the advanced Western philosophy and techniques of management and marketing fit the particular requirements of the under-developed countries?

4. Adaptation of marketing concepts in under-developed countries

Few persons would dispute the fact that marketing techniques in general, and any specific distribution methods are not the same in all countries. It has been said that marketing is the most backward part of the economic system in the emerging nations. This fact has a significant implication for international marketers. As Michaelis said to the Boston Conference on Distribution, 1961: "A modern factory can be transplanted from the United States to Asia or Latin America. The machines will function the same way and the products will be identical our distribution methods - developed to a high degree of sophistication in our intensely competitive market place - cannot be directly transplanted", and went on, "I would be the last to suggest that American marketing techniques will, or necessarily should, ever fit India's particular requirements. Rather I would plead that, together with India and with other developing nations - we explore what portions of our experience and know-how in marketing can be adapted to their needs."

Principally, therefore, Michaelis believes that the Western marketing concepts and principles could be applicable in the under-developed countries not as a whole, but only with respect to the needs of these countries. This implies that there are conditions which govern the transplanting of the American marketing know-how to these countries.

Bartels (8) tried to specify such conditions when he suggested that the introduction of many American Management and marketing practices and institutions may become feasible only when:

- a. per capita income, or at least the income of numerically large classes reaches a certain level.
- b. Local industry learns how to produce goods of consistent quality.
- c. And the environment is conducive to cultural innovations.

Flores (51) in his study of the Philippines case sees no serious constraints to the transferability of American style of management and added one more condition. "One important feature facilitating the introduction and acceptance of American managerial know-how is the educational system and the high literacy rate of the population." Accordingly the numerous business which one patterned after American models and the profusion of short courses and seminars offered by schools and private organisations have served to create an environment favourable to the introduction and dissemination of American management practices. Flores, however, pointed out that both American and Philippine managers had to modify the American management practices in order to tailor them to the Philippine setting.

Harbison and Myers (60) after studying management practices in 23 countries, came to the conclusions that, "organisation building has its logic which rests upon the development of management ... and ... there is a general logic of management development which has applicability both to advanced and industrialising countries in the modern world." In fact, few people would dispute that the same could be said about marketing, since marketing is classified as a branch of management studies, and could hardly be separated from it.

Winston Oberg (107) argued that if the ground rules under which the manager operates are different, in different cultures and/or countries, it would be quite fruitless to search for a common set of strategies of management. From his overseas experience and empirical research in Brazil and the U.S.A. he concluded that. "Cultural differences from one country to another are more significant than many writers (on management theory) now appear to recognise If management principles are to be truly universale, they must face up to the challenge of other cultures and other business climates." In Oberg's opinion, universalist claims is hardly warranted by either evidence or intuition at this stage in the development of management theory, Farmer and Richman (47) are both in line with Oberg when they questioned the adequacy of management theory to explain comparative differentials in efficiency.

They also stressed the importance of external environmental factors on the efficiency of the manager. They argued that most studies of management have taken place within a black box labelled "management" without much concern for the external environment in which the firm may operate. As long as this external environment is about the same for all firms, the approach is valid; however, in cases where the environment differs significantly ... as in the case between nations, present theory of management is inadequate to explain comparative differentials in efficiency." They went on to

specify four general classes of external constraints: educational, sociological, political and economic characteristics.

Most of the previously mentioned writers have recognised and emphasised the impact of culture and other external environmental factors on management processes and effectiveness. However, they have not gone far enough to indicate the way in which these influential external environmental factors might be ascertained. Besides ... these researchers have considered management philosophy as "given", a product of the culture and environment. It is indeed true that management philosophy as understood in a broader sense is a product of a given culture and environment. However, certain elements of management philosophy can and have been "imported" successfully and this is applicable to marketing concepts too.

Our discussion at this stage is approaching two related areas which are vital to the research at hand. First, does the level of development of the marketing environment affect individual firms in a given country? If it does is there a direct relationship? And second, is there a sequential pattern of development of marketing practices within individual firms?

5. Socio-economic and cultural factors and marketing development

Marketing activities take place within the framework of a social, political, economic, cultural and technological systems of a country. It is widely believed that the environment of marketing provides certain conditions which limit the scope of the firm's activities and affect its organisational structure, i.e. factors such as low disposable income and literacy of the population limit market potential and thus the scale of the firm's operations. On the other hand, economic and social conditions such as the availability of capital, natural resources and managerial talents and labour skills determine the type of resources available to a firm and thus its organisation and various activities. That is to say that the market structure or institutions - the business-man plans - are limited by the environmental factors, and these environmental factors are accounted for in that all encompassing factor called economic development. He can introduce changes in the channels of distribution or in the type of institutions in the channels either in response to changes in environment, or by attempting to change the environment by changing the socio-psychological, cultural or anthropological variables as affecting the people of the country, or by changing the economic environment itself. (See ref. 135).

Susan Douglas, in testing the hypothesis that the level of development of the marketing environment affects the size, the organisation of firms, management attitudes and channels structure and relationships, concluded that the relationship between environmental factors and the marketing system may be more complex and indirect. (40).

This suggests that the influence of environmental factors on marketing structure may be considerably less important than is frequently postulated. The wide variation reported in the study, among firms in each country, suggests that individual firms may respond in different ways and in different degrees to environmental conditions and hence no consistent pattern of response emerges at the national level.

Her study had also suggested that there is no direct relationship between the size and organisation of marketing firms and the level of environmental development. "If environmental factors influence the size and organisation of the firms, the impact is of an indirect and complex nature which cannot be explained solely in terms of environmental growth".

Theoretically speaking, a market opportunity is to be exploited and some of these market opportunities are created by certain developments in the marketing environment, i.e. an increase in real per capita income - if translated into an increase of demand - provides a market opportunity for certain commodities and services. This means that the size of the market is increased and the firms concerned have to respond. Their response to the new situations depends on their abilities, constraints and attitudes.

It would be quite useful, therefore, to look at the environmental factors in terms of their impact on the structure of the market other than their effect on individual firms. The response of individual firms to the new market situation would be the next step for further analysis.

A list of the environmental factors affecting marketing practices and development is considered below. One of the best lists published for the purpose of analysing social, economic and cultural variables is that of Marketing Science Institute of Philadelphia in 1967. Eight characteristics were selected to present environmental conditions pertinent to the marketing functions. The following is a list of these environmental characteristics.

A. Common variables

A. These characteristics are as follows.

1. Total population.
2. population density.
3. annual percentage rate of increase in population.
4. percentage of population of working age (15-64).
5. literacy, percentage literate of population aged 15 and over.
6. agricultural population as a percentage of total population.
7. urbanisation.
8. primacy.

B. Social factors are given to be

1. ethnographic diversity.
2. religious homogeneity.
3. racial homogeneity.
4. linguistic homogeneity.

C. Economic variables

1. G.N.P. per capita per capita income.
2. electric power production/per capita kilowatt
3. energy consumption/per capita kilowatt.
4. steel consumption K.G. per capita.
5. investment as percentage of gross national product.
6. agriculture employment as a percentage of male labour force.
7. G.N.P. average annual rate of growth.
8. trade dependency on raw materials: raw materials as a percentage of exports.

D. Health/hygiene

1. life expectancy, years at birth.
2. infant mortality rate: deaths per 1,000 live births.
3. inhabitants per physician.
4. inhabitants per hospital bed.

E. Educational level

1. literacy: percentage of adults literate.
2. primary school enrolment as a percentage of population aged 5-14.
3. secondary school enrolment as a percentage of population aged 15-19.
4. enrolment at third (higher) level of education per 100,000 total population.

F. Communications

1. Newspaper circulation: estimated daily circulation per 1,000 population.
2. Radio receivers per 1,000 population.
3. telephones per 1,000 population.
4. television sets per 1,000 population.
5. urban population: percentage in cities over 20,000.

G. Transport

1. Motor vehicles per 1,000 population.
2. road density kilometres per 100 square kilometre.
3. rail road density kilometre per 100 square kilometre.
4. rail freight utilization: million freight ton kilometre per 1,000 population.

All these variables together could be taken as indicators of what is called socio-economic development. It would be very essential to pinpoint the most relevant variables to marketing among these indicators in order to see how they affect markets and marketing practices. The criteria used here to pinpoint these variables will be the impact of these variables on the structure of the markets and not the effect on individual firms directly. Therefore, each variable selected would be given its justification.

B. Selected variables

1. Total population: Demography

Among the most important elements of any market is its size in terms of total population. In fact markets exist because of peoples willingness to exchange services and commodities one way or another. Some authorities in the field suggest that, "other than people, few elements of the environment influence a nation's marketing system and operations as much as its geography." (22)

A nation's human resources must be measured not merely by numbers but also by their major characteristics; age, sex, and subcultures; incomes and their distribution, levels of education and size and composition of the labour force and its employment.

All these characteristics of population do indeed shape and in fact determine the market and its characteristics.

2. Geographic aspects

The distribution of the total population among certain geographic areas of a nation is determined by the physical structure of the nation. Therefore, geography does affect the markets directly in the way that the physical barriers divide the national markets.

More important are the existence of inland waterways, accessibility to the sea, and the amount and dispersion of fertile soil. All these characteristics affect the marketing and physical distribution of commodities. E. Lewis has called attention to strong regional characteristics when he wrote: "While the Spanish language is understood by all inhabitants and is the language of the advertising media, personal contacts are more effective if made in the local Spanish idiom or the regional tongue." (81). Geography does affect and shape markets and therefore should be taken as one of our selected variables.

3. Religion variable

Religion makes itself felt in contemporary marketing notably by prescribing and proscribing certain foods and by influencing business hours, especially with regard to religious days of rest and holidays. The religious proscription of certain foods limits the size of the market for this particular food directly, whereas religious days of rest and holidays in some cases require certain changes in the marketing practices. Moslems for example are enjoined from eating during daylight hours during the holy month of Ramadan, but there are mighty feasts to compensate. For certain food products, like meat, vegetables, sugar etc., the supply declines as those items are heavily used during the month. Business hours are also extended till late at night including entertainment. The influence of a religion on a marketing system is determined by the degree of religion homogeneity of a country, i.e. a country with overwhelming dominance of one religion tends to have its marketing system influenced by this religion.

5. Urbanization

One of the major factors that accounts for the growth of internal markets is the increasing urban population of a country. As it is already known, industrialisation is generally accompanied by urbanisation, and, in fact urban areas attract business and industrial activities more than rural areas do. With both urbanisation and industrialisation more developed and sophisticated markets and marketing techniques are likely to emerge. In fact, increased industrialisation and urbanisation are generally accompanied by a marked increase in the proportion of the labour force specialising in distribution, David Carson stated.

There is more than a hint in the marketing literature that marketing, in a sense, is the delivery of the standard of living to the people. Taking this into account, the migrants from rural to urban areas within a country, are entering a more sophisticated marketing system and this system will have to react in order to deliver the standard of living to the newly urbanised population, whereas the primitive marketing sub-systems in urban areas gradually lose importance. The increase in urban areas, therefore means more flow of goods and services through the marketing system.

Philip M. Hauser (61), distinguished between urbanisation of the economically developed and under-developed countries in terms of the properties of urbanisation. He concluded that, "the under-developed areas of the world are 'over-urbanised,' in that larger proportions of their population live in urban places than their degree of economic development justifies." Thus, their impact on the marketing system in the urban areas would be minimal for certain goods, whereas, their impact on the basic foods and necessities would be remarkably more.

The previous discussion on urbanisation, therefore, clarified the importance of this factor on markets and marketing practices. This should be included among the environmental factors selected for special examination.

6. Per capita income and consumption

A nation's human resources must be measured not merely by number but also by their major characteristics in which income and spending behaviour are part.

Despite the millions of dollars of oil revenue flowing to the Middle East, and to the oil producing countries in general, a large part of the estimated 20 million people in Lebanon, Syria, Jordan, Iraq, Saudi-Arabia and Kuwait are not in the market at all. That is because the distribution of income is extremely skewed on both a geographical and a personal basis. Such a situation can only be idiolised by redistribution of income in such a way that creates balance among different classes with minimum differences. Our concern here is to have more consumers with effective purchasing power in the market.

Per capita income is usually used as one of the indicators of economic development. Some economists do not believe that per capita income is a suitable measure of economic development for certain reasons one of which is, if populations increase as fast as real national income, then per capita incomes will not show any increase. Therefore, it would be more useful for marketing people when measuring the size of the market to combine both the increase in population and per capita income as well.

Simon Kuynets (77) expressed his concern about per capita income and its significance when he wrote: "Differences in per capita income need to be translated into differences in per capita consumption expenditures. If they do not, the association of economic development, as measured by per capita income, with industrialisation and urbanisation need not be translated into an association with per capita consumption and with the correlated differences in the structure of consumption." Hence it is important to examine the connection between per capita income and the uses of income particularly its use for consumption.

It has been suggested in the marketing literature that the proportion of total consumption expenditures devoted to the basic food necessities is far larger in the low income, under-developed countries than in the developed. That is mainly because incomes are very low and needs for basic food products, therefore, are not satisfied in these emerging nations. Per capita income, thus, is taken as one of the important factors for examination combined with per capita expenditures.

The above six main environmental factors have tremendous effect on the markets and marketing practices. Each of these selected factors has been given some justification for its inclusion. However, these factors need complementary ratios and other information in order to see their complete impact on the market i.e. the demographic profile needs to be enlarged to cover the ethnographic diversity, linguistic homogeneity and mortality rates of the national population.

By examining the factors mentioned above, one would get a fair knowledge about the market and marketing environment of a given country.

As we will see later on, this area of environmental factors influencing market structures and marketing practices is a major field of study for the thesis on hand. But, before we go into details of what is included and what is not, is there a sequential pattern of development of marketing practices within individual firms? In other words, the focus of the discussion at this stage is on the evolution of marketing management within individual firms.

6. Marketing evolution and practices within firms:

A. Marketing development and evolution

Marketing today is completely different from that of one hundred years ago. The literature on the field reveals that certain developments occurred ranging from a primitive self sufficient society to highly developed techniques in highly

developed countries. Five general stages of development of marketing practices are distinguished from the literature.

1. Marketing, in its primitive way, could be seen in the most backward economy where the people were largely self-sufficient. They made their own clothes, grew their own food, and built their own houses and tools. There was no specialisation or division of labour in this stage of development. There was little need for trade and this took the form of bartering in the simplest way.
2. The second stage of marketing development is characterised by the emergence of small craftsmen and division of labour. The craftsmen started concentrating on the production of the items in which they excelled. As a result from this stage each of those craftsmen started producing more than he needed of some items and less than he needed of others, and this is the foundation of trade which is the heart of marketing.
3. As exchange began to develop, small businesses were a small scale endeavour with no specialisation in management; they developed from home handicraft organisations. Their emphasis was largely on production, and little or no attention was devoted to marketing.
4. This stage of development of marketing has witnessed the small producers beginning to manufacture their goods in large quantities in anticipation of future orders. This was a decisive step towards marketing development. In this step further division of labour occurred as a type of businessman develops to sell the increased output. Intermediaries between producers and consumers emerge to carry out the role of middleman. They carried out their functions to facilitate communication, buying and selling. These intermediaries were allocated mainly on a geographical basis rather than any other consideration. Trading centres were also among the characteristics of this stage of development.
5. The modern marketing in Europe and the United States was born with the industrial revolution, when the words "surplus" and "over production" became increasingly common in the vocabulary of economics. The most significant development of marketing in this stage is the realisation that there cannot be a high level of economic activity without a correspondingly high level of marketing activity.

These five steps of marketing development - emphasised by a large number of authorities - do not suggest whether the marketing practices within individual firms follow the same or somehow similar lines of development. Our aim next is to search for the most probable steps of evolution of marketing practices, or organisation in firms.

B. The evolution of marketing management

Marketing organisation structure has been developed over a period of time and is still developing. It is a well known fact that in the early days industrial firms, manufacturers, and commercial organisations did not know the principles of marketing organisation and management as we know them now. Most of the firms established in the early age did not distinguish between the marketing functions and other managerial ones simply because marketing had not been developed as such.

Marketing management has been developing in Europe and North American businesses since the industrial revolution. W.J. Stanton suggested that marketing management in America has gone through three stages of development, and a fourth is emerging. (127) Many small firms are still in one of the earlier stages of marketing organisation, and only a few have the most developed form of marketing organisation and the outlook and philosophy that go with it.

A preliminary stage of marketing development was added to Stanton's four stages approach in a survey carried out in Peru (56). The five stages of marketing maturation of manufacturing firms, therefore, ranges from a preliminary phase, where marketing is regarded as nothing other than a selling function in the first three stages, to a newly emerging approach where all short-term company policies are highly conditioned by marketing.

The five stages of marketing development can be described as follows:-

Stage 1. Small firms characterised by a general manager or president, relatively few workers and employees, no clear-cut functions separated from others, i.e. production, financing and personnel are all functions performed by the president of the firms. Marketing does not exist at this stage in its modern sense, but the element of selling is the most distinguished, and used among the other marketing elements. Generally the manager of the firm takes all the decisions except the technical ones mainly involving production techniques:

Stage 2. Firms at this stage tend to have established departments for the basic functions such as production, personnel, finance, purchasing and selling. Still the post of marketing manager is not recognised as a basic function, instead the first sign of organising the marketing activities takes the form of a sales department in which the sales manager is responsible for the field sales force; most other marketing activities are either still held by the general manager or are spread throughout the firm.

Marketing, therefore, does not mean much other than selling in the first two stages described above.

Stage 3. As a further development, due to expanding production, the firms at this stage are encountering marketing problems, i.e. more difficulties in selling their produce. They become aware of the importance of grouping all the marketing activities under one marketing executive who is still called the sales manager. The sales manager at this stage has little influence on production planning, packaging or new product development. These functions are still within the span of the production manager.

Stage 4. The first sign towards market orientation emerges at this stage with the establishment and full recognition of a marketing department. The marketing manager takes over all the marketing activities in a fully integrated way. Other divisions attached to the marketing department, such as advertising, selling and new product development divisions are established within the marketing management. Aspects such as production planning, inventory control and transportation are also influenced by the chief marketing executive. In some cases the chief marketing executive exercises wider influence over the entire organisation of the firm. Long term company policies are conditioned by marketing.

Stage 5. Marketing becomes the basic motivating force for the entire firm. All short-term company policies are highly conditioned by marketing. This stage cannot be represented on an organisational chart. It is reached when attitudes of all company executives reflect the marketing concept.

A few firms or perhaps none, have reached this stage of marketing maturation in the emerging nations.

It should be clear, however, that the evolutionary stages of development of marketing management described above so not imply the existence of a single sequential course of development over which all firms must pass in the organisation and conduct of marketing management. The border between any one stage and another is not rigid. The classification, thus, is taken here as a convenient scale of organisational possibilities which could indicate or identify different degrees of sophistication in undertaking various functions of marketing management.

The five stages of marketing maturation discussed were derived from the historical experience of the U.S.A. Only in recent years have marketing organisations in America begun to evolve into stage 4 and 5.

In his recent study of 273 manufacturing firms in the United States, Hise R.T. (65) examined the acceptance of the marketing concept (stage five) and concluded that the greatest degree of acceptance is found in the customer orientation of marketing programmes and in the organisational structure of the marketing department, particularly in the status provided to the chief marketing executives. The study also showed that large firms are more fully committed to the marketing concept than medium ones. Although the difference is only slight as to some factors of the marketing concept, a distinct pattern does exist.

Referring to our previous discussion concerning characteristics of business and marketing aspects of the emerging nations, small family firms are the most dominant factor which characterises both industrial and commercial activities of those countries. Thus one would expect that the bulk of these small businesses fall into the first two stages of marketing development, while few have reached stages 3 and 4. What seems to be important is whether the preliminary firms are moving upwards in the scale of development. Most important, however, is whether the newly established firms tend to start their activities in the first stage of the scale or elsewhere then evolve all the way through.

It seems to be that there are two important factors which govern the evolution of the firms throughout the stage of development. First, a number of serious marketing problems arise following increased output of manufacturing firms, i.e. difficulties in selling their increased output. Apparently the problem is purely a marketing one. Either the marketing sector was out of phase with industrialisation or the supply exceeded the demand. In both cases the firms concerned were left with no choice other than the recognition of the role of marketing in their activities. Thus, the situation is more likely to induce upward movement in the scale of marketing stages of development (see Chapter 6, section 1.) for more details.

Second, the shift from owner managed firms towards professional management direction, Glade and Littlefield in their study of the Peruvian market concluded that, "firms under the direction of professional managers have reached a more advanced stage of marketing organisation than those managed by owners alone.

The concept of stages of marketing development, although it has objections which can be raised as mentioned earlier, is still useful in the sense that it offers an approach to analyse the characteristics of manufacturing firms at different stages of marketing maturation. Combined with the two factors governing the movement of firms upward on the scale of development, the concept would be more comprehensive and convenient for research purposes.

The development of the marketing practices of manufacturing firms will be a vital part of this thesis, with special reference to the stages of marketing development, along with the analysis of the marketing environment under which the manufacturing firms in Libya operate.

7. Conclusions

1. Despite the similarities, reported in various studies, between markets, marketing practices and systems of the under-developed countries, there is no evidence to believe that there are two identical marketing systems in the world. In fact, the existence of an identical national market in a country is an oversimplified idea. The same could be said about marketing practices of different firms in a given country, that is to say that their response to their marketing environment is reported to be different. Thus no consistent pattern of response and practice emerges practically at a national level.
2. There is much written about the impact of external environmental factors on marketing structure and development. Less is written about how these factors might be ascertained.

Conclusions have been drawn which give little evidence to support the widely held theory that the development of marketing structure closely parallels that of the socio-economic and cultural environment. In these studies, the time factor - which might be the key for understanding the relationship between environmental factors and marketing development - has not been taken into account. Thus a study of the evolution of marketing structures and organisations over time, along with the development of the environmental factors, are required for research. This will be elaborated further in the research design.

3. Western marketing techniques and practices can be imported and applied to the under-developed countries only with respect to the social and cultural differences between these countries. The transformation of machinery and industrial factories does not mean necessarily that they will be associated with development of marketing techniques and practices, though identical products will be produced by this machinery in any country.
4. Soci-economic and cultural variables are basic requirements for understanding and analysing marketing practices. Therefore, certain factors should be selected to examine the marketing environment. the criteria used to examine such factors will be their impact on the structure of the market in the first place. The next step is to examine the change in business structure and organisation of marketing practices in different firms.
5. The evolution of marketing organisation of firms takes different stages, starting from a primitive organisation where the marketing function tends to be mixed with other basic functions to a highly sophisticated marketing management where the marketing philosophy tends to be a concept of the whole business. An examination of how these stages of marketing organisation emerge over a period of time, along with the change in the marketing environment and its impact on market structure would be a comprehensive approach to the study of marketing development in a given country.
6. Insofar as the emerging nations are concerned, there is strong evidence that until businessmen recognise the importance of marketing as a specialised managerial function which warrants specialists, it is unlikely that much effort will be made to establish more advanced marketing organisations. Thus, educational efforts concerning the role of marketing and the training of marketing specialists are essential to the future development of industry in the emerging nations.

CHAPTER TWO

RESEARCH DESIGNS

Introduction

The proposed research is intended to provide both quantitative and qualitative knowledge about the Libyan market, a market in which marketing literature is almost non-existent.

Evidence from the marketing literature suggested that the marketing systems and practices of the emerging nations have certain common characteristics which could be attributed to their low levels of economic and social development. Nevertheless, individual countries may have different marketing institutions and practices which are specific to their individual marketing systems.

The study - which is undertaken under conditions of absent marketing literature about Libya - is faced with two specific questions:

- A. What are the characteristics of the Libyan marketing system and practices?
- B. How does the system and its associated practices relate to our existing knowledge of other marketing systems, especially those of underdeveloped nations?

The first question implies a substantial analytical description of the Libyan marketing system with special reference to its individual components, i.e. existing marketing institutions and related marketing practices. Such a study of marketing institutions and practices required a sufficient coverage of the marketing environment in which those institutions operate. Thus the primary task of this research is to analyse the socio-economic and cultural environmental factors which have impact on markets and marketing practices in Libya.

The second question suggests that certain aspects of the Libyan marketing system and practices may be similar to those already known in other countries of a similar stage of development, they are comparable within the context of comparative marketing systems.

In order to put the study in its comparative perspective, certain general hypotheses will be specified and examined with regard to certain marketing practices.

For a number of reasons, Libya seemed to be an especially suitable location in which to conduct this research. In the first place, the country appeared to stand no chance of survival economically at the time of independence in 1951. By the late 1960's it became one of the richest oil producing countries with one of the highest per capita income rates in the world. Furthermore, with such major economic change the country's social

environment has also been changing rapidly. The main experience with social and economic development, therefore, is still sufficiently recent that one can observe with considerable clarity the associated marketing development and types of marketing problems which have arisen.

The Libyan food manufacturing industry is chosen to be the focus of the study of the marketing practices in Libya. This type of industry emerged, in its modern sense, after the country became independent in 1951 and since then it has become Libya's largest manufacturing industry.

Food manufacturing firms in Libya, having started mainly after independence in 1951, could provide reliable historical records of major changes in their organisation of the marketing function, type of ownership and management, level of business operations, degree of involvement in marketing activities and the type of marketing techniques they use in response to the rapid development of their socio-economic environment.

The study of the Libyan food manufacturing firms and their marketing practices will be focused on a specific period of time which begins in 1951 and onwards, in order to trace the evolution of both environmental development and marketing organisations and practices of the food manufacturing firms.

1. Research Objectives

The overall research objectives of this study can be summarised as follows:

1. To provide both quantitative and qualitative knowledge about the Libyan market which has never been studied before, from the marketing point of view.
2. To explore the Libyan marketing environment in which different marketing institutions operate. In this sense, manufacturing structure, basic marketing infrastructure, economic conditions and socio-religious and cultural factors will be subjected to detailed examination.
3. To examine the marketing organisations and practices of the Libyan food manufacturing industry along with its related domestic market. Levels of marketing organisations within firms, main responsibility for various marketing activities, levels of competition, relative importance of major marketing facets to overall marketing strategies of firms will be analysed and evaluated.
4. To relate the findings of the study to existing theories of marketing systems, with special reference to those prevalent in underdeveloped nations.
5. To provide a base for further research which could concentrate on in-depth studies of more narrow and specific aspects of marketing in Libya.

2. Hypotheses

I. The acceptance of the marketing concept in the Libyan food manufacturing firms, as evidenced by the degree with which firms employ advanced marketing methods (defined as employing marketing research, advertising, sales promotion, efficient channels of distribution and product development research) is a function of the firm's size, age, type of ownership, type of management, education of management, employment of foreign marketing and technical know-how and the nature of market competition.

Implications

When marketing sophistication depends on changeable variables such as the education of management, employment of certain tools or techniques, willingness to try new and/or foreign methods and attitude to change within firms, the implication is that where these are low and/or missing, training programmes could and should be undertaken in order to raise them. By raising the levels of these factors the marketing effectiveness and efficiency will be improved to the benefit of both firm and domestic industry as a whole.

The marketing concept - accepted to mean making profits through customer satisfaction - has actually emerged under the Western marketing environment where expanding production (relatively speaking) is no longer much of a problem compared with increasing sales volumes. On the other hand, a domestic manufacturing firm in an emerging nation is more likely to face production difficulties and/or an inadequate supply of raw materials due to low levels of technological advancement in production or because of the primitive ways of growing raw materials prevalent in underdeveloped agricultural societies. Thus, a food manufacturing firm in an emerging country may find it more difficult to expand its production than to sell it. It follows that such a firm, under these conditions, may decide to increase its procuring efforts in motivating suppliers to grow raw materials rather than to emphasise marketing to the consumer.

Since the present research is concerned with the study of the Libyan food manufacturing firms and their marketing practices, whenever the case of motivating growers of raw materials exists, it will be taken as an indicator of the level of its marketing sophistication.

II. It is further hypothesised that, notwithstanding the above, the overall level of marketing sophistication in the Libyan food manufacturing industry is determined by external variables outside the individual firm and partly under the control of the government. These are given as government policies related to protection of domestic manufacturers against foreign competition, price control, incentives to industry and risk-taking; and/or variables within the context of socio-psychological aspects of development (on the part of company management) given as uncertainty about future, recent entry to the monetary economy and attitudes toward business.

Implications

When performance of individual firms, in terms of both production and profits, depends on increasing their marketing efforts, government policies related to protection against competition and/or its various incentive policies could and should be removed or reduced in order to allow the industry to grow under natural conditions. In doing so, individual firms will gradually regard improving their marketing effectiveness and efficiency as a means of improving the profitability of the firm. This would be to the benefit of both firm and industry in the long-run.

On the other hand, when protection measures are exaggerated and/or continued too long, individual firms would have less incentive to develop their marketing techniques, because the natural tendency of any businessman, even in public sector enterprises,

is to let up if he is behind a protection barrier. Of equal importance is the case where a government imposes restrictions on profit margins, through pricing policies, and/or certain policies (rules) regarding channels of distribution and mass media for advertising. A firm under such conditions would have fewer marketing variables to manipulate in order to achieve its objectives. Thus where certain marketing tools or techniques are low or missing, it could either be a reflection of a lower level of sophistication of a firm or of the action of the government.

Other external variables, which might hinder the improvement of both the scale of business operations and marketing sophistication in a firm, could be explained within the context of socio-psychological aspects of development on the part of management. When an emerging country is in a process of development, certain aspects within the socio-economic environment tend to change, relatively faster than the others. Thus a country may develop new or existing economic resources over a short period of time before any significant development in the social set up of the country is achieved. Libya is a clear case where some economic resources have been developing rapidly without a parallel development in the social aspects of the country.

The implication is that the slow process of change in some elements of the social set up such as social values, beliefs, attitude towards business and material gain, uncertainty about the future associated with rapid industrialisation, and attitudes toward risk-taking in business, all of these factors, on the management part, could result in persistency in maintaining small businesses, slow acceptance of new ideas and techniques, and/or rejection of business expansion for security reasons.

Such cases are expected to be found among small and owner-managed firms. Evidence that the socio-psychological reasons may have an impact on the level of operations and marketing development in a firm, could be found when the age of the firm is related to levels of operations and it is concluded that no significant development has been made since the establishment of the firm.

3. Methodology

Generally speaking neither the Libyan market nor the actual marketing practices of manufacturing firms have ever been studied before. Thus the present research could be considered as a first attempt to provide basic knowledge about the market on hand.

Accordingly, this research is exploratory in nature, based on empirical work in the form of a survey undertaken into the

study of marketing practices of manufacturing firms in Libya.

The conducting of the present research requires more than one technique of investigation. First, library research will be largely used in order to provide a comprehensive background of the socio-economic environment. This involved reviewing published data about Libyan industry, general statistics and population censuses, trade statistics published by the chamber of commerce and industry, and reports from various sources which are relevant to the research.

The study of these areas will not only be used as basic information, but also as a base from which marketing implications could be deduced.

Through obtaining and analysing relevant data concerning the socio-economic background of this research, the main focus will be tracing the elements of change in the marketing environment over the last twenty years following independence in 1951.

Further, having obtained sufficient data about the marketing environment in Libya, a field work will be carried out into a sample of manufacturing firms in order to study the development of their marketing practices in fulfillment of the specified objectives of this research.

4. Sampling

Following the "Libyanisation" of trade and industry - oil companies excluded - in the early 1970's, all manufacturing industry in Libya became owned and managed by Libyan nationals. This means that the sample of manufacturers intended to be investigated for the purpose of the present research is purely nationals, a matter which denies this research the usefulness of comparative study of foreign and national firms so far as marketing management is concerned.

The food manufacturing industry is the base from which our sample will be selected for two reasons. First, the type of ownership in this industry includes private ownership (individual or family ownership) partnerships and joint stock or shareholding firms with relatively reasonable number of firms in each category. This will allow the use of type of ownership as a variable in the analysis. Second, the food manufacturers depend mainly on locally produced raw materials in their operations. Given that market opportunities do exist - as a result of the discovery of oil and the associated increase in per capita income - for manufacturing firms to expand their production, shortage of raw materials could be one of the factors militating against a rapid growth of the manufacturing firms. This point is closely related to our first hypothesis which assumes a situation where demand for domestic produce often exceeds supply.

According to recent reports of the Ministry of Industry, the Libyan food manufacturing industry consists of 62 firms both in the private and the public sector in 1971. Our sample would only include manufacturers in the private sector as those in the public sector are subject to different types of management and objectives which restrict their marketing techniques and operations.

According to recent reports of the Ministry of Industry, the Libyan food manufacturing industry consists of: 8 tomato processing firms, 14 firms in the Macaroni industry, 19 confectionary firms, 5 sardine and tuna firms and 7 dairy manufacturers. (Firms in the beverage industry are excluded).

The sampling technique used for the purpose of this study has the following properties:

1. Firms in the private sector are the only ones to be studied as those in the public sector are subject to different types of management and objectives which restrict their marketing techniques and operations.
2. Firms which were established after 1971 are excluded as it would be too soon for such firms to be assessed meaningfully (within the context of this study).
3. Firms of five or fewer employees are excluded, first because separate elements of management in such firms are almost non-existent as specialised functions. Second because our interests lay in the population of large units as they are more economically significant and probably are more important in the country's long-run economic development.

It appeared, while establishing contact, during the field work that 22 manufacturing firms satisfied our sampling conditions, 21 of which successfully responded to the questionnaire prepared for the purpose of this study.

5. Interview Techniques

The research instrument for the purpose of this research is a structured questionnaire covering a wide range of both firm characteristics (size of firms, age of firm, type of management and ownership, education of management and the employment of foreign nationals at managerial level), and various marketing techniques, operations and strategies.

The questionnaire, originally prepared in English, was carefully translated to Arabic (the national language). The questions used were simply phrased as most of the respondents were expected not to be sufficiently familiar with the Western marketing terminology.

The interviews were administered by the researcher in order to ensure that the questions were correctly understood by the respondents.

The owner manager was the person interviewed in both owner managed and partnership firms wherever the marketing function was performed totally or partly by the owner manager. On the other hand, where a firm had an established marketing department within the organisation as a specialised function, the chief marketing executive was considered as the most suitable respondent.

Soon after the respondent had completed answering the questions the interviewer opened discussions concerning the historical development of individual firms, type of marketing problems facing the management and general trends in the market. The interviewer's role at this stage was to stimulate discussion in those areas of marketing where useful attitudinal statements could be identified. The open discussion proved very useful with regard to their marketing ideas and philosophy.

6. Sample Structure and Characteristics

1. Sample Structure:

A. Sample Size

The Libyan market is much too small (in terms of population) and widely dispersed for the development of manufacturing industry on a large scale. The lack of indigenous supplies of raw materials, a skilled labour force and a low level of technological advancement have been additional factors inhibiting the growth of industry. Quite a wide range of small factory industries have, nevertheless, been established during the last twenty years, based mainly on the processing of local agricultural products.

Generally speaking, when one talks about manufacturing industry in Libya, food processing firms are prominent for a number of reasons; first, because they are the largest employers in any industry, second, because their business operations are relatively larger, and third, because of their relatively larger scale of business operation. One would expect that their levels of organisation and management functions would be more advanced than the remaining non-food manufacturing industries.

For these reasons it appeared that the food manufacturing industry was worthwhile as the basis for this study. The question to be asked then was how large a significant sample size from the food manufacturing industry would be?

A preliminary review of the food manufacturing industry in Libya (excluding beverages) produced the following facts:

1. The tomato manufacturing industry consists of 8 firms. It appeared while undertaking the field work that one firm was out of business and another firm was actually owned by one of the major tomato firms, but located in another geographical area. Further investigation revealed that both firms were managed jointly. The two firms were treated accordingly as one single firm in this research. Thus the total number of firms in this section of manufacturing industry is 6 and all have successfully responded to our study.
2. The macaroni industry consists of 14 manufacturing firms. It appeared, while undertaking the field work that two firms were managed by the public sector, one was under construction and the other failed to respond. The total number of macaroni firms studied therefore, was 10.
3. The confectionary industry consisted of 19 firms, most of which were very small (5 employees or less). By excluding those which did not satisfy the sampling properties mentioned earlier on in this Chapter, only 6 firms appeared to be meaningful for the purpose of this study, one of which failed to respond after several attempts.
4. As for dairy product firms and fisheries, it appeared that only four firms in both types of industry satisfied the sampling requirements adopted for the purpose of this research, the remaining firms being either in the public sector or small and based on regional operations. It was then decided that the four firms which satisfied the requirements of the sampling technique should be excluded first, because taking two firms as a sample from each industry would be insignificant, and second, because the smallness of such a sample would not allow meaningful comparison between different sections of the food manufacturing industry.

21 firms constituted our total sample size; 10 from the macaroni industry, 6 from the tomato industry and 5 from the confectionary industry, all of which co-operated and responded to our study.

B. Geographical Location

The geographical distribution of the sample investigated is found to be totally biased to the two largest cities of Tripoli and Benghazi. 76.2 per cent of the sample are located in and around the city of Tripoli and the remaining 23.8 per cent are in the city of Benghazi.

This in fact reflects again the state of dual economy which has been discussed at an earlier stage of the thesis. It also reflects the fact that the Libyan businessmen prefer to have their businesses established in the largest populated areas of the country. This enables them to be closer to the large markets of the country on one hand, and not to be far from the sources of agricultural raw materials, which are heavily concentrated around the coastal line of the country, on the other hand. The fact that the Libyan manufacturing establishments are located near both the large markets and the sources of agricultural raw materials has enabled these establishments to avoid a considerable amount of transportation costs related to their business operations.

2. Nature of the Markets Involved

Despite the smallness of the Libyan market - in terms of total population - the country has to import approximately 60 per cent of its food products. There are so many reasons which contribute to this poor situation. First, successive governments before the September revolution failed to undertake major productive projects by which production could be increased both in quantity and quality. Second, the in-flow of vast oil revenues to the country had a constant impact on total consumption which, in turn, resulted in increased demand at all levels, i.e. demand for food products, durable goods and speciality products has been increasing substantially whereas food products have either been constant or decreasing. Third, the agricultural system in Libya depended mainly on the amount of rainfall, a matter which makes the agricultural output vary from one year to another. Self-sufficiency, in so far as agricultural produce in Libya is concerned however, is becoming more and more within the reach of the country after the major efforts taken by the government since the September revolution.

The following is a review of the nature of the Libyan market for tomatoes, macaroni and confectionary, which have been the subject of this study.

2.1. The Tomato Market

Tomato products are very essential items in a Libyan diet. This type of food product is heavily consumed throughout the year mainly fresh in season and canned out of season. In 1974 the government classified tomatoes as a vital national commodity

supply and decided that all manufactured produce of this item should be marketed through the National Supply Corporation, which is a monopolistic government establishment. This establishment accordingly is authorised to import canned tomatoes whenever the domestic produce of this particular item falls short in relation to demand.

The total production capacity of the Libyan tomato manufacturing firms was 13,700 tons in 1971, of which 84 per cent was utilised.

The domestic produce of tomatoes has been steadily increasing toward self-sufficiency leaving tomato juice as the only tomato item to be constantly imported as none of Libya's tomato firms, with one exception in the public sector, have attempted to add such an item to their product lines. The following table shows the total domestic produce of tomatoes and the quantity of tomato juice imported.

	<u>Quantity in Tons</u>			
	<u>1964</u>	<u>1967</u>	<u>1970</u>	<u>1972</u>
Domestic Produce	63,000	100,685	136,413	175,576
Imports "Tomato Juice"	65	5,727	7,941	4,139

The decrease in the quantity of tomato juice imported in 1972 was a result of the newly established government firm producing this item. The quantity of canned tomatoes imported is becoming more and more negligible.

It should be noted, however, that 80,928 tons out of the 175,516 tons of tomatoes produced in 1972 were manufactured and the remaining 94,588 tons were consumed fresh during the season.

Talking about the future prospect for a larger scale tomato industry in Libya, one could easily conclude that there are promising market opportunities both in the domestic and foreign markets. In the domestic market the demand for both fresh and canned tomatoes is constantly increasing and a considerable segment of the market for different types of tomato juice and related items is supplied from foreign sources. As for market opportunities in foreign markets, Libya is ideally positioned in her geographical location, oceanic trade routes, climatic conditions and fertile farm lands to become a central district for local trade and hemispheric commerce in tomato products. This may require the co-operation of both growers and processors of tomatoes and this is where marketing could contribute to the development of the tomato industry in Libya. A clear cut example of the need for marketing facilities and techniques is found during the 1968 crop-year. It was found that the truck loads of fresh tomatoes delivered by the growers to the processors during that year contained an average of 49 per cent mouldy, rotten,

sour, diseased and filth contaminated tomatoes. This explains the reason for 80,928 tons of fresh tomatoes needed to produce only 14,657 tons of canned tomatoes in the 1972 crop-year.

As for competition between domestic and foreign producers in the Libyan tomato market, such competition is almost non-existent. Domestic produce of this type of commodity is well protected from foreign competitors and imports are restricted except when domestic produce falls short in relation to demand. Competition between domestic producers is also non-existent as from 1974, when the National Supply Corporation stepped in to buy all canned tomatoes from the processors and undertook all the necessary marketing arrangements in order to secure constant flow of this commodity to the final consumer at controlled prices. Competition between domestic tomato firms exist only in so far as other product lines are involved. In other words, the seasonal nature of tomato produce forced some processors to add other items and product lines to their operations such as fruit and vegetable processing in order to utilise their existing production capacities throughout the year. Such items are not well protected against either domestic or foreign competitors as the size of this business is far less than the market demands. Thus the level of marketing operations and the techniques used are subject to the existence and non-existence of other product lines rather than their tomato products.

2.2. The Macaroni Market

Generally speaking the typical Libyan diet is heavily concentrated on a few items of vegetable origin, particularly cereals. Bread, macaroni and rice are hardly absent from the daily consumption of most Libyans, with macaroni heavily consumed in and around the city of Tripoli and the Southern regions of the country and rice is more popular in and around the city of Benghazi. The heavy consumption of macaroni in Tripoli is, in fact, attributed to the Italian influence on the Libyan diet during their period of domination, and after independence a considerable number of macaroni firms have been established, four in Benghazi and the remaining eight being in Tripoli.

The domestic demand for macaroni is totally satisfied by the macaroni firms as from the early 1970's and imports of this type of commodity disappeared from the Libyan market.

The total output of the macaroni firms covered in this survey reach 71,160 tons, 78,705 tons and 77,187 tons in the years 1971, 1972 and 1973 respectively.

The future prospect for this section of food manufacturers appears to be limited in the domestic market as those firms are approaching the limits of the Libyan market, thus, foreign markets will form the base for any future expansion.

Competition between domestic producers in the macaroni market exists but is still low and is expected to grow, a matter which will force the firms involved to scale up their levels of organisation and marketing techniques.

2.3. The Confectionary Market

The nature of the confectionary industry in Libya differs considerably from the tomato and macaroni industries; it consists of a large number of small firms ranging from one to five persons employed. These firms mainly serve small districts and towns, which means that their produce is not nationally distributed. Only seven large confectionary firms were listed for the country, five of which were included in the survey, one had closed down at the time of the field work and the other failed to respond. Because of the smallness of their output compared with the market demand, no protective measures were introduced against foreign competitors. Therefore, one can easily state that the level of competition in this market is relatively high.

The total output of the five firms interviewed during the field work was recorded to be 4,079 tons, 4,097 tons and 4,254 tons in the years 1971, 1972 and 1973 respectively. These figures do not only reflect a low scale of operations, but also show clearly the low rate by which their output increases annually. The low rate of increase of their output could be attributed to the high level of competition between domestic and foreign produce on one hand and the existence of a large number of small producers who easily find their market segments in small towns and small districts in the large cities.

CHAPTER THREE

HISTORICAL BACKGROUND OF THE LIBYAN ECONOMY

Introduction:

Because successive foreign forces dominated Libya throughout history, the country remained without any major plans for economic development until after independence on December 24th, 1951. Turkish forces dominated the country from 1551 until 1911 when Italian forces occupied the country until after the second world war. Between 1943 and 1951 the country was occupied by the Allied powers - Cyrenaica and Tripolitania by Britain and the Fezzan by France. Following a decision taken by the United Nations in November, 1949, the three territories of Tripolitania, Cyrenaica and the Fezzan constituted a fully sovereign and independent country as from December 24th, 1951. It was known as the United Kingdom of Libya. The constitutional monarchy of Libya, however, was overthrown by a military revolution on 1st September 1969 and thereafter became the Libyan Arab Republic.

A census taken in 1954, with the help of the United Nations, gave a total population of 1,088,889 persons of whom 738,338 persons were living in Tripolitania, 291,239 in Cyrenaica and 59,315 in Fezzan. Considering a total land area of over 679,000 square miles, the population density at that time was 1.6 per square mile.

For a comprehensive background coverage of the Libyan economy it is necessary to identify successive periods of economic development which occurred before and after independence. Thus, our discussion will be focused on the following periods, each of which began with a significant event of development.

1. The economy under occupation.
2. The economy since independence.

3.1. The Economy during Foreign Occupation

Historically speaking the Phoenicians were the first to establish foreign settlements along the Libyan coast in the Mediterranean Sea. From 1000 B.C. they built trading posts on the coast as part of a chain of trading stations, the largest of which was Carthage in Tunisia. By approximately 800 B.C. they had founded the three cities of Oea (Tripoli), (Sabrata) and Leptis Magna in Tripolitania, hence its name "land of three cities". By about 700 B.C. Carthage had become a power in its own right, and the Carthaginians, like the earlier Phoenicians, had one basic objective, trade through Libya. The Carthaginians in Tunisia had access to the products of Central Africa and, until the arrival of the Romans, they probably had a large share of the Central African trade which

included gold, precious stones, ivory, animals, birds, ostrich feathers, skins and dates. In return they had taken products of mediterranean countries to Central Africa through Libya and Tunisia. Such a trade was known as the "Caravan Trade". Many small towns and oases were developed throughout the routes of the trade across the desert. Ghadames, Ghat, Kufra, etc., were among those stations developed in the Libyan desert. This kind of trade, however, did not touch the mass of the people in North Africa, simply because a few traders were undertaking this kind of trade and the type of commodities dealt with were not mainly consumer goods. They rather consisted of scarce commodities demanded by rather wealthy people and royal families in Europe.

The caravan trade, however, dwindled in importance after France occupied Tunisia, Algeria and Morocco, and the British occupied West Africa (mainly the Ivory Coast) to which the trade was directed. The Phoenicians did not only export available commodities, but also began to cultivate the Libyan coastal area. They introduced the olive tree and improved the existing agricultural system.

The eastern region of Libya (Cyrenaica) in contrast to Tripolitania had a Greek influence before the Romans took control of the entire county in 96 B.C.

By the 11th century any remaining signs of the former great civilisation had been destroyed by the Arabs. The Arabs profoundly changed the cultural and religious life of North Africa and the Islam religion was adopted.

By 1551 Libya came under Turkish control which was heavily concentrated on the coastal area leaving the southern region of the country to some extent controlled by tribes. Libya became a power of its own after Ahmed Karamanli took power in 1714. He established the Karamanli dynasty and gradually united the eastern and western areas of the country. He made a concerted effort to improve the country's economy. These endeavours achieved a measure of success largely because of the improved financial situation of the country. Revenue came from piracy and from agreements with other countries whereby the Karamanli refrained from attacking the foreign ships in return for a price paid by the government concerned. When this source of revenue started dwindling by 1835, the Karamanli dynasty in Libya fell from power and the Istanbul administration asserted their authority in Libya until 1911 when the Italian forces invaded the country.

The three and a half centuries of the Turkish occupation of the country did not change the Libyan way of life and little, if any, was done to develop the economy. The Turkish administration was concentrated on the coastal line of the country because of its military importance, leaving the rest of the

country to be ruled by tribes. It was not until the middle of the nineteenth century that the Turkish government in Constantinople made a serious attempt to bring the whole of Libya, including Fezzan, under its administration. The later years of Turkish rule were marked by a general improvement in the economic condition of the country and by the establishment of a more orderly system of government. The country appears to have been more or less self-supporting in cereals, importing in bad years and exporting in good ones. Trade was developed with foreign countries through the export of livestock, hides and skins, wool, esparto grass, sponges, citrus fruit, dates, and other products; a fairly flourishing handloom industry existed in the coastal towns; and Tripoli remained an important terminus of the caravan routes from the Sudan and West Africa, despite the fact that the caravan trade began to decline from about 1880.

As for the domestic trade, it was dominated for centuries by small scale operations both on the production and marketing side. The small villages and oases have always formed the centres of economic activities. On market days, nomads flock to the villages bringing their camels, goats, sheep, chickens, agricultural commodities and other properties to sell and barter in the open market place. In some cases the money exchanged is only enough to permit a livestock trader to purchase such goods as rice, tea and sugar.

In Fezzan the larger areas are centres of more varied trade. Handicrafts are sold and bartered, including rugs, carpets, leather goods, pottery, and palm leaf products. Most of these market places were used for weekly and monthly stock rather than for daily purchases. The small corner shop in this area is used as a social place in the village where the villagers meet, communicate and discuss social matters. Tea or coffee is usually provided there and the daily purchases are made on credit terms.

Domestic trade revolves around the distribution of agricultural produce - meat, milk, wool, hides, cereals, dates, olives, tobacco, citrus fruit, grapes, tomatoes, and similar products. Part of this however, is consumed by the producers themselves and never enters the market. Where the produce exceeds the need of the producer, the surplus enters the market usually by the farmer himself to allow vertical exchange within the smaller communities.

Some open market places still exist in Libya but the function of them has become more complicated in the sense that they are used as wholesaling centres as well as for retailing. In parallel their social function has declined. Sock-al-That in Tripoli, sock-al-Gomoha, sock-al-Kamis in Ghariam are still operating in Tripolitania and sock-al-Fondos in Benghazi, besides some other market places in small town and villages (sock is an open air market).

As for the marketing infrastructure and basic economic projects, the Turkish administration made no effort to improve them, instead the administrators restricted their role to that of fixing the tax levy, part of which was sent annually to Turkey.

The following table shows the Libyan imports and exports for 1898 in French Francs according to destination.

Table (3-1) Libyan Exports and Imports by Destination (value in thousand francs)		
Country	Exports	Imports
England	3.500	2.168
France	3.076	1.800
Turkey	.517	1.600
Italy	.200	1.200
U.S.A.	.800	-
Algeria	.275	-
Tunisia	.247	-
Austria	-	.550
Germany	-	.300
North Africa	-	.300
Belgium	-	.250
Others	1.350	-
Total	9.953	9.040

Source: "Notes on the Libyan economy" series of lectures given by Mr. M. Oreby in 1968, p.p.12 published by the Libyan University.

It is clear from the table that the Libyan exports exceeded the total imports by just over 90 thousand francs. It is also interesting to notice the size of the Libyan foreign trade, which reflects the fact that the level of operations was very small and the standard of living low. Most of the Libyan exports shown in the table constitute mainly sugar, tea, rice, and textile products.

The Turkish administration, as we have seen, allowed the traditional way of life to continue in Libya and made no serious effort to modernise the economy.

The first base for modern economic development the country has witnessed in its modern history was established by the Italian administration from 1911 to 1942. The Italian government is estimated to have spent 1.8 billion lire (possibly equivalent to around \$150 million in pre-war dollars at pre-

war rates of exchange on public works, utilities and (1) agricultural development during the 30 years of its administration. Most of the investment up to 1936 was directed to the construction of railways - (these were destroyed during the second world war and never reconstructed again) - roads, sea ports and public buildings. In the later phase (1936-1942) two thirds of the expenditure was on agricultural development and land reclamation for which 110,000 Italians were brought to the country to settle.

The substantial Italian investments in the basic infrastructure (agriculture and industry) have contributed to the growth of the Libyan economy as a whole and provided a useful base for future expansion. The Libyan economy was geared to support the Italian economy in the first place and it must be recognised that the Libyans paid heavily for what the Italians achieved. They were pushed off some of the best farming land in the country; large numbers of their livestock were lost during their struggle against the Italians and their traditional industries suffered severely from competition from Italian products. Moreover the Italians did little or nothing to prepare the Libyan people for self-government and the Libyans were virtually excluded from the administration. As a result, Libya has remained heavily dependent on foreign administrative and technical personnel, and the training of Libyans to replace them is still one of the most difficult of all tasks, as we shall see at later stages of the thesis.

The Italian sector of the Libyan economy was based around the coastal line of the country mainly in Tripolitania and to a lesser extent in Cyrenaica. Most of the agricultural projects undertaken by the Italians, however, have shown large deficits, mainly for two reasons. 1. Such a large investment in a project takes a long period of time to pay back, especially for planted fruit trees. 2. The newly settled Italian farmers needed a long time to adapt themselves to the new life in Libya. In both cases, a large number of Italians left the country after the second world war following the defeat of the Italians, and the British and French takeover in 1943.

The Italian administration did not only establish a basic infrastructure and large agricultural projects, they also spent some 1415 million Italian lire on industry. 1108 millions were allocated to Tripoli and 307 to Benghazi. Textile, food processing, wine and paper manufacturers were built up along with electric power stations.

These were the Italian's efforts to develop the country economically. More important however, are the marketing implications of the Italian effort.

(1) See Dr. M. Oreby "Notes on the Libyan Economy". Series of lectures given in 1967/68 in the Libyan University.

As we stated earlier on, the Italian efforts were mainly concentrated in the coastal cities of Tripoli and Benghazi, with special emphasis on the city of Tripoli (because of its closeness to Italy). Meanwhile the rest of the country was nearly ignored except for a few administrative buildings and small hospitals. The city of Tripoli, and to a lesser extent in Benghazi and Sabha, appeared with modern villas, brightly lit streets, shops, cinemas, restaurants and gas stations, and prosperous farms, particularly in Tripolitania. These were owned and managed mostly by Italians and by some foreign firms, and also by a few Libyans who were usually merchants as well. With this bright part of the country, modern retailing shops were built up and managed by Italians and the Jewish minority. Commercial agencies were set up along with some other marketing facilities. The channels of distribution for agricultural produce appeared to have been taking a modern shape in this period, while the traditional Libyan small and poor farmers sent their agricultural products directly to the consumer in the smaller village markets. The modern firms in Tripolitania established a system of distribution where the produce moved from farmer to merchants (wholesalers) or manufacturers.

More interesting is that the Libyan population in the modern sector of the economy were exposed to a different consumption and dressing pattern which had been brought in by the Italians. In many cases this acted as something to be aspired to among the Libyan population. European dress went through a slow adoption process starting from those who worked closely in the administration and its establishment before spreading among family members and so on.

With all the developments taking place in the coastal cities, most Libyans in the rest of the country were leading a very simple life, with limited wants and needs, a plain diet and with little knowledge of twentieth century technology. The situation continues today. This is a clear case of what is called a "dual economy" and as we have already seen the Italian administration contributed to its development, although it was not necessarily created by them. Geographical factors - as we will see later on - had some bearing on this trend.

Following the Italian defeat in the second world war by the Allied Powers, and because of the battles which had taken place in Libya during the war, most of the Italian built roads, railways and other buildings, together with the industrial units were destroyed. Most of the Italian population left the country and several of the projects under construction were stopped. Those which continued were left with poor management. British and French forces occupied the country in 1943. Tripolitania and Cyrenaica under the British administration and the Fezzan under the French. It was a transitional period agreed to by the United Nations. Its purpose was to

prepare the country for self-government. Little effort was made during this period for basic investment, but some of the projects destroyed during the war received some maintenance and some efforts were also made to improve education and public health. Otherwise this period had no more significance as far as the economy of Libya was concerned.

Summary

Libya has been exposed to successive foreign domination throughout its history till 1951 when the country became independent. The Turkish occupation was a continuation of the existing way of life for the majority of the people, while the Turkish people used the country as a base for their military fleet in the Mediterranean Sea to secure their commercial activities in North Africa.

The Italian administration made serious efforts to develop the Libyan economy, but as a means of serving as a supplementary role for the Italian economy. Their efforts provided a good foundation for further development in Libya, but most of this was destroyed during the second world war. Marketing and channels of distribution began to take a modern shape during the Italian administration. Lastly a state of dual economy existed following the development of a small part of the country rather than a balanced development for the country as a whole.

3.2. The Economy since independence

In this section our discussion is concerned with government efforts as well as various activities of foreign oil companies in the period of oil exploration and discovery. The second part of this section will be focussed on the period between the first shipment of the Libyan oil to the world market in 1961, up to 1969 which is the date marking a new era of political and economic development.

3.2.1 The period of Oil Discovery

When Libya gained its independence in December 1951, it was faced with the problem of an underdeveloped economy: a problem which it had inherited from successive periods of foreign domination.

The total population at the time of independence was just over one million, 20 per cent of which lived in urban areas, 43 per cent in rural areas and the remaining 37 per cent were considered as a nomadic or semi-nomadic population.

The illiteracy rate at the year of independence was estimated to be between 90 and 95 per cent. There were only ten Libyan graduates in the country, four secondary schools in which 400 students were registered in 1951 and a total of 46,000 primary schoolchildren. Both male and female students received their primary education in 400 schools, all of which were poorly built.

Libya has a land area of 1,760,000 square kilometres, but owing to the lack of water no more than 5 to 10 per cent of this could be put to economic use, and possibly not more than one per cent was suitable for settled cultivation. The international bank for reconstruction and development estimated that about 70 per cent of the Libyan population were dependent for their living on either agriculture or livestock grazing in the early years of independence. Such a ratio is considered as an indicator of underdevelopment.

The national income was estimated by United Nations experts to be around 15 million pounds in 1950, which makes the per capita income for the same year around £L15. Between 65 and 80 per cent of personal income was spent on food. Considering the low average personal income, it is not surprising that the infant mortality rate was estimated to be around 30 per cent at the time of independence. The British rate was estimated at 5 per cent annually. While the mortality rate for the total population was 4 per cent. This leaves one per cent natural increase of the population for the same year. (1)

As for basic infrastructure, although the Italian administration had built some 2,800 kilometres of road network, 300 kilometres of railways, four harbours and two civilian airports, most of these had been destroyed in the second world war. The telecommunication network was also very limited considering the large geographical area of the country in which the small population was scattered.

Banking facilities were very poor, simply because the low income of the population did not allow reasonable savings and credit facilities were provided only at high guarantee requirements.

This was the situation which was inherited at the day of independence, and there was a deep concern in the United Nations as to whether the newly independent Libya would survive at all.

The country received some financial aid from various foreign sources including the United Nations, the United Kingdom and the United States, but in the case of the U.K. and the

(1) See Dr. A. Atiga "The Impact of Oil on the Libyan Economy" in Arabic, 1972. Published by Dar al-Taleha, Beirut.

United States it was at a price. The United Kingdom reached an agreement with Libya which gave her exclusive right to use some public lands in the country for military purposes. Under the original financial agreement attached to the treaty, the U.K. undertook during the five financial years (1953/4 - 1957/8) to pay one million pounds a year to Libyan development organizations and £2.75 million a year to the Libyan budget. A new agreement was negotiated in 1958, under which the U.K. provided £3.25 million a year in the form of budgetary aid for a further five years, but with no additional contribution to development.

The United States concluded a similar agreement with Libya for the huge air base in Tripoli known as "Whealus" military air base. Under the financial agreement Libya was to receive an initial sum of \$7 million (together with some grain) followed by grants of \$4 million annually during the six fiscal years beginning July 1954 and \$1 million annually during the eleven years beginning July 1960.

These were the main sources of income for the government budget and development plans in the early years of independence. Desperate efforts were made by the government for better allocation of its limited financial resources to develop the country, but the lack of educated personnel, unskilled labour and non-availability of managerial capacities posed far more difficult problems than that of non-availability of financial resources.

As for the foreign trade, Libya had little surplus, mainly agricultural produce was exported while much more needed to be imported. At best Libya produced only about one third of its total wheat requirement. Its output amounts to approximately 40.000 metric tons annually, mainly of the durum type. It imports approximately 100.000 tons of flour and an average of 10.000 tons of wheat. Barley production appears to average about 100.000 tons per year and imports have risen significantly since independence. Imports of 50.000 to 75.000 tons of high-quality barley for feed will probably continue. Production of peanuts normally range from 11.000 tons to 14.000 tons (unshelled). This has been one of Libya's main export crop, but exports have declined from 8.000 - 10.000 tons in the late 1950's to around 2.000 - 3.000 tons in the 1960's. Much greater quantities are being consumed locally.

Practically no citrus fruits are imported, but 1.500 - 3.000 tons are exported annually - mainly oranges. The grape vineyards of Libya were planted by Italians, with particular emphasis on wine production. With the departure of many of the Europeans, and the fact that the Moslems do not consume wine, the wine production declined until the late 1960's when the government ordered the close down of the Libyan vineyards. For meat production Libya produced more than 75 per cent of

its meat requirements until the late 1950's. The remainder of requirements is imported.

Apart from agriculture, the known resources of other valuable minerals are few. Libya had ample supplies of marine salt along the 1900 kilometres coast and a good deposit of gypsum in the Gefara area. Recent investigations have revealed the existence of a large deposit of iron ore in the Shatti valley in the Fezzan, but the deposits are too far from the coast to offer much hope of economic exploitation. Other studies, however, are underway for possible industrial development. Small deposits of Natron are being worked in the Fezzan, and there are fairly large deposits of Potash at Marada in the Sirte desert. There are also minor occurrences of sulphur, manganese, lignite and sodium carbonate in different parts of the country.

None of these, however, appeared to be of much commercial value at the time of independence, simply because of the lack of capital and industrial experience to develop them and because of the smallness of some of these deposits and their existence in areas too far from the coast.

Up to this stage we knew where the country stood as far as its known economic resources were concerned. The dramatic change still had to come.

3.2.2 The Discovery of Oil

In the first three years of independence there was increasing speculation that the Italian administration in Libya had found indication of oil and gas deposits while undertaking geological research in different areas of the country. By 1955 the Libyan government revealed its intention to put a large area of the country under exploration. By the end of 1955 71 contracts were signed between the government and 14 foreign oil companies covering 55 per cent of the total land area of the country. One year later 40 teams from different oil companies were already operating in the field. By 1958 the number of teams operating in the field had increased to 80.

The first oil discovery was made by Esso in 1958, but classified as being of no commercial value (500 barrels a day). The decisive discovery was in June 1959 by the same company in Sirte near the coast, at a production of 17,500 barrels a day. More and more discoveries were made by different companies. By 1961 Libya became one of the main oil exporting countries.

That is the oil discovery story, but what we are more concerned with is the effect of the oil discovery on economic, social and marketing development.

3.3. The Influence of Oil on the Economic, Social and Marketing Developments of Libya.

The Libyan economy felt the impact of the oil operations soon after the oil companies started their activities in the country through the large expenditures incurred by the companies undertaking the exploration. (Local expenditures by the companies in Libyan pounds were reported at over £L4.3 million in 1957 and nearly £L9.6 million in 1958). An impact was made on the Libyan market. Out of these sums approximately £L500.000 and £L1.250.000 respectively, were paid in wages and salaries to Libyans directly employed by the companies and most of the remaining expenditure represented the purchase of (mainly imported) supplies through local contractors. Employment of local labour increased rapidly to reach 6.000.

The indirect impact of the oil companies' operations on the economy was to be observed, particularly in Tripoli, in the sharp rise in prices for housing rents, hotel accommodation and other services, bought mainly by foreigners. There was a similarly sharp rise in the wages and salaries paid to skilled and semi-skilled Libyan workers employed in the establishment of many new Libyan and foreign trading and construction enterprises catering for the oil companies' requirements. Other influences were in the acceleration of the drift of labour from rural areas and agricultural land to the urban areas, and in the general boom of trading and servicing activities of all kinds.

The shift of a large Libyan labour force from agricultural activities to oil and related activities resulted in a sharp decline in agricultural produce. Combined with the considerable increase in wages and salaries, the demand for food products increased and the country had to rely on imports as a measure of controlling the rising prices of agricultural goods.

The following table reflects the sharp increase in the Libyan dependence on imports. (1)

Table (3-2) Libyan Imports & Exports 1954 - 1971 (value in thousand £L)			
Year	Exports	Imports	Re-exports
1954	3.668	11.198	.170
1955	4.265	14.388	.329
1956	3.805	16.601	.349
1957	4.753	28.076	.663
1958	4.313	34.501	.763
1959	3.659	40.585	.641
1960	3.111	60.388	.920

(1) Foreign Trade - Department of Statistics 1970.

Table (3-2) Libyan Imports & Exports 1954 - 1971 (Cont.) (value in thousand £L)			
Year	Exports	Imports	Re-exports
1961	6.519	53.264	1.345
1962	49.016	73.414	1.443
1963	133.530	85.277	1.317
1964	250.166	104.379	2.948
1969	772.765	241.301	1.177
1971	959.936	250.400	-

The figures clearly show that the Libyan foreign trade, in the first years following independence, was not only small in value, but also in constant deficit; a matter which reflects the weakness of the national economy. The figures also reflect a constant sharp increase in imports which reflected, in part, the expanding activities of the oil companies at the first stage of exploration. Thus the increase of imports reflects both an increase in domestic demand for foreign produce and the imported requirements for the oil companies. The slight increase in exports in 1961 reflects the beginning of a new era of oil exports. As we will see later on, oil exports constituted 99.9 per cent of the total exports of the country by 1969.

The reason for the low volume of exports and imports in the first few years following independence was due to the fact that the low personal income of the population did not allow spending on durable goods to any great extent. The following table shows the value of imports broken down in terms of type of goods.

Table (3-3) Imports by Type of Goods (1) (value in thousand £L)			
Type of Goods	1954	1958	1962
Manufactured goods	2.300	7.500	19.600
Non-durable goods	6.742	11.507	18.182
Durable goods	.903	3.963	7.434
Others	1.220	3.702	6.715

It is easily seen from the table that all types of goods imported from abroad went up rapidly after 1954. This reflects the beginning of a high level of consumption following the increased expenditure of oil companies on wages and salaries. Further details, however, will be given later on when discussing "distribution of incomes". What concerns us at this stage of analysis is to trace the general trends over different periods of time.

(1) Dr. A. Atiga "The Impact of Oil on the Libyan Economy" 1972.
Published by Dar al-Taleha, Beirut.

Summary

When Libya became independent in 1951, the social, educational, public health, and economic conditions were extremely poor and the country had to rely on foreign aid in order to survive.

The major change happened in 1955 when foreign oil companies started their exploratory period searching for oil resources. The increased expenditure of these companies resulted in an increased demand for a local labour force. This affected the agricultural sector as more workers from the agricultural land drifted into the cities and oil exploration areas searching for better jobs.

Income levels increased during this time and were followed by a sharp increase in demand for both domestic and foreign goods. The result was a sharp increase in price level and the quantity of foreign produce imported.

The increased oil activities of the oil companies was accompanied by increased activities in related activities such as construction, trade, transport and hotel accommodation facilities.

Reasonable efforts were made by the government to improve education, public health and economic activities.

The sudden discovery of oil in Libya has also had a sudden affect on the market structure and marketing practices. At the consumer level the discovery of oil has created better jobs associated with higher wages and salaries and this in turn has affected the structure of market demand and consumption patterns. Both demand for domestic and foreign products have been increased and the simple consumption patterns of the dual economy have changed from plain diets based on heavy consumption of cereal products to high protein and vitamins food products. With the rising standard of living, demand for durable goods has also increased. The rapidly increasing demand was accompanied by shrinking domestic produce as a result of the shift of labour force from agricultural land to urban cities. Consequently, the structure of the Libyan population was changed (increased urbanisation) and imports became the only means of satisfying the increased market demand.

With the country becoming more and more dependent on imports, the structure of the distribution channels had to change, and rapidly developed into import-oriented channels. At the retailing level, new patterns of modern shops in the high income urban areas began to appear with self-service and speciality shops becoming well known outlets in urban

cities. But the small retailing shops which dominated the distribution business kept their status-quo as suitable distribution outlets to the ordinary consumer.

3.4. The Oil Production Period

The influx of foreign capital through the oil companies into the country and its subsequent entry into the Libyan market, was followed by an increase in the Government earnings from tax and custom duties. This in turn resulted in a similar increase in public expenditure - including development expenditure. £L8.797 million was spent by the Government for development in 1950/54, this increased to £L20.24 and £L34.456 million for the years 1958/59 and 1961/62 successively. Both the Government and the oil companies increased expenditure resulted in a sharp increase in demand for both domestic and foreign goods and services. This in turn was the beginning of a disturbed balance between the different sectors of the economy as well as between the development of urban and rural areas of the country.

As we shall see throughout the discussion of this period (1961 to 1969), desperate efforts were made to establish a balanced development between different sectors of the economy on one hand and between different regions on the other.

The first Libyan oil shipment left the country in October 1961 and in 1964 oil was already constituting no less than 99 per cent of Libya's exports; a rate which no other commodity has ever achieved anywhere in the world. In 1963/64 oil brought in 50 per cent of the nation income; not a good sign from an economic point of view, since it is never desirable for a country to depend so heavily on one product.

The following table shows the development of oil production and export from 1961 to 1969 in thousand barrels.

Table (3-4) Oil Production & Exports over (1) the years 1961/69 in thousand barrels		
Year	Production	Export
1961	6.642	5.248
1962	67.133	65.509
1963	169.235	167.788
1964	315.622	313.700
1965	445.374	442.629
1966	550.156	547.528
1967	632.504	627.882
1968	951.345	944.427
1969	1114.448	1140.627

(1) Dr. A. Atiga "The Impact of Oil on the Libyan Economy" 1972
Publish by Dar al-Taleha, Beirut.

The government earnings from oil also went up for this period. The following table shows the government's share of oil revenues, total government earning including oil and the percentage of oil revenue in the total government earnings.

Table (3-5) Oil Revenues and Total Government Earnings (1) over the years 1961/69 (value in £L1.000)			
Year	Oil Revenue	Total Gov. Earnings	%
1961/62	2.000	25.703	7.77
1962/63	7.200	31.251	23.
1963/64	23.800	60.300	39.41
1964/65	54.700	95.900	57.03
1965/66	83.600	126.000	66.34
1966/67	141.900	194.700	76.47
1967/68	191.006	249.479	76.56
1968/69	275.000	345.100	79.19

The rapid growth of the oil industry in Libya, as shown above, was accompanied by decreased agricultural produce and an increase in availability of hard currencies generated from oil exports. The trade and services sector of the economy has become an extension of other foreign exporting economies. That is to say, the commercial sector of the Libyan economy (mainly wholesaling and retailing) to a large extent became dependent on imports for supply and not on local produce.

Because of the decline in agricultural produce which had formed the raw material for most of the food processing firms in Libya, some of these firms had to close down, while other firms had to import their raw materials from abroad. A clear example of the expansion of the commercial sector in Libya was given in the fourth annual report, published by the Bank of Libya in 1960. "The value added from the commercial sector was increased from £L1 million in 1952 to £L16.8 million in 1958 including banking and insurance. This increase in the value added value represented 32 per cent of Libya's domestic products for the same year. Wholesaling and retailing together constituted £L7.3 million which was 14 per cent of the domestic product for the same year. The contribution of the commercial sector, together with housing ownership, increased from £L45.8 million in 1962 to reach £L114.9 million in 1967 though the percentage contribution decreased from 29.9 per cent in 1962 to 15.1 per cent of the domestic product in 1967. The decrease in percentage was due to the increased contribution of oil to the domestic product." The growth of the commercial sector in Libya, therefore, turned the channels of distribution to import oriented systems which might not necessarily serve adequately the domestic producer

(1) Dr. A. Atiga "The Impact of Oil on the Libyan Economy" 1970.

(2) Bank of Libya - The Fourth Annual Report 1960.

who aims at nationwide distribution or aiming at exerting some degree of control upon the inflow of his produce through existing channels. Further details, however, will be given when discussing channels of distribution later on.

Turning back to our discussion on value added and the growth of difficult sectors of the Libyan economy, more details are given in the following table.

Table (3-6) The Value Added from Different Types of Activities to the G.D.P. (value in £L1.000)			
Type of Activity	1964	1965	1966
Agriculture	22.7	22.9	22.6
Petroleum and Quarrying	175.4	233.6	309.5
Manufacturing	11.5	12.8	14.1
Construction industry	14.9	23.9	35.5
Electricity	1.3	1.4	1.5
Transport	14.8	17.2	20.3
Wholesaling and Retailing	24.8	27.5	33.3
Banking and Insurance	5.0	6.4	8.1
Ownership of dwelling and personal service	34.6	37.0	39.6
Government and public administration	32.1	44.2	52.2
Total G.D.P.	337.1	426.9	538.7
Less factor payments Transferred abroad	76.5	72.7	86.1
G.N.P. at factor cost	260.6	354.2	452.6

Source: U.S.A. Department of Commerce (Overseas Business Report Market factors in Libya. O.B.R. 68-80 September 1968)

Apart from the petroleum and quarrying industry, which have the highest value added, other activities which are rapidly growing are, the wholesaling and retailing sectors of the economy. Government and public administration have also grown up in value added, while the agriculture and manufacturing industries have been relatively stable. This proves the previously stated fact that the growth of the commercial side of the economy did not serve domestic producers, but rather it was highly connected with foreign trade. A brief comparison between the number of workers involved in agriculture, transportation, wholesaling and retailing and the value added for the year 1964, would give an indication of the profitability and efficiency of the labour force engaged

in each of these activities.

<u>Type of Activity</u>	<u>Number of Workers</u>	<u>Value Added £L.000</u>
Agriculture	146.709	22.7
Wholesaling and Retailing	27.000	24.8
Transport	20.542	14.8

It should be noticed that while the number of workers involved in agricultural activities in 1964 was about 5.5 times as high as those involved in retailing and wholesaling, the value added was higher for the retailing and wholesaling activities. The figures for 1968 reflect even more expansion in the wholesaling and retailing activities. The total labour force involved in these activities reached 32.400 giving a value added of £L58.100, whereas for agricultural activities no significant change occurred.

The total Libyan labour force in 1964 was recorded to be 405.258 out of which only 22.891 females were employed, a matter that reflects the minor role played by females in the Libyan economy. According to the 1964 census, the total labour force was recorded to be only 25.9 per cent of the total population. This figure was considered very low compared with the world average of 40 per cent. (1) The reason for such a low percentage in Libya is partly due to the minor role played by the Libyan women.

As for the manufacturing industry, the 1964 industrial census reflected the rudimentary level of Libya's industrial development. Over 600 establishments were recorded, including many which should have been described as handicraft or semi-manufacturing concerns; but only 16 of these provided employment for more than 100 persons, and 327 engaged only five to nine workers. This, in fact, reflects the nature of business in Libya where low scale operations are so pronounced. This low scale of operation was also reflected in the national accounts for the year 1964. The value added generated from industry (excluding oil production) did not exceed £L29.3 million. More details, however, will be given when discussing business development at a later stage of this chapter.

Until now our discussions have mainly focused on the general economic situation during the period on hand. Before drawing any conclusions, however, it is vital to analyse the different efforts made to improve the economic, educational and general standards of living over this period.

(1) Dr. M. Oreby "Notes on the Libyan Economy" 1967
Benghazi University publication.

The first five years plan for economic development in Libya started in 1963; 70 per cent of the country's oil revenue was allocated annually to this. The total fund of the plan amounted to £L169.097 million to be spent over the period 1963 to 1968.

The following is the outline of the plan in £L.000. (1)

Agriculture	29.275
National economy	2.870
Industry	6.900
Transportation	27.460
Public Works	38.662
Education	22.365
Public health	12.500
Labour and social affairs	8.690
Information	2.550
Public administration	6.420
Planning and development	11.400
Total	<u>£L169.097</u>

The 1963/68 development plan ended significantly short of attaining its industrial and agricultural goals for the following reasons.

1. The allocation of funds between various projects was based on the needs of different ministries and was not integrated into the development already under way in the country. This resulted in undertaking various scattered projects without proper co-ordination.
2. The plan was not productive in the sense that most of its funds were allocated to long term investment such as education, public health and transportation. The plan failed to increase production in agriculture and industry.
3. The plan was conservative with regard to the total fund allocated to it over the five years. While the total fund was about £L169 million the annual 70 per cent of oil revenue to be invested was far more than the total planned budget. At the fourth year of the plan £L105 million of the total fund had not been used. This reflects the slow spending rate.

The plan failed to achieve most of its objectives especially the ones directly between the various sectors of the economy.

The second five year plan for economic development in Libya (which was under preparation in 1969) was disrupted by a

(1) See Dr. M. Oreby pp. 97.

military revolution on September the first 1969. The following two years could be described as a transitional period, after which a new era of economic development started. Before going into detail on this, the results of the government's efforts over the years 1961 to 1969 will be summarized below.

1. The total population, as appeared in the 1964 census, was 1.564.364 persons compared with 1.088.889 persons in 1954, an increase of 43.7 per cent. The increase was partly due to a higher standard of living, lower mortality rates, and the improvement in public health. This, in turn, came to allow an annual rate of growth of 3.6 per cent of the total population.

As of January 1969, the total population was estimated by the U.S. Bureau of the Census, to be 1.834.000 persons, which increased the population density from 1.6 to 2.7 persons per square mile between 1954 and 1969.

2. A remarkable change was also noticed regarding the comparison of the total population between a settled and a nomadic way of life. A government estimation in 1968 revealed that while Libya's population in 1956 was 80 per cent rural, it became 80 per cent urban by 1968. (For further details see Chapter 3).

3. Education standards witnessed a considerable improvement over the period in hand. A clear example is given in a Government publication in 1968 which concluded that:-

"the enrolment at all levels has increased from only 10 per cent of the eligible population in 1951 to 85 per cent in 1968."

The estimated literacy rate in 1968 was only 22 per cent of which school children constituted the larger part. In 1951 only 10 per cent were literate. As for the higher levels of education, in 1968 there were approximately 2.500 students distributed over six faculties, with some 230 lecturers. In 1955 there had only been five instructors and some 30 students in the faculties of arts and education. These constituted the only faculty for university education in the country in 1955.

4. Both income and consumption levels were increased between 1961 and 1969, mainly because of the increasing flow of oil revenues. While the national income was estimated to be £L15 millions in 1950, it was £L52 million in 1958 (at current prices for the same year). The impact of the oil industry on the national income, the total private expenditure, and per capita income is shown in the following table.

Table (3-7) The Development of National, Per Capita Income and Total Private Expenditure 1962/1968 (value in £Ll.000)

(1)

Year	National Income	£L. Per Capita	Total Private Expenditure
1962	131.8	90	-
1963	194.4	129	-
1964	271.9	173	150.1
1965	384.5	237	180.2
1966	278.1	285	210.0
1967	574.5	329	231.5
1968	797.8	441	266.5

The rapid growth of the national, per capita income and private expenditure was a result of the oil expanding industry which became the key factor of the economic and social development of the country over the period under discussion. More details about the distribution of income and personal consumption will be given in Chapter 3.

5. The marketing aspects of the Libyan economy was also affected both in terms of the increase in consumption level and the distribution level. The period from 1961 witnessed considerable development in the existing types of retail outlets. Supermarkets were introduced in the early 1960's along with relatively larger shops for durable and speciality goods. Department stores have not been introduced so far. Supermarkets, which are a new development in the retailing system of the country, have the following characteristics.
 - A - they are relatively small in size, employing from two to four persons.
 - B - they were established in high income areas of the two big cities of Tripoli and Benghazi.
 - C - They mainly serve the foreign population, i.e. oil company employees and military personnel of the U.S.A. and U.K. bases in Libya.
 - D - the supermarket operations were not based on the low price, big volume concept, as known in the U.S. and Europe, probably because of the relatively small high income segment of the population which they served. Accordingly the prices were not lower than those of similar products sold in the corner shop and were definitely higher than those purchased in open market areas.

(1) Estimate of private final consumption expenditure, June 1971. Directorate General of Economic and Social Planning.

Import and export operations in Libya were mainly handled by foreign businessmen along with a few Libyans until 1970 when the government issued a law by which both domestic and foreign trade were put under complete Libyan control. Because of the limited number of Libyans involved in this type of business an oligopoly situation developed in which traders controlled the national supply for most of the countries needs. This situation was partly responsible for the rising inflation over the years following the discovery of oil. Of those Libyans involved in the retailing and wholesaling business, most worked on a partnership basis.

6. Lastly, the agricultural sector of the economy could not respond to the increasing demand for food products and the country remained dependant on imports for almost two thirds of its food products.

Up to this stage of the analysis most of the areas of development were pointed out over specific periods of time. A significant progress has been made, as shown through the discussion.

The next stage of our analysis will be focussed on the development following the revolution on the 1st September 1969. This changed both the political system of the country and the conduct of the national economy.

3.5. Further Development

Libya became known as the Libyan Arab Republic following the 1st September revolution in 1969, and since then the country has witnessed a new era of economic development. Soon after the revolution took place, a re-evaluation of the proposed second plan for economic development was undertaken and a complete assessment of the ways in which the economy was governed was made. Certain decisions were taken to further the development of a balanced economy instead of depending entirely on oil production. This required a plan to diversify the sources of national income and to reduce the dependancy of the country on imports.

The following is a brief review of some of the laws issued to re-organise various sectors of the Libyan economy.

1. On the oil industry, the annual production was reduced by 40 per cent and the oil prices (per barrel) increased. The aim was to protect the diminishing oil resources and to keep reasonable growth in the other sectors of the economy. Growth in the oil industry was reduced to 7.5 per cent compared with an overall average rate of growth of 14 per cent in other economic activities. Several steps were taken towards oil nationalization in

order to bring the whole oil industry under national control.

2. In the manufacturing industries certain measures were taken in order to support this sector of the economy. Among these measures the cost of electricity for industrial use was reduced by over 50 per cent per unit. Protective measures were brought in for 23 factories all over the country (from customs and income tax on machines, tools and spare parts, with effect from January 1970), 23 new factories were given licences to exploit existing raw materials such as stone, gravel, marble and clay by 1972. The Ministry of Industry also pledged to pay 50 per cent of insurance premium on fishing vessels. Technical and financial support was provided by the Ministry of Industry for firms in the private sector. The government also established a new centre for industrial research providing technical and economic services for the public and private sector.

Large industrial projects were undertaken by the public sector in areas where the private sector was reluctant to undertake such large scale development (e.g. building new factories).

3. In agriculture, besides the long and short-term loans provided for small farmers and other agricultural units the government undertook large projects using modern methods of agriculture. The Tawerga agricultural project aimed at levelling 2550 hectares (1) of land for cultivation, the Jafara plain project aimed at 865 hectares, and the Jabal Al Akhdar project has a goal of land reclamation of land plots estimated at 10.000 hectares and complementary reclamation of cultivated lands (deep ploughing) of 13.888 hectares. The Kafra agricultural project with 100.000 hectares has already been cultivated and the government is to increase this to 60.000 hectares. This project has the goal of producing one million heads of sheep and 350.000 tons of wheat, barley and other products annually by 1980. These are only examples of the dozens of similar projects undertaken by the government.

The agricultural bank in Libya had been authorised to supervise the marketing of agricultural products, and in accordance with law number 68 (passed in 1971) this authority was transferred to the National Establishment of Supplies (an establishment which monopolises the import of vital items of national supply), 84.056 quintars (2) of wheat, 127.215 quintars of barley, 49.380 quintars of

(1) One hectare is equivalent to ten square kilometres.

(2) One quintar is equivalent to one hundred kilogrammes.

of olive oil and 5.780 quintars of beans were bought, stored and re-sold by this establishment in the year 1972/73. The aim was to secure reasonable prices for the farmers as well as for the final consumers. Government subsidies took the form of fertilizers, insecticides, livestock fodder and support grape products. The subsidies reached a total of £L3.911.270 during 1972/73. Agricultural credits also reached a total of £L9.812.750 in which £L3.728.000 were seasonal credits, £L3.296.000 were short-term and £L2.788.750 were long-term credits for the same year 1972/73.

4. In re-organising domestic and foreign trade the government issued a law by which both domestic and foreign trade were put under complete Libyan control. The 25.000 Italian citizens who remained in Libya after independence had been expelled from the country in the early 1970's. The Italian minority had continued to dominate the Libyan economy because of their technical knowledge and managerial capabilities. Their active role, therefore, in the foreign trade, retailing and industrial activities was subsequently taken over by Libyans, whereas most of the Italian technicians were replaced by Egyptians and other minorities from the different Arab countries.

This action followed the evacuation of the American military base in Tripoli and the British base in Benghazi. The disappearance of the Europeans and the Americans from the country has led to the closedown of several economic activities, e.g. for religious reasons the Moslem society of Libya (all Libyans are Moslem) do not consume alcoholic drinks or eat pork meats, therefore the countries vineyards were closed down and pork meats disappeared from the market. Night clubs were also ordered to close down as well as gambling places, which were mainly patronised by the Europeans.

The establishment of the National Supply Corporation in 1971 was also a factor in re-organising the flow of some essential commodities from their course of supply to the final consumer at reasonable prices.

Those were the main decisions taken during the transition period following the 1969 revolution in order to gear the economy towards a balanced development.

The following table shows comparative budgets for the economic development over the transition period.

Table (3-8) Comparative Development Budgets from 1969/1972 (value in £L1.000)			
Type of Activity	1971/72	1970/71	1969/70
Agriculture	50.400	50.000	16.420
Industry	32.000	20.000	7.860
Oil	21.600	-	-
Economy & Trade	5.610	.300	.200
Tourism	1.390	.710	.750
Education & National Guidance	30.200	11.419	14.600
Civil Service	.500	.240	.440
Information & Culture	-	2.162	2.280
Labour & Social Affairs	5.100	1.340	2.000
Public Health	17.000	5.904	7.420
Youth & Sport	-	.020	5.000
Communication & Transportation	39.800	27.145	22.650
Electricity	21.500	-	-
Municipalities	-	25.493	13.000
Housing	40.000	32.816	22.220
Public Works	-	18.410	24.900
Interior	31.800	1.000	1.500
Planning & Development	1.600	.417	.700
Reserves for Projects	1.500	2.414	2.000
Grand Total	300.000	200.000	145.000

Source: (Monthly bulletin - Chamber of Commerce and Industry of Tripolitania 1972).

Clearly the figures for these three years reflect the strengthening infrastructure of Libya with their emphasis on industry starting 1970/72.

Import substitution is a characteristic of Libyan industry and could be clearly seen in the type of manufacturing firms built up by both the public and private sector. Most of the industrial and agricultural projects which were built up over this period have already started production. This reflects the immediate goal of the plan for increasing production.

It is too soon to assess the success of, or to state the extent of, their profitability. All that can be said is that local industrial produce started to be seen in the market in the last two years.

As from 1973 the government started its long term planning for economic development (plans run for a three year duration). A total of £11.965.000.000 has been earmarked for the development plan 1973/75 and has been allocated to various economic and social activities in the following way.

Table (3-9) The First Three Year Plan for Economic Development in Libya 1973/75 (value in £L1.000) (1)	
Type of Activity	
Agriculture & Agricultural Reform	137.906
Industry & Mineral Wealth	238.154
Agricultural Development	298.128
Petroleum	164.564
Electricity	190.513
Transport & Communications	190.332
Education & Teaching	189.290
Public Health	070.963
Labour	024.343
Youth & Social Affairs	014.046
Housing	277.850
Economy & Tourism	009.280
Information & Culture	029.365
Local Administration	129.968
Planning	003.900
Administration Development	002.515
Reserves for Projects	023.883
Total	1.965.000

For such a huge investment Libya simply could not provide a sufficiently large labour force to complement the projects included in the plan. Both skilled and unskilled labour are in short supply as is managerial labour. Various training programmes have been undertaken to develop teams of skilled workers, but the country has still had to import foreign labour. Workers are coming mainly from Egypt, Italy and other Arab countries for the purpose of the present development plan.

In marketing terms, the Libyan market has been enlarged because of the disposable income generated from the large investment which has been undertaken. Also because of this the consumer characteristics are changing.

In the income field, the rapid growth of the national income from £L15 million in 1951 to £L797.8 million in 1968 gave an estimated per capita income of £L15 and £L441 for the same years successively. This in turn was expressed in terms of higher levels of consumption both in quantity and quality, i.e. more private cars, household furniture, washing machines, televisions and refrigerators, were imported. The dietary staple which consisted largely of grain - wheat, barley and rice and consumed at a daily rate of about one pound per person, had improved significantly in the 1960's with meat, eggs, fish and vegetables consisting a considerable part of the ordinary diet.

(1) The revolution of 1st September - The Fourth Anniversary.
Ministry of Information and Culture 1974.

In the educational field, higher educational levels have been attained, and the enrolment at all levels has increased from only 10 per cent of the eligible population in 1951 to 85 per cent in 1968. As a result of this the educational characteristics of the Libyan consumer are changing and can be seen clearly in the younger generation. This has a significant meaning to marketing management in the sense that the newly formed families - with higher levels of education - would be expected to have higher levels of aspiration in improving their standards of living, different wants and needs from those of the well known extended families in some of the emerging nations (see Chapter 3) and could easily be reached by different mass media carrying advertising.

As for the improvement in public health, the number of hospital beds has increased from a few hundreds in 1951 to 5.742 beds in 1968. As a result of this improvement, lower mortality rates have been achieved which allowed an increase in the annual growth of the population from one per cent in 1951 to 3.6 per cent in 1968.

In the field of urbanisation, only 20 per cent of the total population were classified as urban in 1951, 43 per cent rural and the remaining 37 per cent nomadic or semi-nomadic. By 1968 a government estimation gave a total percentage of 80 per cent of the population as urban.

Such a high percentage of urbanisation over a period of 18 years could be regarded as a great achievement. For marketing management, it would mean better stability of the market in the sense that the nomadic population who travel from one geographical area to another in different seasons are settling down and could be reached easily by the distribution system. More discussions are given in Chapter 3 concerning income, education, urbanisation and social values as major areas by which both marketing practices of manufacturers and consumers are affected.

3.6. Conclusions

Libya has been exposed to successive foreign domination throughout history until 1951, when the country became independent. Because of this domination, Libya remained poorly underdeveloped socially and economically. Considerable efforts were made in search for various natural resources as a base to develop the national economy. The discovery of large oil deposits offered an opportunity for development and indeed helped in improving education, health, income levels and standards of living in the country. The availability of capital generated from oil exports proved not to be an easy answer for the development of the country. Lack of both skilled and manual labour - due to the small population and low educational levels - along with scattered population in a large area, proved to be crucial factors in the development of the country.

In marketing terms, the Libyan dual economy has fragmented the national market into small sub-markets each with significantly different standards of living and economic activities. Subsequently, market structures and practices as well as types of marketing institutions differed considerably from one sector to another. While the modern sector of the economy appeared to have relatively more advanced channels of distribution, modern farms with considerable marketing facilities, small industrial units mainly based on food processing and enjoyed better

sector of the economy remained dependent on subsistence farming and animal husbandry, small handicraft shops, small retailing outlets and relatively little disposable incomes to spend.

Marketing practices in both sectors of the economy differed significantly from monetary trade in the advanced sector of the economy to horizontal exchange of goods (class equal exchange) rather close to bartering, and little vertical exchange in the other sector.

Until recently, the discovery of oil in Libya has been emphasising the differences of the two sectors of the economy with the traditional sector becoming more and more dependent on the modern sector for the supply of basic commodities as a result of the continuous shift of agricultural labour force to the modern sector (Tripoli and Benghazi) recent government efforts, however, began to close the gap between the two sectors of the dual economy.

CHAPTER FOUR

MANUFACTURING STRUCTURE AND BASIC MARKETING INFRASTRUCTURE

4.1 Manufacturing Structure

The Italian occupation largely reserved entrepreneurship and management for its own nationals, with the result that up to the early 1970's the great majority of factory and commercial agencies (1) undertakings remained under foreign control. The only significant exception was in Cyrenaica, where the evacuation of the Italian population in 1942 created industrial opportunities which Libyan entrepreneurs were quick to take advantage of. In addition to the management function, Italian workers also supplied most of the skilled labour in Libya since their occupation.

The backward state of agriculture, fisheries and animal husbandry, and the limited and extremely variable marketable surpluses have restricted the development of agricultural processing industries. They are mainly confined to olive oil and fish processing, the manufacture of tobacco, the curing of hides and skins, tomato canning, macaroni producing and flour milling. Lack of known minerals, apart from oil, has been another factor inhibiting the growth of industry, and mineral-based industries are confined mainly to the manufacture of building materials. A considerable part of Libyan industry accordingly consists of trades which convert imported materials into consumer goods; they include various food products, beverages, textiles, footwear, furniture, printing and light engineering (mainly maintenance and repair shops to service transport and agricultural equipment).

It is a fact that the size of the domestic market has basically shaped the industrial structure in Libya. This market is small, not only because of Libya's limited population, but even more because of the uneven distribution of the people among the main settled regions, divided from each other by large uninhabited areas. Social and economic differences between the nomadic, the settled rural and the urban populations and the considerable differences in their purchasing power and patterns of consumption have further split up the market, restricting the scope for large industrial units and narrowing down the range of products for which local manufacture is economic.

The report of a mission organised by the International Bank for Reconstruction and Development, which arrived in Libya in 1959 to study the Libyan economy, concluded that:-

(1) A commercial agent is defined as a representative of local or foreign businessmen or producers operating in a country on commission basis.

"the future of industry in Libya will be greatly influenced by two factors - the progress of oil operations and the development of Libyan agriculture. Local oil and natural gas production will provide a cheaper source of fuel for industry as a whole and a potential source of raw materials for the manufacture of chemicals and fertilizers. The oil companies themselves moreover constitute an important new market in Libya for certain types of producer and consumer goods. Agricultural expansion likewise is important both because it is needed to supply raw materials for the processing industries and because increased farm income will provide a larger market for manufactured goods."

As we have already seen in Chapter 2, it was 1970 before the government started undertaking large projects to develop both agriculture and industry. The efforts came from the public sector as a response to the reluctance of the private sector to undertake large scale operations in these areas.

Up to 1969, 80 per cent of the industrial units - mainly in the private sector - were either family businesses or relatively small concerns employing not more than five persons throughout the year. (1) This conclusion was supported by the 1964 industrial census in which over 600 establishments were recorded, including many that should have been described as handicraft or semi-manufacture: only 16 of these provided employment for more than 100 persons, and 327 engaged only from five to nine workers.

In 1969, a sample of 204 enterprises were investigated constituting only those which engaged 20 workers or more in various industries. The results showed that 71 firms were individually owned, 73 were owned on a partnership basis and only 38 firms in the sample were on a shareholding basis. (2)

The split of business enterprises between small units is a common phenomenon in emerging nations as was stated in our literature review. Nevertheless, the Libyan case has different justifications. Lack of capital and skilled labour along with a shortage of managerial experience and less developed technology are the main factors common to underdeveloped countries. These factors are well known as obstacles towards business development. In Libyan industry the labour cost per unit of output is rather high and continued to rise in response to the upward pull exerted on wages and salaries by the operations of

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- (1) Dr. A. Atiga "The Impact of Oil on the Libyan Economy" 1972. Published by Dar al-Taleha, Beirut.
- (2) Census and statistics department publication 1969.

the oil companies and expanding government expenditure in various sectors. This and the scarcity of both traditional industrial skill and non-skilled labour in Libya are factors tending to favour the growth of capital-intensive (rather than labour-intensive) industries. This is not the case in Egypt and India for example.

The availability of capital, therefore, if not supported by sufficient technical and managerial know-how, may not result in the undertaking of large scale business. In addition, the nature of the local market in Libya seems to favour an industrial structure consisting mainly of small units. This was certainly so in the 1950's and early 1960's due to the large uninhabited areas dividing the small population between urban, rural and nomadic regions, each with considerable differences in their purchasing power, and patterns of consumption. In other words, the Libyan market consists of small sub-markets divided by large uninhabited geographical areas. These small sub-markets are totally different in many ways, i.e. standard of living, patterns of consumption, type of economic activities and in some cases different traditions characterise one area rather than the other due to different tribes and ethnic groups. The poor transportation system, which is a basic marketing infrastructure, has also been in favour of the establishment of small business units to serve limited areas of small population.

Such an industrial structure has certain disadvantages in the sense that it limits the scope for specialised management and restricts industry's bargaining power in buying and selling. On the other hand, given that poor economic and social conditions have been witnessed in Libya since independence until the flow of oil revenues, one could argue that a small industry structure is well suited to the mobilization of small savings and makes less exacting demands on managerial skills which were almost non-existent in Libya at that time. Further, small industry contributes to the growth of a business middle class which is a valuable element in both society and market, generally speaking.

Given the structure of business in Libya as such, the newly established enterprises in the late 1960's onwards are expected to be relatively larger compared with those of the 1950's and early 1960's considering the improvements achieved in basic infrastructure, education, industrial experience and financial resources. Still to be considered is the expansion of the public sector in both agriculture and industry where a larger force (both skilled and unskilled) is needed to undertake the large prospects of the development plans. A foreign labour force cannot be a simple answer to the problem; at least in the long-run. Such a labour force is widely used both by the private and public sector but it is subjected to political considerations. Thus Libya has to rely on its own limited labour force in the long-run.

Despite all the difficulties facing industry in Libya, an annual rate of growth of 10 per cent was recorded over the years from 1962 to 1968, based on fixed prices of 1964. The total labour force engaged in industry increased from 22.000 to 37.000 workers in 1958 and 1968 successively. The gross national product generated from the industrial sector in 1964, including oil production, was £L275.979 million leaving an added value of £L174.280 million, out of which only £L29.284 million was the contribution of industry excluding oil production.

Apart from oil, the Libyan industry depends heavily on the construction and food processing industries. Two samples from these two sectors were investigated in 1969 with 1968 as the reference period. (1) The report revealed the following results.

<u>Type of Activity</u>	<u>Number of Units Investigated</u>	<u>Number of Workers</u>	<u>Value Added</u>
Construction industry	98	21,373	£L33,133,000
Manufacturing & Processing	190	6,969	£L15,610,000
Total	288	28,342	£L48,743,000

Both sample units were reported to have employed 20 or more workers. In fact, the samples were chosen to satisfy certain size requirements. For a comprehensive comparison between the two samples, the entire figures given in the table for the number of units, of workers and value added would not be adequate, though they reflect a higher value added per worker. Further analysis using average contributions would be more precise as a comparative factor. The overall average value added per worker in the two samples jointly is around £L1,723 thousands. Average contribution per worker in the construction industry is around £L1,550 thousands which is below the overall average. The average for the manufacturing and processing industry is around £L2.240 thousands which is about one and a half times that of the construction industry. This means that the labour force engaged in the manufacturing industry is more productive than that in the construction sector.

Following our previous discussion about the characteristics of business in Libya, the following table shows the number of establishments newly registered in the commercial register, classified by type of ownership. (2) 1963/1968.

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- (1) Report of the Annual Survey, large construction and food processing units. Census & Statistical Department 1969.
- (2) Statistical abstract 1968 publication. Also the Commercial Register. Ministry of Economy & Trade.

Table (4-1) Pattern of Ownership Characterising the Structure of business in Libya 1963/68		
Year	Companies	Individual Ownership
1963	152	492
1964	184	298
1965	186	538
1966	275	846
1967	211	669
1968	189	679
Total	1.197	3.522

The figures clearly reveal the individual ownership's domination over the industrial and commercial business in the country.

Two other patterns are found in the structure of business in Libya. The geographical distribution of the newly established firms over the period on hand is widely biased to Tripolitania where 69.4 per cent of these establishments were registered. On the other hand, it appeared that, out of the total number of companies registered in 1968, only 29 establishments were classified as industrial, 106 commercial and 54 were classified as mixed commercial and industrial establishments.

Further analysis of the 189 companies established in 1968 gave the following pattern of range of capital invested.

Table (4-2) Type of Establishments & Capital Groups				
Capital Groups in £L	Type of Establishment			Total
	Industrial	Commercial	Mixed	
Less than 1.000	1	4	1	6
1.000 & less than 5.000	3	38	11	52
5.000 & less than 10.000	7	24	10	41
10.000 & less than 20.000	12	25	21	58
20.000 & less than 50.000	4	10	7	21
50.000 & over	2	5	4	11
Total	29	106	54	189

Source: The Commercial Register - Ministry of Economy and Trade 1968.

It should be noticed that 146 of these companies were registered in Tripolitania, and most of the remaining 43 companies were registered in Cyrenaica.

Strikingly, the table shows that 151 companies were investing within the range of 5 to 20 thousand pounds at the year of establishment, whereas only 21 companies exceeded this range of capital investment to reach the lower end of 50 thousand pounds. The industrial and the mixed type of companies appear to be normally distributed, related to capital invested, whereas the commercial companies are rather skewed to the lower range of investment between 1 and less than 5 thousand pounds which reflects, in fact, the relatively small overhead capital needed to establish a commercial company compared with an industrial firm overhead.

It is worthwhile mentioning that these companies as well as the individual establishments discussed above, are owned by the private sector, thus the analysis applied only to this sector unless a special reference is made to the public sector.

We may conclude at this stage that the industrial and commercial establishments in Libya are characterised by:

1. Individual ownership is the most dominant characteristic in business.
2. The industrial and commercial firms are relatively small both in number of workers involved and the capital invested per unit.
3. The geographical distribution of these establishments is biased to Tripolitania and Cyrenaica where most of the small Libyan population is concentrated.
4. Small scale of operations is prominent both in industrial and commercial establishments.

It follows therefore, that under such conditions one would expect low levels of marketing efforts, less advanced marketing techniques and primitive organisation, to be common characteristics of the marketing practices of manufacturing firms.

The empirical study of the manufacturing firms in Libya which is intended to be undertaken at a later stage of this research, may provide sufficient evidence to support this conclusion.

4.2 Basic Marketing Infrastructure

Within the constraints set by the environmental factors - as will be described in Chapter 4 - marketing practices of manufacturers are also influenced by what we call the marketing infrastructure.

This term is narrowly defined, for the purpose of this research, to include transportation and communications, wholesaling and retailing.

4.2.1 Wholesaling Structure

Because importers in Libya - as it is the case in some underdeveloped countries like Peru, Egypt and India - often act as distributors or wholesalers (and sometimes as retailers), and because some non-importing wholesalers are also engaged in retailing, it is difficult to identify the characteristics of wholesaling with any degree of certainty. The tendency is to ascertain the volume of their trade, in both activities in order to determine which is dominant.

As has been stated earlier, channels of distribution in Libya are import oriented due to the fact that the country imports most of its needs of various food and non-food commodities, this is encouraged by the declining domestic produce in the agricultural sector of the economy. Foreign merchants and foreign export agents, mainly Italians, dominated the Libyan foreign trade and wholesaling until 1970, when the government issued a law under which trading, both domestic and import was restricted to Libyan nationals.

Up to the 1960's, few wholesalers and importers, mainly non-Libyan nationals, dominated the supply of a wide range of products and commodities, mainly imported from abroad. This created an oligopolistic situation at the upper end of the channels of distribution. Clear examples could be found in the 1965 publication issued by the Ministry of National Industry where five importers supplied 50 per cent of the domestic demand for private cars and trucks while three other importers had a share of 27.5 per cent of the remaining. 50 per cent of the refrigerators needed for the same year were supplied by only six importers and 37.5 per cent by four other importers. For type-writing machines, seven merchants dealt with 75 per cent of the total demand for the same year. The few Libyan nationals who entered the wholesaling and importing activities in the late 1960's were described in a report published in 1973 by the Ministry of National Economy, as "either participated with other foreign nationals and gained experience in these fields, or they are intelligent by nature."

Whichever is the case, however, the Libyan nationals involved at this level of distribution after the 1970 law did not respond positively to the advantages of this newly issued law and their scale of operation remained very small. In other words, due to their lack of experience, little knowledge of modern marketing techniques and perhaps, lack of capital resources, their operations are characterised by lack of functional specialisation. Thus the concept of a channel as a chain of intermediaries directly linked to each other is hardly applicable in the Libyan case. Intermediaries may simultaneously assume such different functions as importing, wholesaling, semi-wholesaling, and retailing; their general operating rule is to be present in any capacity when a chance to sell appears. Thus, an intermediary does not sell to a specific link in the channel, but to a range of other intermediaries, when he is not selling directly to the consumer through his own retail outlet. The lack of specialisation selling at the upper end of the channels of distribution is seen by the Ministry of National Economy as a way by which wholesalers and importers are trying to maximise profits, through dealing with a wide range of products in different levels of distribution, also a way by which they are trying to cover possible losses in one type of activity by profit from another. Certain disadvantages however, could result from lack of specialisation at that level of distribution such as limiting the channel of developing experienced and specialised personnel in this sector, beside price differences emerging in the same market for the same commodity. The distribution costs could also be higher due to inefficiency which is a direct result from non-specialisation.

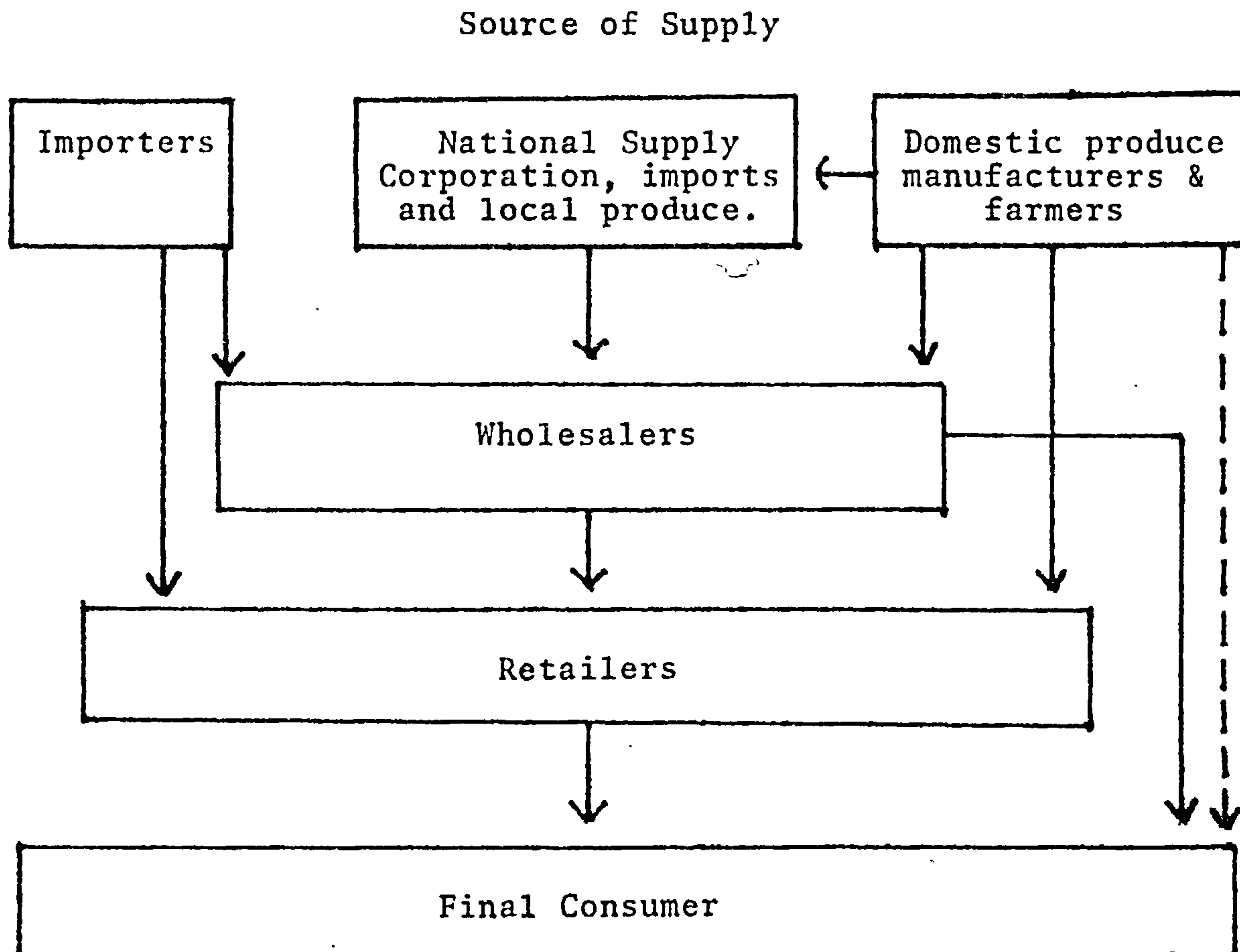
The oligopolistic situation in the import-oriented channels of distribution in Libya tend to work in a backward way; consumers, retailers and intermediaries are always seeking goods other than the source of supply stimulating demand through marketing efforts. This situation resulted from the tendency of importers to throttle the flow of goods and from the sporadic and uneven flow of imports. Inventory hoarding as a means of choking the market can be achieved at relatively low cost and is clearly justified because of its profitable speculative yields. Shortage of supply of certain commodities in the Libyan market is phenomenal.

The dealings between various levels in the channel system are also influenced by what sociologists call kinship and social relationships. Price cutting, credit terms and continuing supplies may easily be obtained by a small retailer from his supplier or importer because of his personal relationship or family connection. Similarly price bargaining and delivery delays are common problems for other links in the channel because of lack of such relationships. This ultimately leads to price differences for the same commodity at the same channel level.

The rudimentary situation at this level in the distribution channels has led the government to take certain measures to reform the Libyan domestic trade, one of which is the establishment of the National Supply Corporation. This Corporation is authorised to monopolise the importing and distribution of certain commodities to ensure their continuous supply, as well as buying domestic product from both farmers and manufacturers. Cereals, olive oil, sugar, tea and rice are among the commodities dealt with by the National Supply Corporation. The general tendency, therefore, is to reform the domestic trade toward centralising the source of supply gradually in order to ensure reasonable prices to the final consumer. The presence of the public sector at the upper end of the distribution system ensures that this is so.

The following diagram shows the structure of food and grocery products distribution in Libya.

Popular Distribution Channels for Food and Grocery Products in Libya



Clearly from the diagram, the National Supply Corporation, which represents the public sector in the Libyan market, has influence on the supply of certain items both imported and locally produced. But its presence at the consumer level is indirect in that it can only control the final prices to the final consumer through the control of profit margins at the wholesale and retail level. For the importers as a source of supply the diagram shows the flow of supply to wholesalers and retailers and this does not exclude the possibility of an imposter having his own retail unit or playing the role of wholesaling at the same time. For domestic produce of manufactureres and farmers, the dotted line represents small quantities of fresh produce which is sold directly from small farmers to the final consumer in the market places which still exist in the country.

This link of supply (manufacturers and farmers), however, sell their produce in protected markets with little local competition, thus little attention is paid to both the concept of demand created, through manipulating various elements of marketing techniques, and the wants and needs of consumers, as the demand for local produce exceeds the supply.

These types of distribution channel are similar to those found in Egypt, except that in Egypt there is a higher degree of centralisation which is enforced through the presence of strong co-operatives both at the wholesale and retail levels.

4.2.2 Retailing Structure

From as early as 1958 the demand for labour in Libya went up due to the expansion in the oil companies operation of searching for oil. It was at this time that agricultural labour began to shift from land to oil activities and related commercial and service sectors in the big cities of Tripoli and Benghazi. This type of labour force was mainly unskilled and found it difficult to get jobs with higher payment as they might have expected. In addition, as most of this labour force had left their families behind, there was a major obsession to get good jobs and save as much as possible prior to rejoining their families in better living conditions. The attraction of the city life, along with the easy entrance into retailing activities, led a large number of the labour force to settle in the big cities and establish their small retailing shops. They were then joined by their families. This fact was reflected in terms of the number of people involved in the commercial sector where 18.000 persons were engaged in 1954. Ten years later the number reached 27.000 persons, most of them small retailers. By 1968, the total reached 32.400 workers. 86 per cent of the 27.000 workers involved in commercial activities in 1964 were described as own business with no others employed, Clearly this meant small retailers.

Part of the labour force shifted from the land to other activities and subsequently returned to join their families. With their savings they were able to establish their own retailing shops in their own towns and villages. For those who could not find jobs in the big cities, pushcart operations, on-foot pedling became their way of making their living.

Pedlars, however, are well known in Libya since before independence, the time when seasonal as well as permanent unemployment was widely spread, especially in the big towns and cities. Some of these pedlars use pushcarts, others move about on foot, carrying their merchandise on their backs, while still others display their few wares in the sidewalks or on the ground by the side of the streets. Some of this last group change their location from time to time, while others tend to remain in a fixed location. These pedlars sell everything from fresh fruit and vegetables to new and used clothing and shoes.

Many of the pedlars, however, make up a part of what is called "disguised unemployment". These numbers have been declining in Libya mainly because of the better job opportunities created by the economic expansion from the 1960's onwards, and because of government efforts to utilise the country's limited human resources in a better way.

Because of their limited knowledge in commercial practices, small shopkeepers in Libya could not expand the size of their operations despite their low volume large margin techniques. Instead the profits generated from their operations were saved in the hope of buying houses for final settlement in the big cities which was a priority even before improving their standard of living.

The relatively larger shops established in Tripoli and Benghazi, since the Italian occupation, were also exposed to some restricted expansion in their growth. It was mainly the large retailer who left their shops and turned to capitalize on the other opportunities created by the expansion of the oil industry. A large number of these retailers and other wholesalers became large contractors in the construction industries, hotel proprietors, entertainment managers and import suppliers.

For those who remained in their large shops, the presence of highly paid employees in the oil companies, mainly foreign nationals, clustered in particular areas in the big cities, provided enough incentive for some of them to introduce the supermarkets as part of the retailing system. Such newly established supermarkets are too small in size compared with those in Egypt, Tunisia and Algeria and could be better described as "self-service shops".

Food stores in Libya tend to operate with a minimum of physical space (200 square feet or less); equipment consisting of a counter, a desk, a few bins and a scale; often without a refrigerator.

Most food stores carry a very limited line of commodities. Full-line stores are practically non-existent. The typical metropolitan store carries unpackaged staple foods, some canned goods, a few dairy products, and such non-food items as soap, cigarettes, a few household cleaning products and soft drinks. Most consumers buy on a hand-to-mouth basis.

As we already stated earlier in this Chapter, the buying of retail stock is imitated largely by the retailer. In rural areas, grocers dealt with a limited number of retail wholesalers who sell at retail in a town market and who also sell to grocers who call on them from neighbouring small towns or villages. Rural retailers - besides the food and non-food items they sell - are also likely to keep clothing and footwear items whenever there is a space for such items. Most of the food products of the communities in rural areas are produced and partly consumed by the producers themselves. Thus, the need for such non-food items is more required by the community.

Chain and department stores are simply non-existent in Libya, probably because of the high capital required, the smallness of the markets in terms of population and the experience needed for such specialised operations. Non-food and speciality stores dominate the major metropolitan areas. Most speciality shops carry a restricted line of goods, thus, there are gift shops, luggage stores, household furniture stores, radio and television, and sporting goods shops.

With respect to the buying function, most retailers do not have the concept of providing an assortment of goods. Consumer demand is interpreted in the narrow sense of a single product item. Most retailers in the big cities buy on a hand-to-mouth basis which, in part, is a reflection of the way the consumer buys. For the grocers operating in small towns and villages, they buy in a relatively large quantity to keep their operations going for several months as they have to travel long distances for re-supply.

Retail advertising is hardly seen in the press which is the main advertising media in Libya, cinema as an advertising media comes next to press. Radio and television advertising are non-existent, simply because both media do not undertake commercial programmes. They are both state owned enterprises.

As was suggested in many cases throughout the marketing literature, local markets, as institutions, perform important social functions in the societies in which they operate - African

tribal markets are clear cases - they are institutional forms of contact and communication between neighbouring communities, tribes etc., with functions varying both in nature and in importance, according to whether operative in plains, in mountainous areas, or in the cities; they are important institutionalised links between the countryside and the towns or cities; and as such they constitute an important channel for the circulation of goods and ideas. Such institutions have long been in existence in Libya and called "Souk". What concerns us here is that such a social function of local markets is well known at the retail shop on the corner in Libya. The retail shops are regarded by the local people in the area as social places where they meet, discuss social and political issues, drink a cup of tea and sometimes play cards in the less busy hours. The relationships between the shopkeeper and his customers therefore, are social or personal in their nature, rather than a buyer and seller one. The disappearance of a regular customer from the scene of the shop for a few days is enough reason to circulate this information and arrange a visit to the family.

These personal relationships are also exerted to members of the family. The children are often told by their parents to buy from that shop rather than the other. The shopkeeper, in many cases, hides the fresh fruit for his regular customers, and may send a kilo or two to each without being ordered to do so by the customers. He also recommends buying from the next shop rather than his own when his fruit is not fresh enough.

Such a special treatment could be regarded as an alternative way for active personal selling which a large number of shopkeepers clearly lack. The degree of loyalty of a particular customer to a given shop, thus, determines the continuous supply of his needs when the flow of goods are throttled by importers and wholesalers from time to time, because the shopkeeper in this case, tends to make his stock of such goods available only to his regular customers. This phenomenon is well known in Libya.

The 1964 industrial census revealed that 36.918 economic establishments were operating in the country, out of which 20.006 were commercial, 9.428 industrial, 131 agricultural and 7.353 in other economic sectors. The high figure given for the commercial establishments - in which retailing and wholesaling are the largest figure - accounted for 54 per cent of the total number of economic establishments. Most of the commercial units, 54 per cent, were located in Tripoli and Benghazi.

27.000 persons were engaged in the commercial activities for the same year. The number of commercial establishments reached a total of 23.599 units by 1968 involving 32.400 persons.

The following table shows the number of commercial establishments and number of workers engaged per unit in 1964.

<u>Workers involved per unit</u>	<u>Number of units</u>
1	17,729
2 - 4	2,336
5 - 9	267
10 - 19	088
20 and over	086

Clearly, the table shows that over 88.6 per cent of the total number of establishments are individually owned small units. Most of these small units could be described as retailers. Part of the 2 - 4 class, however, could also be described as retailers, a fact which is supported in a survey of wholesaling and retailing in Tripoli in 1967, where (1) retailers had an average of 1.5 persons per unit. The survey investigated 412 wholesalers and retailers and concluded that, "For all establishments engaged in wholesale or retail trade in Tripoli town, the average number of persons engaged per establishment came to 2.15, according to the results of the survey" and went on "Corresponding figures for wholesale and retail trade establishments separately were 5.15 and 1.50 respectively". The aspect of family business therefore, is clearly seen especially when the survey revealed that in both kinds of activity, 46.04 per cent were working proprietors, 4.88 per cent were employees. These proportions, however, differed when taking the two types of activities separately. Among the persons engaged in wholesaling only 17.99 per cent were working proprietors with 3.94 per cent unpaid family workers, to leave 78.07 per cent employees. In retailing units, employees constituted only 27.41 per cent of the total, with 5.58 per cent unpaid family workers and 67.01 per cent working proprietors.

Similar results were revealed in Peru in 1963 where (2) 2,153 wholesaling units employed fewer than five persons each and 1,430 employed more than five persons each. At the retail level the same study concluded that, "vastly more numerous are the independent and usually quite small retailers having one to three employees - often a father-son, or husband-wife combination".

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- (1) Report of the preliminary survey of wholesale and retail trade in Tripoli Town. Ministry of Economy and Trade 1967.
- (2) Glade and Littlefield "Marketing in a Developing Nation" Heath Lexington Books 1970.

Despite the similarity between Libya and Peru with respect to the number of workers engaged per unit in both kinds of activity, the difference between the two is in the combination referred to at the retail level. A father-son combination is a common phenomenon in the two countries, but the wife-husband type could not be seen in Libya due to social as well as religious values as we shall see in the next chapter.

As for the level of operations in the Libyan wholesale and retail activities, the survey revealed that the gross earnings in both kinds of activities taken together came to £L4.278 per establishment and £L1.991 per person engaged representing 25.5 per cent of gross receipts. Input costs in those establishments came to 3.3 per cent of gross receipt, and other current costs came to 6.1 per cent of gross receipts to give a value added of £L3.733 per establishment. The results taken separately show that in wholesale trading, the estimate of value added per establishment came to £L11.775 respectively: while the corresponding figures in respect of retail trade was only £L1.986. Estimates per person, however, do not show such differences between the two kinds of activity, as the number engaged per establishment in wholesale trading was higher.

4.2.3 Transportation and Communication

Transportation, as one aspect of the basic marketing infrastructure, also has its impact on the marketing system of a given country in the way that domestic and imported products have to be physically distributed to reach the consumer. The existence of an adequate transportation system does not only make it possible for distributors to reach consumers in different regions, but the distribution cost per commodity unit transported could also be reduced as a result of a more efficient transportation system.

It was stated in the report of the International Bank for Reconstruction and Development mission to Libya in 1961, that "On the whole, the existing transport system serves the needs of the country adequately." This statement was made at a time when the inflow of huge oil revenues to the country was not sure of. Thus, considering the rapid expansion of the Libyan economy, soon after the mission published its report in 1961, proved that the transport system of the country could not really cope with the requirements of rapid economic expansion. Moreover, two small single-track narrow-gauge (95 centimetres) railways operating in Libya - 179 track kilometres in Tripolitania and 164 track kilometres in Benghazi - at the time when the mission completed their report, had been closed down in the early 1960's at the recommendation of the mission itself for economic reasons.

Because there are no rivers and because of the closedown of the railways, the transport system in Libya is dependent completely on roads, air and sea transport.

I. The Road System

The most important road in Libya is the coast road, 1.822 kilometres in length, which runs the whole way from the Tunisian border to the Egyptian borders, passing through Tripoli, Benghazi and many of the smaller towns in Libya including Zuara, Zawia, Tagiura, Homs, Zliten, Misurata, Sirte, Ageoabiam Barce, Beida, Lamluda, Derna and Tobruk. It should be noted that over two thirds of the Libyan total population are linked, one way or another, by this road according to the 1964 population census. The road was constructed by the Italians between the wars and renewed in the late 1960's as a modern highway with multiple lanes, it has a black-top surface throughout its length.

The Fezzan road runs from a point on the coastal road 120 kilometres south of Misurata through Sebha, the capital of Fezzan, to Ghate near the Algerian borders. The total length of this road is about 1.250 kilometres, and there is a branch 260 kilometres long running from Uaddan to Sirte. The road was newly constructed with asphalt surface and links the 79.326 inhabitants of the southern region of the country with the coastal towns and cities.

The road connecting Nalut with Tripoli was extended southwards to Ghadames which makes it around 600 kilometres. It brought another 180.883 inhabitants into reach.

Another 1.000 kilometres highway network has been planned for areas that lack adequate communication facilities, 400 kilometres of this network have already been paved and work is in progress to complete the work before the end of 1974. Feasibility studies and designs are underway for other road networks of 1.000 kilometres, work on which is expected to start in the coming fiscal year 1975/1976. The main groups of oases in the Fezzan are linked by rough roads and desert tracks. In fact, practically all the towns and villages of Libya, including the desert oases are accessible by motor vehicle, but the going is sometimes extremely rough.

As for roads within towns and cities, black-top and macadamised roads serve the needs of transport and traffic adequately. Apart from the rough roads across the desert by which some villages and oases are linked, the highway system in Libya has improved and most areas are in the reach of distributors. This is a remarkable improvement as far as the marketing system of the country is concerned.

II. Ports and Coastal Shipping

The largest two seaports in Libya are located in Tripoli and Benghazi, with the port of Tripoli handling more than three-quarters of all the country's foreign trade in 1961. Its

commercial cargo turnover had more than trebled in 1961 compared with 1954. Available statistics show that the Tripoli port handled over 400.000 tons of commercial dry cargo annually over the years 1958 up to the early 1960's. By 1968, around 500.000 tons had been handled compared with 300.773 tons handled by Benghazi, Derna and Tobruk altogether for the same year. (1)

Because of the expansion of demand from the 1960's (for both consumer and industrial goods) following the growth of the oil industry the existing storage facilities and handling equipment have become less than adequate. Desperate efforts were made to improve the existing capacities of the Tripoli and Benghazi ports, besides the renewal of the other three minor ports of Derna, Musrata and Ras El Helal. Among the latest efforts made in the 1970's were the conclusion of a contract with the Turkish firm, Sizai Turkish Wafaiz Akai, to carry out expansion work on the Tripoli port at a cost of £D26.236 (Libyan Dinor = \$2.8). A contract has been concluded with a Maltese company to build up a floating repair shipyard of 5.000 ton capacity for Tripoli port. Bids for expansion work on Darna port are being studied. Similar bids for Benghazi port are also on the way. As for the use of automation in sea ports, 50 out of 83 hook-cranes contracted for at a cost of £D356.369 have been imported, 100 trolleys contracted for have also been imported. Four floating docks have been referred to a technical committee for study.

The pressure of large numbers of ships waiting for unloading, especially in Tripoli port led the government to broadcast a plea to the police force and civil servants to volunteer for unloading and handling cargoes in March 1974 as a temporary measure to release the increasing pressure. Merchants were also asked to release their goods within a few days of arrival. Some cargo ships are also redirected to Tunisia for unloading from time to time.

Besides the commercial seaports mentioned earlier, five other terminals for oil exporting have been developed since the country became one of the large oil exporting countries. These oil terminals are: Zeweitina, Hersabrega, Sidra, Raslanuf and Harega.

III. Air Transportation

The two largest terminals in Libya are in Tripoli and Benghazi running domestic as well as internal flights. The Libyan Arab Airlines is the only company to which internal civil aviation is assigned. Other international air companies operate some external flights along with the Libyan airlines.

(1) Statistical abstract - Census & Statistical Department 1968.

The existence of other small air terminals in the country made it easier for the Libyan airlines to provide a fair coverage of different regions in the country. Besides Tripoli and Benghazi terminals, there are other small ones in Sebla, Ghat and Ghadames in the southern region, and Marsa Brega, Kufra in the eastern region. Other smaller air terminals were developed for the use of oil companies near oil fields. The Libyan air fleet, however, is used for passenger use rather than cargo transportation, whereas commodity transport is carried out by lorry fleets throughout the country.

IV. Communication

The availability of suitable mass media in a given country is considered as another aspect of the basic marketing infrastructure. There were some 22 daily, semi-weekly or weekly papers in Libya in 1969, all but one of which were published in either Tripoli or Benghazi. The majority were printed in Arabic, seven were printed in English and two in Italian. Most of the newspapers compete for the same readership - the growing middle-class, educated urban residents, and the politically concerned. Two papers were devoted primarily to commercial advertising in the Benghazi and the Tripoli areas. Both were printed in English and each had a circulation of around one thousand copies. Clearly these two papers were not aiming at Libyan consumers as these are not educated in English. Neither are they aimed at the Libyan businessman as he has little knowledge of the English language. He is more likely to speak Italian or Arabic. The aim, therefore, was foreign businessmen operating in the country. The two newspapers carried government advertisements for new jobs available for foreign nationals along with international competitions in winning government contracts for development projects.

Few magazines are printed in Libya. Those that do appear cater for a very small public. Of the lighter magazines, in publication in 1968, four were printed in Arabic, two in both Arabic and English, one in English, and one in French. Of these magazines only two - the Libyan Economist and Arab Oil - were devoted to commercial and industrial matters.

By 1970, only 10 newspapers were in publication and the remaining 12 - in publication in 1969 - were ordered to close down. Of the ten newspapers in publication, only one is in English and published jointly in Libya and Malta.

Radio advertising is not allowed in Libyan broadcasting. The Libyan consumer, however, is exposed to radio commercials in other middle east stations, such as the middle east station in Egypt which broadcasts in Arabic.

The national television service - which was inaugurated in 1968, with two stations one in Tripoli and the other in Benghazi - does not deal with commercials either as both radio and television stations are owned by the state.

Cinema has the greatest popular appeal in Libya next to radio. There are some 43 theatres which draw an average weekly attendance of 500.000 people according to 1969 statistics. The audience is over-whelmingly male because Libyan females do not customarily attend films. Cinema advertising was very popular until early 1970 when the government ordered its replacement by national guidance programmes temporarily. A few months later, cinema advertising reappeared again.

Mass communications in Libya, therefore, do not serve adequately the marketing needs of various commercial and industrial establishments. Newspapers are almost the only means of mass media available for advertising, but its effectiveness is limited because of the high rate of illiteracy of the Libyan population.

4.3 Summary and Conclusions

Throughout this Chapter, the discussion has been focused on the manufacturing structure and basic marketing infrastructure in Libya. The most dominant characteristic of manufacturers are, the smallness of establishments and the individual types of ownership. Geographical as well as market structure are influential factors in shaping the business structure in Libya and the availability of capital resources did not provide a simple answer for development of commercial and industrial level of operations. Other factors, such as the lack of education and experience, tend to reduce the extent to which the capital resources made available could be utilised.

Lack of specialisation and import-orientation are two main characteristics of the distribution channels in Libya especially in the wholesale link. Thus the concept of a channel as a chain of intermediaries directly linked to each other is hardly applicable in the Libyan case. At the retailing level, department stores, chain stores, and supermarkets are non-existent. Self-service shops began to be seen in some high income areas, but they could hardly be called supermarkets according to European measures. Family owned retailing shops are predominant and in many cases carry social functions besides their business nature.

The transportation system in Libya could be described as adequate for the government efforts in the late 1960's and early 1970's to build up modern highway systems in order to link populated areas with each other. These efforts made it possible for distributors and merchants in the channel system

to reach remote geographical areas which were until the late 1960's hard to reach. Ports and coastal shipping facilities were adequate until the late 1960's when economic expansion began and huge quantities of various goods and materials had to be imported both for consumption and construction. This made the need for more ports and shipping facilities rather urgent. Marketing is clearly affected as a result of this situation in the way that the distribution system in Libya begins mainly from the seaports downwards to the final consumer, and any bottlenecks at this upper end of the distribution would mean higher cost per unit throughout the whole channel of distribution. In other words, the longer the imported goods and materials remain on the shipboard the more cost is added per unit.

As for communication, as a marketing infrastructure, the non-existence of T.V. commercials and radio advertising could be considered as a frustrating factor in the marketing efforts of various manufacturers and commercial dealers.

CHAPTER FIVE

SELECTED MARKETING ENVIRONMENTAL FACTORS.
GEOGRAPHICAL, DEMOGRAPHIC, SOCIO-RELIGIOUS
AND BUYING BEHAVIOUR ANALYSIS.

Introduction:

Chapters three and four dealt with the economic, manufacturing structure and marketing infrastructure in Libya. In this chapter the analysis is focused on the examination of other specific marketing environmental factors. It is hoped that while describing and analysing the marketing environment of Libya, the discussion will be oriented towards the implications of the environmental factors in market structure and development.

The following factors are subjected to analysis in this chapter.

1. Geographical factors.
2. Demographical Analysis.
3. Education.
4. Religion and Social values.
5. Buying behaviour and practices.
6. Income distribution and expenditures.

5.1 Geographical Factors

Libya, Africa's fourth largest state, is centrally located along North Africa's Mediterranean coast. Although the country encompasses an area of 679,000 square miles, and is therefore, as large as France, Spain, Italy and West Germany combined, it has one of the world's lowest population densities. A population density of two persons for every square mile of territory was estimated in 1969 (ref. 126), and for the most part, the population is concentrated in coastal cities and oases, on the better watered highlands and around a few scattered villages deep in the interior.

The country is bounded on the North by the Mediterranean Sea; on the East by Egypt and Sudan; on the South by the Republic of Chad and Niger; and on the West by Algeria, except where Tunisia touches Libya's North Western frontier.

The Mediterranean and the Sahara Desert are the two geographical features which have most affected Libyan development. The Mediterranean influence predominates only along the narrow coastal enclaves, while the Sahara Desert gives rise to Libya's age old problems: aridity, a meagre supply of ground water, high temperature and frequent droughts.

Geographically, Libya could be divided into four different regions: the coastal, the mountainous, the semi-desert and the desert regions. Although the climate is as moderate in this country as it is in all other Mediterranean countries, the climate in each of the mentioned above regions varies in accordance with that region's altitude and its distance from, or proximity to, the sea. Thus, the semi-desert and desert regions, which constitute 95 per cent of the country's total land area, are mainly dry, hot in the day time, and cold at night with very little rain.

It was stated in Chapter 1 that accessibility to the sea, inland waterways, the amount of, and dispersion of, fertile soil, physical barriers and wastelands such as mountains and desert, climatic conditions, size and location of mineral resources, are vital factors in shaping a nation's marketing complex. Libya is devoid of inland waterways, high mountains, consistent rainfall throughout the year, and other natural resources, the exception being oil. The climate and soil in Libya do not vary very much which makes the land unsuitable for producing a wide variety of valuable foods and industrial crops. Olives and cereals are the principal crops in Libya and their production varies according to the amount of rainfall throughout the year.

The agriculturally productive Mediterranean enclaves are separated by the Gulf of Sirte which leaves the coastline to meet the pre-desert of the Sirte basin. Each enclave has

undergone separate historical development as the core area of a distinct region. The coastal oases and the Jefara plain of the West became the heart of Tripolitania, while the Barce plain and its adjoining highland in the East formed the economic centre of Cyrenaica. Each geographical area remained comparatively isolated from the other and this isolation was reinforced by different patterns of foreign domination. Geography has, thus, had a strong influence on the regionalism which has so long acted as a barrier to national development.

The Southern region of the country (Fezzan) - being geographically located in the heart of the desert - has a rather special problem. A problem of severe isolation from the coastal cities. Fezzan has always been predominantly a subsistence economy. In past centuries it used to derive a subsidiary income from the caravan trade, and when the caravan trade declined around the end of the nineteenth century, foreign garrisons moved in and provided the desert oases with a new source of income and employment. After independence in 1951 workers from this region started looking for employment outside Fezzan. Oil companies provided employment for a large number of them, while the coastal cities absorbed others who wanted to live outside the region. Special considerations, in recent years, have been given to this region among which are the modernisation of Sebha airport and the build up of the highway between Fezzan and Tripoli. Other agricultural and housing projects were undertaken aiming at stabilising the population and improving their living standard.

Marketing in this part of the country has been affected by the severe isolation of the region as a whole and its scattered population in small villages and oases. Subsistancy is a characteristic of these small populations. Their limited agricultural produce - mainly dates and vegetables - is both horizontally and vertically exchanged. Wholesalers in the coastal cities do not spread their business to these small areas for economic reasons, and thus shopkeepers have to seek their supply by making over a thousand kilometres journey to Tripoli or Mesurata. In many cases a lorry load of commodities is shared between two or three shopkeepers operating in one oasis. Their small scale of operation seems to require small quantities of resupply. On the other hand, one shopkeeper at a time could travel to the source of supply which minimises both cost and effort.

The National Supply Corporation, which was established recently, is planning for regional centres of supply all over the country. This may make certain basic commodities such as sugar, rice, cereals and tea available at reasonable prices to consumers in remote areas, but the range of commodities dealt with by the Corporation is so limited that small retailers in those regions will still have to handle their awkward situation the same way for still more decades to come.

5.2 Demographic Analysis

5.2.1 Population

A census taken in 1954, with the help of the United Nations, gave a total population of 1.088.884 persons in Libya, of whom 738.338 were living in Tripolitania, 291.239 persons in Cyrenaica and 59.315 in the Fezzan. Considering a total land area of over 679.000 square miles, the population density was 1.6 persons per square mile.

In 1964 the Libyan government published the second census since independence which gave a total population of 1.564.369 persons and a population density of 2.3 persons per square mile. The third census of population, due to be published formally in 1974, (a preliminary report was made available for this thesis) gives a total population of 2.257.037 persons. This indicates that during the past nine years, the population of the Libyan Arab Republic has increased by 692.668 or 44.3 per cent on the total in 1964.

The increase between the 1954 and 1964 censuses was 43.7 per cent reflecting an annual growth rate of 3.6 per cent, whereas, the annual rate of growth between 1964 and 1973 was around 4.2 per cent. This increase in the annual rate of growth is attributed to the following two reasons.

- A. An increase in immigration into Libya and the return of Libyan emigres.
- B. An improvement in general health standards, resulting in lower mortality rates particularly among infants.

Of the 2.257.037 persons recorded in the 1973 census, 1.200.246 were males and 1.056.791 were females. A ratio of 113.6 males to every hundred females. This ratio is relatively high compared with the sex ratios in the 1954/1964 censuses which were 108.0, and 108.3 respectively. The high sex ratio, recorded in 1973, appears to be mainly due to the increase in the immigrants, who are working in Libya mostly unaccompanied by their families.

The number of households as recorded in the July 1973 census was 386.048 compared with 331.990 in 1964; an increase of 54.058 households during nine years. The department of census and statistics believed that this increase in number of households is not large and not in keeping with the increase in population. Possibly this is due to the traditional cohesion between blood relations in the Libyan society which reduces to some extent the formation of new households independent of the original households.

The average number of persons per household in 1973 was 5.8 persons compared with 4.7 persons in the 1964 census. This, in fact, may explain the slow rate of household formation over the last nine years from 1964 to 1973.

In terms of geographical distribution, the population is heavily concentrated in relatively narrow bands along the North West (Tripolitania) and the North East (Cyrenaica) coastal sector; to a lesser extent it is concentrated in the better watered areas of the highlands in the North East and the North West regions of the country. Smaller concentrations are scattered in small oases and villages in the South.

31.4 per cent of the total population in 1973 lived in the Mohafada (1) of Tripoli which comprises less than one per cent of the total land area of the country. The total population of Tripoli as in the 1964 census was 379.925 persons, compared with 709.117 persons in 1973. This is an increase of about 79 per cent. Benghazi, which is the second largest city after Tripoli also witnessed such phenomenal increase of its population. 278.826 persons were living in Benghazi in 1964 compared with 331.180 in 1973, which is an increase of 45.8 per cent. Thus, around 45.9 per cent of Libya's total population in 1973 lived in the two Mohafadas of Tripoli and Benghazi. This indicates that in these two Mohafadas, the population has increased proportionately more than in other Mohafadas. This is possibly due to internal migration to these areas, and also to a large immigrant population.

(1) Libya comprises ten Mohafadas. The term Mohafada refers to a geographical district equivalent to a county.

Table (5-1) Shows Number of Households, Persons by Sex, and Number of Agricultural Holders in each Mohafada in 1973

Mohafada	Number of Households	Number of Persons		Total	Number of * Agricultural Holders
		Males	Females		
Derna	19.689	65.066	58.331	123.397	6.765
Giabal El-Akhdar	21.941	69.007	62.064	131.071	8.547
Benghazi	56.764	180.107	151.073	331.180	7.093
El Khalig	17.918	59.667	48.984	108.451	8.251
Misurata	30.903	93.919	85.397	179.316	21.264
Homes	29.424	84.825	77.848	162.673	22.686
Tripoli	118.679	381.255	327.862	709.117	24.248
Zawia	40.899	127.957	116.395	244.352	28.876
Gharian	28.164	80.769	74.393	155.162	22.874
Sebha	21.667	57.674	54.644	112.318	14.720
Grand Total	386.048	1.200.246	1.056.791	2.257.037	165.324

Source: "Population Census - Preliminary Results 1973". Census and Statistical Department.

* Definition: The agricultural holder exercises the technical initiative and responsibility for the operation of the holding and may have full economic responsibility (e.g. as owner) for it, or share this with others (as a tenant).

The annual rate by which the Libyan population is growing is one of the highest compared with the median set up by the Marketing Science Institute in the United States. According to this Institute a rate of growth of 2.0 to 2.4 per cent is median and 3.0 per cent and over is considered very high. The growth rate of the population in Libya was 3.6 in 1964 and 4.2 in 1973 and both are very high.

Such a high rate of growth, however, is desirable if we consider the country's large geographical area and small population.

Details about age structure and education in the 1973 census are not available at the time of writing this section, thus, the analysis is focused on the 1964 census of population and other estimates published late in the 1960's.

More than half of the Libyan population in 1964, around 800.000 persons appeared to be between the age of 15 and 64, which is considered as the working age (see Marketing Science Institute), however, the figure comprises only 405.258 persons who can be described as economically active. In other words, the labour force in Libya in 1964 was, in fact, only 25.9 per cent of the total population, or 51 per cent of the working age group (15-64). These low figures of economically active population are due to the fact that the female population in Libya do not take active roles in the economy. In the 1964 census, only 19.865 females were reported to be economically active, and details for the 1973 census have not been revealed yet, though, the situation is believed to be much improved due to more females being enroled in various schools, colleges and university.

Examination of changes in the age composition of the population between 1954 and 1964 shows that there was a significant increase in the proportion of persons under 10 years of age and a slight increase at ages 35 to 39; all other age groups were proportionately smaller in 1954 than in 1964.

The 1964 census also shows that 44 per cent, (683.000 persons) of the total population were persons whose ages were less than 15 years, which means that the Libyan population is mainly young. About 80.000 persons, or 5 per cent of the population, were 65 years or over.

5.2.2 Urbanisation:

The change from rural to urban life in Libya became considerably significant after the discovery of oil. In fact, both events went in parallel since the late 1950's. The Libyan government estimated that 80 per cent of the country's total population in 1956, (the beginning of oil exploitation) would be rural. By 1968 80 per cent of the total population was urban. The estimate of 1968, however, could be an over-

estimate, but only so far as the properties of urbanisation are concerned. In terms of the composition of the total population between settled, semi-nomadic and nomadic, the 1964 census revealed the following percentages respectively: 79.2, 9.2 and 11.6. But these figures alone do not mean that 79.2 per cent of the total population in 1964 was urban, instead they rather meant that 79.2 per cent of the population was somehow settled. Further analysis of the type of settlement shows the following facts:

1. 11.200 households comprising around 49.000 persons were located in caves in different highlands.
2. 70.242 households including about 296.000 persons inhabited shanties without plumbing or electricity.
3. Around 65.000 families comprising approximately 313.000 persons were estimated to live in tents, and were presumably nomadic.

These three groups of population comprised around 42 per cent of the total population.

4. Some 43.000 persons, slightly more than 10.000 households were living in detached houses or western style apartments or villas.
5. About 900.00 persons comprising 171.797 families were living in ordinary houses in cities and towns.

These latter two groups, roughly 940.000 persons, including 40.000 foreign nationals, constituted the effective market economy, and that was around 58 per cent of the total population in 1964.

This figure is quite acceptable compared with the situation in 1954, where one quarter of the settled population, or 18 per cent of the whole, was concentrated in the two main cities of Tripoli and Benghazi, and the population of the smaller towns could not be precisely defined. But it would probably be true to say that roughly 25-30 per cent of the total population in 1954 were town dwellers and that 45-50 per cent were settled in rural areas; the remaining 25 per cent were nomadic or semi-nomads earning a living from livestock and shifting cultivation. The proportion of nomads and semi-nomads was highest in Cyrenaica, but appears to have been gradually shifting away from nomadic life to the towns and settled farming and this became apparent in the 1964 census.

The increased urbanisation is most obvious in the growth of Tripoli and Benghazi which together accounted for 82 per cent of the total urban population in 1964. Over the ten year period

from 1954 to 1964, Tripoli grew by 64 per cent from around 180.000 persons to 213.000. The growth of the largest city in the country, however, was surpassed by that of Benghazi, which, during the same period, almost doubled in population from 70.000 to 137.000 persons. Compared with the 1973 census, Tripoli Mohafada has increased by 79 per cent and Benghazi Mohafada by 45.8 per cent.

The shift from nomadic to settled farming and from rural to urban life in Libya was stimulated by two major factors:

1. Seasonal mobility of the nomads is guided mainly by the rainfall. Since independence, successive governments in Libya devoted much effort to contribute to the settlement of the nomads in settled farming life.
2. The most important internal mobility of population is that which takes place from rural to urban areas of the country. Such mobility was highly stimulated by the expanding activities of the oil companies in the late 1950's, and the attraction of the city life where better opportunities for jobs and earnings were offered.

Turning back to the 1968 government estimate that 80 per cent of the country's population was urban, one can question what does "urbanisation" mean? In other words, does the term have the same meaning in both developed and underdeveloped countries? If the term "urbanisation" is to describe those proportions of population who live in urban areas of a country, then we are concerned about areas other than characteristics of people living in those areas. But if we take "urbanisation" as a way of living which has distinguished properties, then we are concerned with people of certain characteristics. Theoretically speaking, in urban towns and cities, people are subjected more to the re-educative process of advertising. They have access to objects of expenditure that are not available in the rural areas, such as certain kinds of recreation facilities and entertainment. They also incur costs such as those for transportation that they might not encounter in rural areas and the same applies to housing. They are also exposed to different shopping centres instead of the open air market places. And lastly, there is little question that in most parts of the world urban incomes are relatively higher than those in rural areas. In practical terms, most of these urban properties and facilities are not attainable for all people living in these urban areas - at least so far as underdeveloped countries are concerned - simply because larger proportions of their population live in urban areas than their degree of economic development justifies. In this sense, underdeveloped nations could be described as "over-urbanised".

Libya could be taken as one example of such a case. Most of the labour force, drifting from rural to urban cities - mainly Tripoli and Benghazi - are agricultural workers who leave their families behind them in their search for employment. Though the wages paid are high, their pattern of living is not affected significantly because a large proportion of their income is sent to their families. Often they live in shanties without plumbing or electricity. Such conditions are similar to those in which they left their families. This was reflected in the 1964 census where 24.077 families in Tripoli and its surroundings and 7.402 families in Benghazi and its surroundings were living in such shanties, which means that even when those people are joined by their families they settle down in the same type of accommodation. The question, therefore, is to what extent can we describe people living in urban areas as "urbanised"? Although the situation was reported in the census of 1950 and 1960 the details of the 1973 census are expected to reflect the government's efforts in undertaking major housing projects during the last five years.

Another point worth mentioning here is that the distinction between urban and rural populations in Libya is hard to make. A large number of agricultural workers, for example, drifted from rural to urban areas leaving their families behind. These workers do not only visit their families in the rural areas very frequently because of strong family ties, but also tend to supply their families' needs both in cash and commodities. Such workers would spend a small proportion of their wages in urban areas where they actually live and work, and leave the rest to buy various commodities needed for their families in the rural areas. Their way of living in urban areas, therefore, does not differ considerably from what they were accustomed to in their rural areas and they have minimum accessibility to urban facilities.

The higher figures given earlier on in this Chapter for urban population in Libya, therefore, are questionable in so far as the properties of urbanisation are concerned. This could well be the same for a large number of the emerging nations in the world.

The increased urbanisation in Libya since independence, however, has a special significance to marketing in the sense that more people are brought up to the settled areas where modern marketing is taking place. Generally speaking, the urbanisation process in Libya starts from the resettlement of the nomadic and semi-nomadic population in rural areas which adds to the development of the sub-markets in these areas, then the internal mobility of the population usually ends up with significant gains in the urban areas. Finally, it appears that the newly urbanised population tend to enter another process by which they start their urban life in sub-urban areas with minimum sanitation and living conditions, and

are then joined by their families who were left behind for some time, until they are finally adapted to the urban life which offers stability and better living conditions.

5.3 Education

One of the major problems Libya had to face at the time of independence was the common illiteracy of the population in all age groups. 90 per cent of the total population were illiterate and only a handful of Libyans had been given an opportunity to study at a university or to qualify for a recognised profession. Although facilities for education in Libya have since been greatly expanded, and in addition, some hundreds of young Libyans have been sent abroad for training, there has not yet been sufficient time to produce more than a fraction of the skills required. However, these were very encouraging indicators in the late sixties that a considerable portion of the eligible population had achieved education at various levels. As an example, enrolment had markedly risen at all levels of the educational system. From approximately 10 per cent of the eligible population in 1957, attendance rose to some 85 per cent in 1968.

Enrolment in secondary schools, (equivalent to A level in the U.K.) as at the elementary level, has increased considerably since independence. There were some 600 students, 15 of whom were girls, attending secondary schools in 1951. Twelve years later there were more than 20,000 students in the secondary cycle, including some 1,500 girls. These figures signify the fact that Libyan females have started a positive step toward enrolment at various levels of the educational system. By 1967 the number of secondary and preparatory school students had risen to 26,846. However, not all students take the final examinations that permit them to go to the university. Of those who take the examinations, only a small percentage pass. Detailed statistics published recently show that the rate of entrance to the university is increasing.

When the first session of the Libyan University was held in 1955, there were only five instructors and some 30 students. By the academic year 1968/1969 there were approximately 2,966 students distributed over seven faculties with some 230 lecturers. 282 female students were registered in the university the same year.

The last available detailed data shows the following developments of the Libyan University since its establishment in 1955.

Table (5-2) Shows the Development of the Libyan University

Item of Reference	Comparative Years			
	1955/56	1958/59	1971/72	1972/73
No. of regular and associated students	30	2,966	6,291	8,220
No. of lecturing staff	5	230	430	514
No. of faculty	1	7	9	10

Up to the academic year 1972/73, Libya had only one University constituted of four faculties in Benghazi and six in the city of Tripoli. A decision was taken in 1973 to separate the colleges of the University, so that they formed two independent universities, one in Tripoli and the other in Benghazi. Both universities were granted full authority to expand and add whatever colleges they might consider necessary, to serve their purposes.

As for undergraduate students, the latest statistics published in 1973 show that the total number of schools had risen to 2,023. This comprised 16,922 classes in which 542,422 students enrolled and they were staffed by some 24,864 teachers.

Median technical education has been given special attention by the government in recent years. The number of students enrolled in various schools of technical education was increased to 3,202 students in 1972, compared with 1,497 in 1962.

The overall rate of literacy in Libya was estimated to be 22 per cent in 1968, of which school children constituted the largest part. Recent government efforts, however, are believed to have increased adult literacy to a level between 25 and 35 per cent.

5.3.1 The Impact of Education on Marketing

Generally speaking, a country's literacy affects not only the general level of sophistication of its marketing system, but also such specific techniques as advertising, sales promotion and, perhaps, levels of business operations. A high rate of illiteracy presents problems of how to reach the mass consumers with limited mass media in use; how to operate self-service retail stores; and, in a rich country like Libya, how

to sell to wealthy but illiterate consumers. In addition to this, it is widely believed that at more advanced levels of education, the consumer tends to become more rational in his buying habits, and his preference for products often changes. As an example, the marketing research director of Unilever is convinced that food shopping habits are determined primarily by income and education. "The educated second generation of a non-educated family", he argued, "has shopping habits entirely different from its forebears". (ref. 32). The differences, therefore, are not so much a matter of social distinctions as they are of educational level. This, in fact, is consistent with the findings of the preliminary survey of Libyan females - referred to in this Chapter - where educated females were reported to have started doing their own shopping, whereas the non-educated ones had their shopping done by other members of the family.

High rates of illiteracy do not only affect the general level of sophistication in undertaking business and marketing activities, but also the level of business operations. The age groups from 25 onwards are of special significance to marketing management. First, because well established businessmen are more likely to be found in these age groups; second, these age groups represent purchasing power; and third, they are more likely to be at decision making levels economically and socially. For these reasons, and may be others, high rates of illiteracy among these age groups tend to frustrate the development of modern marketing systems in a given country. Libya, as an example, has one of the highest rates of illiteracy in the world, and a brief review of the 1964 statistics shows that illiteracy rates are higher among the old than it is among the younger generation. The following analysis may, in fact, explain why small scale operation is a characteristic of business in Libya.

<u>Age Group</u>	<u>No. of Persons</u>	<u>No. of Illiterates</u>	<u>Per Centage</u>
25 - 39	302.790	240.471	79.4
40 - 64	228.724	198.810	86.5
65 and over	77.595	72.460	93.4

In many parts of the world - and Libya is a clear example - small scale operations are carried on by traders with little formal education. Sometimes the traders are illiterate. Accounting records are not kept and it is from experience that these traders have learned the average mark-up needed to meet their expenses and have something left over as profit. At a relatively larger scale of business operations, traders sometimes hire assistants on a part-time basis. They are often young men who have some knowledge about commercial matters and accountancy. As a result of insufficient education or

illiteracy these traders clearly lack familiarity with procedures of ordering, shipping, and importing, a matter which, in many cases, forces them to limit their purchasing to local wholesalers, whose prices are generally higher than those close to the sources of supply.

The situation, however, does not negate the fact that despite the little formal education and common illiteracy which characterises a large number of Libyan businessmen, successful traders do emerge as a result of experience gained from foreign partners or natural intelligence in exploiting the market opportunities mainly created by the discovery of oil in the country.

In the private sector there is a sharp shortage of highly educated management ability simply because graduates from the faculty of economics and commerce, in which management studies are included, have to work for the government for at least four years immediately after graduation.

As a conclusion, despite the considerable achievements the country has made in the educational field since independence, the vast majority of the population, particularly in the age group of 25 and over, could be described as illiterate. For those who are classified as literate, a large number could barely read and write. Given that the marketing structure and operations must be suitable to a people's literacy level and educational achievement, it is apparent that low educational achievements may make it extremely difficult to build up and successfully run a more sophisticated marketing system.

5.4 Religious and Social Values

With regard to the Marketing Science Institute's measures, a country is said to be religiously homogeneous if one religion is at least 75 per cent predominant. Around 95 per cent of the total population in Libya are Muslims which makes the country one of the highest religiously homogeneous in the world. The remaining 5 per cent are mainly Christians.

With such a high degree of religious homogeneity one would expect the vast majority of the population to have common social and religious values especially those derived from religious regulations and principles. Islam religion, for example, provides not only a framework of values around which the individual structures his life, but also goes into details of the daily life by prescribing and proscribing certain practices and food items, and by influencing business hours especially with regard to religious days of rest and holidays. The inter-relationships between the individual and various groups of the society are also influenced by Islam. The

"good man" is perceived as one who leads a pious life, following the precepts of Islam, observing religious obligations and providing as well as possible for himself and his family within the faith by Allah (God).

Islam and tribal organisations have been for long the mainstays of society in Libya until 1969 when the influence of the tribes on the social and political conduct of the country was decreased by the new political regime. Traditionally, it is believed that Islam defines the role of the individual, the pattern of life, and the rules of social conduct. Outward observance of the prescriptions of Islam, such as prayers, the fast of Ramadan, and pilgrimage, is widespread. Because Islam instills a similarity of beliefs and expectations, it provides Libyans with a sense of community. The sense of belonging to the community of believers is a particularly important aspect of the social cohesion in the large but sparsely populated country in which a large number of the inhabitants are rural dwellers.

A man's fate is widely believed in the country to be guided by Allah against whom resistance is of no avail. From this key concept in the Libyan society phrases such as, "If Allah wills it", "Allah willed it so", and "He was but the instrument of Allah", were derived and indicate the extent to which Muslims are resigned to submit themselves to God's will. The misinterpretation of such beliefs - which is a common case among less well educated people - tends to frustrate initiative and reform.

A clear example of such misinterpretation of beliefs is that, although personal effort is recommended within the fate decreed by God, the individual - in many cases - does not strive to change his physical or social environment but tries to do whatever he can to achieve his goals of food and shelter for his family, economic security, and contribution to the wellbeing of his kin. This could, in part, explain the widespread family type of business and the small business enterprises in Libya, i.e. the level of business operations could be influenced by what the small businessman thinks is enough for himself, his family, economic security and wellbeing of his kin, other than profit maximisation. In other words, production for the needs of the family takes precedence over commercial enterprise, and this could be seen clearly in small farming operations and small corner shops.

Manual labour was commonly regarded in Libya, until recently, as undignified, whereas trade is widely believed to have been "blessed by Allah" because Mohamed, the prophet of Islam, was a trader for some time of his life. The unfavourable attitude toward manual labour has led a large number of students who go to secondary schools or university, to consider it beneath them to work with their hands. This attitude hinders

the tremendous need for more skilled workers in agriculture and industry and for people capable of giving practical demonstrations of modern techniques of cultivation to farmers. On the other hand, the predominant small tradesmen could be regarded as one of the major obstacles in the development of internal trade since such small retailing units are characterised by inefficiency and inadequate consumer services.

Islam has also a direct influence on the marketing of certain types of consumer products. Alcoholic drinks and pork meat are both prohibited by Islam and the close down of the vineyards in Libya and the associated activities such as night-clubs and bars was a step in strengthening the religious aspect of the society. The pork meat market has also declined after a large number of foreign nationals were expelled from the country in the early 1970's.

Muslims are also enjoined not to eat during daylight hours during the holy month of Ramadan, but there are nightly feasts to compensate. Certain food products like meat, eggs, vegetables and sugar are heavily consumed during this month. Business hours are also extended during the nights throughout the holy month of Ramadan and presents are bought for the members of the family to celebrate the end of the month.

The status of women in society also has an important bearing on economic and social development. As one of the best known authorities on the subject stated, "Restrictions on the (1) work women may do are also everywhere a barrier to economic growth." There are a number of reasons why this should be so. If women are allowed to work outside the home, the supply of labour - which is scarce in Libya - is increased, and there are more opportunities for specialisation, which tends to raise both the quantity and quality of output. At the same time the money the women earn stimulates demand and helps to enlarge the market for consumer goods. One of the most serious handicaps to economic and social development in Libya is the difficulty of finding people for jobs which in most other countries are filled mainly or in part by women - for example, nurses, teachers and stenographers. The fact that a number of secondary schools for girls were opened in the early 1960's and onwards, and the entrance of female students to different university colleges is an indication that attitudes are changing.

The basic social unit determining the nature of Libyan society is what sociologists call "The extended family", of which the conjugal family is an integrated and subordinate part. The senior male member of the household is the head of the

(1) W. Lewis "The Theory of Economic Growth". Published by George Allen and Unwin, 1955, p.p. 116.

extended family and makes the major decisions affecting its activities and welfare. Among the sociological theories which deal with extended families is that which explains the phenomenon in the context of frequent tribal warfare. The theory suggests that male dominance developed in the context of frequent tribal warfare which called for a continuing and plentiful supply of male offspring. This requirement promoted the development of the practice of polygamy, which strongly influenced the shaping of family and other social customs.

In this male oriented and dominated society, women are kept in a subordinate position. Throughout their lives they are held under the authority first of their fathers, then of their husbands. Under such a family system the earnings of the members of the extended family are turned over to the head of the family, who, in turn, spends it for the needs of the entire family.

The extended family normally owns a large house in which the conjugal families live each in a room separated by a large courtyard. Food is prepared for all members of the extended family which means that the shopping is done for the entire family as well. The female members of the family are devoted to indoor activities, whereas the outdoor activities are undertaken by male members, including the shopping activities. Almost always one refrigerator and the same cooking facilities serve the extended family.

The extended family system in Libya is slowly breaking down. Several factors contribute to this trend, which is most evident in urban areas but can be found in the villages as well. Western concepts of individual independence and marital privacy have challenged traditional concepts of communal living. Formal education and modern communication media are acquainting an increasingly large proportion of the population with the advantages of separate houses. Government sponsorship of mass housing projects financed by oil revenues has made housing available to young married couples. Female education has also resulted in more freedom for females whose influence in the conduct of family affairs has been enhanced.

Since independence in 1951 two forces have influenced social values: the deliberate fostering of a sense of nationalism to counter regional and tribal centrifugal forces, and the discovery of oil which has resulted in a sudden increase in wealth; unaccustomed riches and the arrival of westerners to explore the country's natural resources have brought the people in contact with a different set of values.

Since the early 1960's the values of the Libyans, particularly of urban citizens, have been changing. Exposure to western ideas and standards, rapid modernisation, and a growing awareness of the world outside the country have created a new

atmosphere and have engendered some tension between the older and more conservative generation and the younger and more advanced Libyans, and between the rural and urban citizens. The strongest influences of western values have been in the realms of secularism, education, emancipation of women, and individual status.

Also to be noticed is that the spread of education and the development of mass communication is beginning to influence the social system. Education is increasingly concentrating on the arts and science rather than traditional religious studies. Field and laboratory demonstrations teach students rational inquiry instead of acceptance of principles on faith. Young people, who have been exposed to education either in their own country or abroad, are beginning to question some of the long accepted customs and beliefs.

Higher living standards and the wealth derived from the oil exploration are additional factors that contribute to a change in traditional values. Material gains and success are becoming accepted values, especially among the younger elements of society. Commercial enterprise is geared toward profit. Manual labour, although it frequently continues to be regarded as undignified, is gaining acceptance, if only because of the income it provides for the individual. The acquisition of material wealth and political power are recognised means of enhancing personal status and prestige.

What do all these indications of change in the Libyan society mean in marketing terms?

The beginning of the breakdown of the traditional extended family system in Libya means more independent family units emerging. These families require more houses, own refrigerators, cookers, furniture, and their own cars and television sets etc. Their social values would be different from those of the traditional extended family. A large portion of their wages and salaries are to be retained for themselves instead of turning them over to the senior head of the extended family. It follows that their independent financial resources are to be spent according to their own preferences and priorities.

With the spread of education better standards of living became available because better jobs are offered to educated people with higher salaries. Educated people are also easier to contact by different means of mass media, thus advertising would be more effective. Female education would also result in both expanding the role of females in undertaking economic activities and additional income for the family as a result of female participation in work. In other words, the money the women earn would stimulate the demand and help to enlarge the market for consumer goods.

The changing attitude toward material gains and manual labour would also result in a change of the shape of business. In other words, commercial enterprises would be geared toward profit rather than production for the needs of the family.

These major changes in the Libyan society, if maintained, would provide better opportunities for further economic and social development, but the process of change - as is the case in general social change - is rather slow and the impact of this change on social and economic development will have to be seen over a long period of time.

5.5 Buying Behaviour and Practices

A characteristic of marketing in many of the poorer nations is that initiative in purchasing usually stems from the buyer rather than the seller, the basic reason being economic, i.e. a general shortage of food, so that the prospective buyer is forced to seek out the supplier.

The case is typical in Libya throughout the channels of distribution too, where the importer, the manufacturer, the wholesaler and the retailer are able to amass their merchandise and wait passively for the customer to come to them, without exerting any planned promotion or selling effort. Cultural patterns may reinforce such a practice, as in India, where a large sector of the population has traditionally looked upon active selling as undignified, if not actually unethical per se.

The lack of active selling and sales promotion - in many cases - denies the consumer adequate service while undertaking the buying action or perhaps presents him with inconveniences throughout the buying process. That is to say the new marketing concept (customer is king) which is widely accepted in most advanced nations, is distinctly lacking among most Libyan businessmen. At the retail outlets a customer is frequently turned out if small units or quantities are ordered, such as two eggs, three cigarettes, half pound of sugar or a razor blade. Inconveniences such as a customer being kept waiting while the shopkeeper is having a "chat" or finishing a game of cards are also typical. Under such circumstances the Libyan customer is far from being adequately served.

Buying for commercial needs only is a common practice especially for vegetables, meat and fruit because of inadequate home storage in big cities and lack of refrigerators in small towns and villages.

Special treatment for friends and kin both in prices and services is a common practice and strong loyalty to a particular shop is developed on this basis. Thus a customer may prefer to buy from a distant shop rather than from the corner one in

order to secure continuous supply or better terms. In many cases a customer buys from his kin shopkeeper as a gesture of maintaining existing family ties.

Regionalism has also an impact on the shopping patterns and practices in Libya. Villagers who come to the big cities - either to stay or for a visit - always patronise shops which are owned or managed by shopkeepers from their own village. They bring news from their villages and seek more about their kin and friends in these cities and towns. In this sense shopping can be a social highlight as well as a search for commodities to buy. In the village market the excitement is even greater.

Foster described, to some extent, a similar case in village markets in Mexico. He described shopping activities as "a social function in village life". "One goes to buy and sell, yes, but one also goes to see friends from other villages, to carry news from one's home, and to bring news from others". (1) Often the produce carried to market is not sufficient to justify the time and expense in going. But all the dividends are not monetary. Foster repeated the well known story of an American who encountered a woman on the trail to market, carrying a basket of tortillas, "Yes, she would sell a few. Would she sell him all, at a much higher price than she could hope to obtain at the market? No, because then she would have no excuse to continue her journey, and would have to return home, foregoing the pleasures of bartering and haggling, of a pleasant day of conversation."

The cyclical markets are well known in Libya. Such markets form a system in which each of the separated, scattered communities holds a fixed, periodic market, such as a weekly market on a particular day of the week, with the market days of all nearby communities being staggered so as to conflict as little as possible. Each of these cyclical markets is named according to its weekly day of operation, i.e. "The Friday market, the Thursday market, and so on." These markets operate in an open air place near to a town or a village. It seems that some of these markets were established a long time ago, perhaps centuries back and that they attracted more people to settle around them. Gradually a relatively large town emerged consisting of the nearby villagers and new settlers. The town of "Souk-Al-Gomoa" in the coastal area near Tripoli seems to have been developed in this way and carried the name of the well known cyclical market which had long existed in the area. Some of these markets, however, have been modernised with fixed premises for various wholesalers and retailing shops.

(1) George M. Foster "The Folk Economy of Rural Mexico with Special Reference to Marketing", in the Journal of Marketing, October 1948, p.p. 161-162.

An appreciation of shopping as a social event is by no means limited to rural areas in Libyan society. In the big coastal cities and towns male shoppers frequently spend hours shopping in groups for a few items, and usually break for a chat in this shop or the other as the shopkeepers tend to personalise their business functions.

The shopping activities in Libya are predominantly undertaken by males rather than females. That is to say that the Libyan females have a minor role in shopping activities. This situation has arisen from the fact that the Libyan society is male dominant and females have a subordinate role. Thus, outdoor activities are strictly for men to handle including shopping activities. This role is strongly applied to the older generation and to a less extent to the young and educated generation mainly in the large cities.

Children are frequently sent to the nearby shop to buy small items such as a box of matches, a tin of tomatoes or washing powder. They are strictly told what to buy and where to buy from. They get their shopping experience at early ages and often by themselves.

Evidence in recent years suggests that the impact of female education has begun to show in females aspiring to a larger and more effective role both socially and economically. More females, mainly of the educated young generation, have begun to appear in the market for shopping. Although these appearances were made in particular types of shops, i.e. speciality shops, home furniture stores, female ready-to-wear shops and chemists shops carrying cosmetics and perfume items. They signify a new era of marketing development in the Libyan society.

A. Ansary, the Professor of Marketing of the Libyan University in Benghazi, has taken a special interest in investigating the role of Libyan females in buying activities in March 1969.⁽¹⁾ A small sample of 150 females, from which 86 respondents co-operated, has been investigated. The sample was clearly, biased to highly educated females as these would be the leaders of the movement. The study was entitled "The 1975 Housewives", taking into consideration the average marriage age in the Libyan society. The study did not aim at obtaining information representative of the Libyan female population, it rather aimed at obtaining information for formalising hypotheses for further studies. In this sense the investigation was a pilot study involving a small sample size.

(1) The study was undertaken by Dr. A. Ansary and B.I.A. Hudanah. The findings of the study have not been published, but were given in a lecture in May 1969.

The following are the main findings of the attempt and could in no way be generalised to the entire Libyan society. They are rather indicators of a new element of a change.

Out of the 86 respondents 31 were married, 4 were engaged and the remaining 51 were single. 59 per cent of the total sample had either secondary or university education. The remaining 41 per cent included lower levels of education in which 10 females were illiterate.

69 of the respondents reflected positive attitudes toward modernising social life and believed that education influenced their behaviour and their way of living. Comments such as "education made me a modern woman" were frequently quoted. Seven respondents, however, believed that education had no effect on their behaviour as females and did not change their way of living.

58 per cent of the respondents believed that education is the way for their future success. They preferred their future husbands to be more highly educated than themselves. High earnings and stable jobs scored the two highest elements of happy family life. Living nearby parents or in an extended family - which we believed to be among the highest score - turned out to be a minimal factor. Only three respondents perceived this element as important. 17 respondents (married) had moved to their private houses immediately after marrying, whereas 5 moved after several years and the remaining 6 still lived in extended families. This meant that, the trend of young married couples (conjugal families) preferring to live in their own private households independently, is very high, and the breakdown of the extended family can be expected in the near future.

This trend, however, proved to be less significant than was originally thought. 19 out of the 31 married females in the sample revealed a high frequency of weekly visits to their parents. (An average of three times a week was recorded). For the remaining 12 married respondents an average of two visits a week was recorded. This obviously meant that the conjugal family is still under a great influence of the extended family even when living independently. For seeking advice concerning the children, 22 respondents went to their mothers, 8 to other relatives and only one went to her husband's mother.

54 respondents do help their mothers in home affairs, 45 of these considered it a moral obligation and the remaining 9 respondents were forced to do so.

7 of the married respondents reported that they were working in outdoor jobs, one of which was full time employment. Only two of these who were economically employed used their earnings as part of the family budget and the remaining 5 considered their earnings completely personal, thus not to be spent particularly for family purposes.

When asked about who buys your own requirements (of dresses, cosmetics) surprisingly 64 respondents revealed that they do it by themselves, 11 stated that it is done by other members of the family and 12 did not give any answer. 6 out of those who did not buy their own needs by themselves appeared to be illiterate, which indicates that the new trend (buy it yourself) is more common among the educated females rather than the illiterate.

33 respondents appeared to be influenced by their friends when making decisions on which item or brand to buy, but stated that they do not necessarily buy the same brand as their friends. 68 said that they use different items and brands from those used by their mothers. 16 of the 31 married respondents revealed that they frequently suggest particular items or brands for their husbands which means that the purchasing decision process in the family is influenced by female members.

For food items the respondents did not appear to be participating in the buying action significantly, though their influence on the choice of items to be purchased is very high.

When asked about sources of information about available brands and items in the market, 67 respondents stated "Magazines in general". Out of this number 42 reported that they had been seeing advertising "Especially in women's magazines". When radio advertising from foreign stations was mentioned, 62 stated that they frequently heard advertising from "the middle east broadcasting radio station from Egypt". This station, however, is commercial and devoted to advertising. 13 respondents revealed that they buy items advertised on this particular radio station. (The Libyan broadcasting radio station is owned by the state and does not deal with commercials).

Over the five years preceding the survey 4 respondents stated that they changed from national style of dress to the European one and 47 had been using the European style of dress earlier than that. The remaining group did not respond.

When asked about buying habits 63 respondents seemed to patronise particular shops and accept whatever prices they were asked to pay, 16 stated that they bargained while buying and that they tended to explore different shops.

For food products 72 respondents preferred fresh food rather than tins, though canned fruit appeared to have gained some acceptance.

Almost all the respondents seemed to be in favour of a wider role to be played by females in the economic and social life of the society.

From these preliminary findings one can summarise the indicators of development concerning buying habits of Libyan females (investigated in the survey) as follows.

1. The educated females in the sample appeared to have been more active in purchasing decision making than the non-educated ones.
2. The role of females in shopping activities is, in fact, more than expected especially in buying their own requirements.
3. Young couples living independently are still under the influence of their parents and frequently visit their families to seek advice.
4. There is sufficient evidence that Libyan females are responsive to advertising in both radio and press media.
5. The aspiration level for a wider role to be played by females in the economic and social life of the society is very high especially among educated females.
6. Libyan females do not participate in buying food products, though their presence in the purchasing decision making is strongly felt.
7. Loyalty to particular shops is a characteristic among those who buy their own requirements and fixed prices are accepted, though a significant number of the respondents reported that they preferred price bargaining while exploring different shops.

It should be noticed, however, that the last question the respondents were exposed to asked for personal comments on the questionnaire itself. The following comments were quoted:

1. "There is a lack of questions on married life".
2. "Libyan females do not go for shopping".
3. "The questionnaire is not designed to suit the Libyan society".
4. "Why are you racing with time? This survey is useless now but definitely useful in the future".

5.6 Income Distribution and Expenditure

Although Libya has one of the highest per capital incomes in the world and it can claim an extremely favourable balance of payments, yet the economy still reflects symptoms of under-development, including sectoral imbalance and overdependence on a single product.

The country's prospect for rapid economic growth - looked at in the early 1950's within the context of shortage of capital and a generally slow rate of growth in per capita income - has got to be studied in the 1970's within the context of a capital-surplus economy. In this respect the Libyan case differs from that of most of the emerging nations.

This is not to say that the availability of capital is a simple answer to the question of balanced development, because other limitations such as the narrowness of the domestic market, the restricted absorptive capacity of the economy, deficit in labour to meet the demands of rapid development and shortage of experienced technological and managerial personnel all combined together constitute major obstacles to rapid development.

The narrowness of the domestic market is one of the factors of major concern to marketing development in Libya. This problem is common among the oil rich middle east countries where a large part of the population in the area are not in the market at all, despite the billions of dollars of oil revenue flowing in. The problem, in part, is one of maldistribution of income. Oil deposits, for the most part, are located in countries with relatively sparse populations; at the same time, much of the income from oil accrues directly to the ruling class in the capital cities and their associates, a class which - in many cases - makes no distinction between personal and public finance. Another concentration of income is found among merchants in the commercial cities and their foreign national partners. Income distribution, thus, is extremely skewed, on both a geographical and a personal basis.

Until 1969 (the end of the deposed monarch's regime) when per capita income in Libya reached £L441 (\$1.120) 80 per cent of the population were far away below this level. Fears that around 70 per cent of the country's national income at that time was concentrated on the hands of around 20 per cent of the population were expressed. (1) These figures have not been statistically proven, but the actual situation - if not so - is believed to have been close to it, and the gap between the average annual income varied from £L160 for the poor to £L10.000 for the rich (£L1 = \$2.8). Such a wide gap, in fact, had not been witnessed before the oil discovery.

(1) Dr. A. Atiga "The Impact of Oil on the Libyan Economy" 1969 Arabic publication.

The national income then was estimated to be around £L15 millions in 1950 and per capita income at £L15. Until 1958 per capita income did not exceed £L42. With the discovery of oil both G.N.P. and per capita income have been increasing statistically as shown in the following comparative years:

Table (5-3) Shows G.N.P. and Per Capita Income over a Period of Time. (G.N.P. value in £D Millions)			
<u>Year</u>	<u>G.N.P.</u>	<u>Per Capita Income</u>	<u>G.N.I. (£D Millions)</u>
1962	146.2	90	131.8
1964	300.0	173	271.9
1966	559.3	285	421.6
1968	881.4	441	585.7
1969	1.043.4	550	696.5 *
1971	1.234.0	7441	828.3

The G.N.P. at factor cost increased by 18.8 per cent in 1969 compared with 1968. The per centage increase in the G.N.P. was higher than the per centage increase of the G.D.P. at factor cost for 1969. This was due to a drop in the contribution of foreign sectors to the national economy (excluding the oil sector) as a consequence of the steps taken by the government since 1969 with the ultimate objective of liberating the national economy from foreign domination.

The G.N.P. at market price increased by 18.4 per cent to reach £D1043.4 millions in 1969, compared with £D881.4 millions in 1968 after the addition of indirect taxes and deduction of production subsidies. The two latter items went up by 8 per cent and 1.2 per cent to reach £D50 millions and £D8.3 millions respectively in 1968.

The G.N.P. for 1971, based on 1964 prices reached £D847 millions compared with £D1234 millions on current prices leaving an annual rate of growth of 14 per cent on 1964 prices and 19.4 per cent on current prices. These rates of growth, in fact, were maintained over the years from 1966 to 1971.

* Estimates at 19 per cent annual rate of growth as given in the 16th Annual Report of the Bank of Libya 1971/72.

Per capita income, which is our main concern - for its significance to marketing - has also been increasing consistently from £D90 in 1962 to £D797.8 in 1971. Theoretically speaking, high per capita income in any country is an indication of a rich consumer in the market, but practically the way the national income is distributed among the nation's population is more important.

5.6.1 Income Distribution in Libya

The average monthly income per family in Libya was estimated at £L40 in 1962 which gives around £L480 annually. (1)

A sample of 288 families comprising 1532 persons, out of which 335 persons were wage or salary earners and the remaining 1197 persons were dependents, was investigated in 1962. The average size of the family in the sample was 5.3 persons. 11 per cent of the families investigated had an average income of under 15 pounds a month, 54.9 per cent between 15 and 30 pounds a month, 23.3 per cent earned between 30 and 45 pounds and the remaining 10 per cent of the sample earned over 45 pounds a month (£L = £D = \$2.8). The average annual income per person in the sample was around 63 pounds, whereas per capita income for the same year was estimated at 90 pounds. This means that the average annual income per person in the sample was 27 pounds less than per capita income. In actual terms only 10 per cent of the families studied earned over 45 pounds a month and the remaining 90 per cent of the families were under 45 pounds a month.

The reason for such a low average monthly income per family in the sample could be attributed, in part, to the fact that only 335 persons were employed one way or another, whereas 1197 persons were dependent. This gives an average of just over one person (1.1) in each family who was employed and the family size is very large (5.3 persons average).

As a conclusion, the expected annual income per family - considering an average family size of 5.3 and per capita income of 1962 - would be around 477 pounds, whereas the actual average annual income per family was around 212 pounds, which means that the actual average was less than half that suggested by the per capita income of that year.

The Department of Census and Statistics carried out another survey into a larger sample of families in Tripoli in 1968. The sample size was 759 households comprising 4.433 persons. The findings of the study are summarised in the following table.

(1) Dr. A. Atiga. 1969.

Table (5-4) Distribution of Income and Number of Households, 1968

Monthly Income of Households	Distribution of Household		Average Size of Household	Total Income £L	Average Monthly Income/Person £L	Average Monthly Income/Household £L
	No. of Households	No. of Persons				
Less than 25	71	278	3.9	1,305	4,7	18,4
25	161	805	5.0	5,565	6,9	34,6
50	265	1,661	6.0	19,496	11,7	73,6
100	123	849	6.0	14,624	17,2	118,9
150	38	297	7.8	6,681	22,5	175,8
200	26	176	6.8	4,819	27,4	185,3
200 & over	32	202	6.3	14,107	69,8	440,8
Not stated	43	165	3.8	-	-	-
Total	759	4,433	5.8	66,597	15,6	93

Source: Statistical Abstract - Census & Statistical Department, 1968.

If we exclude the 43 not stated households from the analysis of the research results, the sample size would be 716 households comprising 4.268 persons. The average size of a household in the sample was around 6 persons and the average monthly income per person was 15.6 pounds which gives £187.2 annually. The average monthly income for a household in the sample was around £93 which gives £1.116 per year (£L = \$2.8). The average annual income both for individuals and families has more than doubled in this survey compared with that of 1962.

Considering per capita income for the same year 1968, which was about £441, the actual average income per head was far below that expected. It should be noticed, however, that the 1968 survey was subject to errors both in estimation and the adequacy of information given by respondents. It was stated in the report that the figures given by the sample were much less than the actual earnings for most of the households.

A clear example of the inadequacy of the information given by the sample is that, at the time of the survey in 1968, the minimum wages for an ordinary manual worker (by law) was one pound a day. This means that the ordinary worker earns around 390 pounds a year which is twice as high as the average annual income per person revealed in the survey (187.2 pounds).

This conservative estimation of 390 pounds a year is acceptable when compared with £441 per capita income for the same year. As from late 1969 the minimum wages for manual labourers was doubled and this would make a total of £780 per year.

What makes the actual distribution of income in Libya relatively low - taking the annual per head - is that the average family size is very large and mostly dependent on one working person. Almost half of the population (females) are not economically active which means that the potentiality of doubling the current household earnings is not considered. In addition to this, the household children remain dependent on their parents almost until the age of 18 and 20's when they leave school and get jobs.

The estimated figures for average incomes per household, however, were based on a sample taken from Tripoli. A similar survey was undertaken in Benghazi and revealed similar results with a slight difference in income levels. The average income per household in Benghazi was slightly higher than that of Tripoli. For the rest of the country, the case is expected to be less bright. In other words, knowing that Tripoli and Benghazi are the two main big cities - where the commercial and economic conditions are more prosperous - one would expect higher levels of income in these two cities and relatively lower levels in the remote regions of the country.

As already stated earlier in the literature survey, the study of per capita income needs to be translated in terms of consumption expenditure and the two are of a special significance to marketing management.

5.6.2 Consumer Expenditure

It has been said that the Libyan market is narrow, both in terms of its total population and monetary value.(1) The total private and public fiscal consumption expenditure for 1957 (£L40.3 millions) is clear evidence. This view, however, did not take into account the market potential with regard to the oil exploration at that time and the figures for the 1960's give a different picture. Soon after the country entered the world oil market the national private consumption expenditure increased from £L149.7 millions in 1964 to reach £L367.9 millions in 1969 on current prices. That is an increase of 149 per cent corresponding to an average annual rate of growth of about 20 per cent. By eliminating the reflection of increases in prices of goods and services, which averaged 6 per cent annually, the same aggregate during the same period increased by 92.4 per cent corresponding to an average annual rate of growth of about 14 per cent. The following table shows private fiscal consumption expenditure over the years 1964 to 1969 based on 1964 prices.

<u>Table (5-5) Shows Private Fiscal Consumption Expenditure Over the Years 1964 to 1969 by Type of Goods based on 1964 Prices</u> <u>(value in million Libyan pounds)</u>						
Type of Goods	1964	1965	1966	1967	1968	1969
Durable Goods	12.3	17.3	22.5	23.2	29.0	30.0
Semi-durable Goods	20.7	25.3	28.4	31.3	39.9	46.1
Non-durable Goods	68.6	80.8	98.1	111.9	128.1	135.1
Services	48.5	50.8	61.6	65.1	69.5	70.1
Total	<u>150.1</u>	<u>180.2</u>	<u>210.0</u>	<u>231.5</u>	<u>266.5</u>	<u>281.3</u>

Source: Estimates of private fiscal consumption expenditure, June 1971. Directorate General of Economic and Social Planning.

(1) "The Economic Development of Libya". International Bank for Reconstruction and Development 1960.

Despite the continuous increases of private fiscal consumption expenditure over the years - as shown in the above table - with regard to all types of commodities, non-durable goods showed a faster rate of growth. This seems consistent with Engels's law formulated about a century ago. (1) "The poorer a family, the greater is the proportion of its total expenditure for food." With certain reservations this law also pertains to nations and regions. Other evidence of Libya's growing market can be found in the analysis of durable and speciality goods. Most of the country's demand for durable goods has to be imported along with around 60 per cent of its food requirements. Thus, import analysis is the fundamental source of information regarding total demand and consumption.

The following table shows imports of durable goods over five comparative years as evidence of the growing market for this type of commodity.

Table (5-6) Shows Imports of Major Durable Goods (value in million Libyan pounds)					
Type of Commodity	1954	1958	1962	1965	1968
Home Furniture	.111	.156	1.956	4.784	5.050
Private Cars	.560	1.931	3.693	7.109	11.352
Textiles & Footwear	1.490	2.875	0.282	10.255	14.651
Radios, Televisions & Musical Instruments	.008	.174	.513	1.239	-
Refrigerators, Cookers & Washing Machines	-	.158	.433	.782	-
Jewellery including Gold	.004	.074	.209	1.968	1.956

Source: The Census & Statistical Department and Statistics of Foreign Trade 1969.

Despite the significant improvement of the Libyan market with regard to its monetary value and growing demand for almost all types of goods and services, one can also argue that it is too soon for the Libyan market to grow at such a rate. It is a truism that U.S.A. industry in particular and Western European industry in general have been growing fast through stimulating mass consumption. Thus, their current obsession is to enlarge existing markets - through persuading the consumers to buy more - or to find new markets for their products. Libyan industry,

(1) W.S. Woytinsky and E.S. Woytinsky, World Population and Production. (New York: The Twentieth Century Fund, 1953).

which has not yet been well established can only respond in a limited way to the fast rate of growth of the local market. Therefore, stimulating mass consumption, by means of marketing, can only result in more demand for foreign produce in the short-run rather than for local produce which is too limited. It is essential, therefore, to develop the domestic industry first if we have to improve the domestic marketing system and its institutions. The concept of "consume, consume and consume" which is a successful slogan of the U.S.A. marketing philosophy may not necessarily serve for the best of the emerging nations' industries at least in the short-run. Capital formation and investment may be the first essential need for the underdeveloped nation. Once the industry is established, as a first stage, marketing problems will arise and that is when industrial firms find it difficult to sell their surplus.

Admittedly, this approach of sequential development of marketing and industry is production rather than marketing oriented. But marketing in underdeveloped countries is a special case which is associated with industrial underdevelopment. There is a variety of evidence in the marketing literature of underdeveloped nations which either suggests or implies that marketing development follows industrial development. Here, Robert T. Davis is quoted as saying, "As nations experience economic growth their marketing activities usually become more highly specialised." Egypt is a clear case where much industrial development has taken place since 1952, but a number of marketing problems have also arisen. Among these problems are the cases of the cement, and textile industries which had difficulties in selling their increased output. (Here is where marketing development is needed). And in 1957 several leading textile manufacturers requested that no further expansion of their industry be attempted before market studies could be made to determine the extent of consumer demand for present and future products. Despite the fact that the marketing sector was out of phase with industrialisation - as this example implies - the manufacturers started to realise the nature of their problems (marketing) and apparently their way of thinking changed; which will change their course of action in favour of marketing development.

Turning back to the Libyan market, the limited domestic produce of the industry can easily find its way to the market where demand exceeds supply, therefore it follows logically that there is no urgent need for expenditure on advertising and sales promotion, and perhaps market research is not felt to be needed, thus these areas of marketing will remain underdeveloped except for foreign producers who compete against each other in this market. This way the whole marketing system will remain import oriented which - as we stated earlier in the literature review - may not serve the needs of domestic manufacturers.

As a conclusion, the expansion of domestic industries in Libya is an urgent need, at least at this stage, rather than expanding the market demand which is met almost by imports at the time being.

5.6.3 Patterns of Household Expenditure

We already know the average monthly incomes per household and per person from our discussions of the findings of the survey undertaken by the Department of Census and Statistics in 1968. We also know the estimates of private fiscal consumption expenditure in Libya. In this section, our discussion is based on the way the income of Libyan households is spent on different purposes.

The analysis is based on 732 households comprising 4,673 persons in Tripoli studies in 1969 to complement the 1968 investigation.

Three different income groups were identified using average income per person in a household as a criterion. The lower income group has an average monthly income of less than £L20 per person. The middle income group has an average monthly income of £L20 and less than £L40 per person, and the high income group over £L40 per person. The findings of the survey are summarised in Table (5-7).

Engels's law, the poorer the family the greater is the proportion of its total expenditure for food, is applicable in the pattern of expenditure shown in Table (5-7). 43.2 per cent of the total expenditure went for food in the low income group compared with 37.3 per cent in the average income group and the proportion went down to 26.4 per cent in the high income group.

Surprisingly the figures did not show significant variation between the three income groups concerning the proportional expenditure for housing and related items. The figures were 22.7 per cent for the low income group, 22.3 per cent for the average income group, and 23.9 per cent for the high income group. It is widely believed, however, that the figures given by the respondents for expenditure on housing were exaggerated, i.e. the rents claimed for own-occupied dwelling were higher than the real value, and some corrective measures were taken to estimate adequate rents and an average rent of around 40 pounds per month was considered.

The services and personal expenditure group showed significant differences between the income groups. Whereas the proportion of income spent on these items were 14 per cent and 16.9 per cent for the low and average income groups successively, the proportion reached 26.6 per cent in the high income group.

Table (5-7) Consumption Expenditure by Main Groups and According to Income Groups

Consumption Items	Income Groups - value in £L.		
	Low Income Groups	Average Income Groups	High Income Groups
Food	15,527,5 (43.2)*	10,762,5 (37.2)	5,274,9 (26.4)
Consumption Goods (other than food)	1,303,4 (3.6)	0,945,5 (3.3)	0,526,7 (2.6)
Fuel & Electricity	1,341,5 (3.7)	0,870,2 (3.0)	0,486,8 (2.4)
Housing	8,169,4 (22.7)	6,474,8 (22.3)	4,776,0 (23.9)
Clothing & Textile	2,643,9 (7.3)	2,081,4 (7.2)	1,642,5 (8.2)
Furnishings	1,986,2 (5.5)	2,941,3 (10.1)	1,968,0 (9.9)
Household equipment & Durables	5,013,0 (14.0)	4,888,9 (16.9)	5,316,5 (26.6)
Services & Personal Expenditure	35,984,0 (100)	28,964,6 (100)	19,991,4 (100)
Total Consumption Expenditure	0,251,9	0,256,0	0,173,7
Consumption of own production	36,720,9	29,948,3	21,257,2
Total Consumption	441	211	80
Estimated No. of Households	3,096	1,213	364
Estimated No. of Persons			

* Figures in brackets represent the percentage distribution of expenditure.

The average total consumption per person in the three income groups - according to the figures given in Table (5-7) is £L11.7 a month for low income, £L24.5 for average income and £L55.6 for the high income group. This makes an overall average for the three income groups of £L18.4 a month. Clearly in the low income group the average per person is much less than the overall average. The low average monthly expenditure per person in the low and average income - compared with the average in the high income group - is due to two reasons. First, the average monthly income in the high income group is significantly higher than those of the first two groups which makes the average expenditure per person higher. Second, the family size differed in the three income groups as follows:

	Low Income Group	Average Income Group	High Income Group
Estimated No. of Households	441	211	80
Estimated No. of Persons	3.096	1.213	364
Estimated size of Household	7	5.7	4.55
Estimated Total Consum- ption per Person	£L11.7	£L24.5	£L55.6
Estimated Total Consum- ption per Household/ Month	£L83.27	£L142.0	£L266.0
Estimated Monthly Income per Person	£L11.5	£L26.81	£L71.19

These comparative figures, therefore, show two factors which govern the level of total monthly consumption per person. The low monthly income per person in the first two income groups, and the relatively larger size of households on the other hand. The variations between income levels of the three income groups also reflects a consistent pattern on their expenditure on services. The average monthly expenditure of households on services were found to be as follows. £L11.4 for low income households, £L23.2 for average income households, and £L66.5 for high income households. This makes an average of £L1.6, £L4 and £L14.6 per person successively. The first two income groups appeared to spend more on transportation and medical care, whereas the high income and average income groups spent nearly the same amount on recreation, 34.1 per cent and 34.9 per cent of their total expenditure on services successively. The low income group households spent only 27.3 per cent of their total expenditure on services or recreation.

The overall figures for total income and its different uses are as follows for the three different income groups.

Table (5-8) Distribution of Total Income, Consumption Expenditure, Transfer Payments
and Net Capital Transactions by Income Groups

Item	Income Groups - value in fL.				
	Total	Low Income Group	Average Income Group	High Income Group	
Consumption Expenditure	84,940,9	35,984,9	28,964,6	19,991,4	77.2
Transfer Payments	1,349,7	0,222,0	0,631,2	0,496,5	1.9
Net Capital Transaction	7,898,4	-0,445,5	2,919,7	5,424,2	20.9
Total Income	94,189,0	35,761,4	32,515,5	25,912,1	100

Source: Census & Statistical Department. Report on the Second Phase of the Household
Sample Survey. 1970, p.p.13.

Conclusions:

1. The pattern of consumption expenditure in Libya - according to the sample investigated - tends to follow Engels's law which assumes that the poorer the family the greater is the proportion of its expenditure on food.
2. The low income group has a larger size of household than the higher income group. Thus, the low income average per person - in the low income group - is due to the fact that total household income has to be shared by a larger number of persons. This tends to decrease the average consumption expenditure per person.
3. The gap between high and low average in the low income group was only £11.7 a month, the average per person of the high income group reached £55.6 a month.

5.7 Chapter Conclusions

Geography as one of the important factors in shaping a nation's marketing system, denied Libya the usefulness of inland waterways, mountains, consistent rainfall throughout the year and natural resources except for oil. Instead nature offered little more than aridity, a meagre supply of ground water, high temperature and frequent droughts. Because of these unfavourable conditions along with a large geographical land area, Libya's small population is widely dispersed and strong regional modes have been developed. The marketing system because far from being integrated and the economies of scale in distribution could only be in operation in the coastal urban cities. The small retailers and shopkeepers in small and remote areas are far from the reach of distributors in the large cities and small producers could not be reached by collecting middlemen. Thus, subsistancy became a characteristic of remote and small concentrations of the population out of the coastal cities.

In terms of population, despite the high rate of growth by which Libya's population is growing, the total population is far from being adequate in relation to its large land area, this has a negative effect not only in the country's requirements of manpower, but also in the size of the domestic market. In addition, the economically inactive role of females makes the shortage of labour in Libya even worst.

The increased urbanisation in Libya since independence is regarded as a positive factor to aid large-scale distribution. On the other hand, a large number of the newly urbanised people have no access to the urban facilities simply because their level of economic development does not justify the urban life. Thus suburban districts have been developed around the urban cities with thousands of families living in poor shanties with minimum sanitation and living conditions.

In terms of education the illiteracy rate among all age groups is very high and even higher among the economically working age groups. This presents the problem of the uneducated businessman who, in many cases, is unable to expand the level of his business operation although market opportunities are enormous. The sophistication of their marketing techniques, therefore, is hindered by their lack of education and their unfamiliarity with ordering, shipping and importing procedures. On the consumer side, there are positive indicators that the younger generation is developing more rational buying habits and their tastes have begun to improve. As for the older generation their buying habits and tastes have already been developed in a rather conservative way which makes it rather difficult for marketing techniques such as advertising to produce effective change mainly because of the high rate of illiteracy which makes press advertising ineffective along with the non-availability of television and radio facilities for advertising.

The Islam religion does not only provide a framework of values around which the individual structures his life, but also goes into details of the daily life by prescribing and proscribing certain practices and food items and by influencing business hours, especially with regard to religious days of rest and holidays. The impact of religion upon individuals and their ways of living is widely felt. On the other hand, the exposure to western ideas and standards, rapid modernisation and a growing awareness of the world outside the country have presented a new challenge to the traditional value system in Libya. Material gains, individualism, nationalism instead of regionalism, political aspirations rather than a tribal role, education as a means of enhancing social status and female participation in the social and economic conduct of the country are all becoming accepted values in modern Libya. Male domination and the strong role of the extended family system are beginning to break down along with the diminishing role of tribes. Education has been contributing largely to the changing values and attitudes in the society.

Shopping activities have traditionally fallen within the role of the male in the male dominated society in Libya. Consequently most advertising messages have got to be designed and addressed to males rather than females. The non-existence of television commercials and radio advertising, along with the high rate of illiteracy which reduces the effectiveness of press media, and the cinema seems to be more attractive to businessmen as an advertising media by which a large number of people could be reached. Women's magazines carry out advertising for certain commodities heavily or specially used by females. Under all those conditions "the word of mouth" and "doministration effect" play an important role in both the adoption and circulation of ideas about available commodities in the market and the latest fashions.

Distribution of income until the late 1960's appeared to have been skewed both on geographical and personal bases. Certain measures were taken in the early 1970's aiming at increasing the real income of the working class population but still the average annual income in Libya is far below what per capita income might suggest, the reason being that, on average, the Libyan family size is very large and mainly dependent on one working person.

The pattern of consumption expenditure in Libya tends to follow Engels's law which assumes that the poorer the family the greater is the proportion of its total expenditure on food. This pattern, however, is beginning to change with the increasing national and per capita income and the granting of substantial increases in basic salaries, wages and housing allowances to low income groups. Accordingly cars, television sets, refrigerators, modern furniture and other household appliances are becoming necessities, thus giving larger proportions of family expenditure.

CHAPTER SIX

SAMPLE CHARACTERISTICS AND ORGANISATIONAL STRUCTURE OF FIRMS

Introduction

In the last four chapters, the analysis was focused on the marketing environment under which Libyan food manufacturing firms operate. It was shown that certain environmental factors shaped the Libyan market in ways which favoured an industrial structure consisting of small establishments. However, the discovery of oil in the late 1950's provided a new scope for larger industrial units and opened the way for mass marketing.

In this Chapter the analysis will be focused on the type of industrial enterprises which emerged in the food manufacturing industry, their characteristics, their organisational structures and the way their marketing activities were organised.

Section I of this Chapter is our attempt to classify the firms under study according to certain variables which might have bearings on the level of their marketing sophistication.

Section II is focused on the analysis of general organisational structures and the way marketing as a managerial function is performed in individual firms. In this respect, three levels of marketing organisations within firms were used in order to analyse decision making levels in relation to marketing practices.

SECTION I

6.1 Sample Characteristics

This section of the Chapter attempts to classify firms according to certain variables which might have bearings on the level of marketing sophistication of the Libyan food manufacturing firms studied. These variables are pertaining to the firm itself, i.e. age of firm, size of firm, type of ownership and management, education of management and employment of foreign nationals at top managerial and marketing levels.

The relationship between these variables and the levels of marketing sophistication will be discussed in the next Chapter when discussing individual marketing techniques and practices.

6.1.1 Age of Firms

An introductory question was asked to determine the age of the firms in the sample. The results obtained were as follows;

Firms established during the 1940's	1
Firms established during the 1950's	6
Firms established during the 1960's	13
Firms established during 1970/71	1
	<hr/>
Total	21

As has been stated earlier on in Chapter Two, the sampling technique used for the purpose of this study excludes firms which were established after the year 1971, as it would be too soon to assess such newly established firms.

The results shown here about age of the firms clearly reflect the economic and political environment of the country. It has been stated in early chapters that industry was simply non-existent during the period of foreign domination, which ended in 1951. During that period only one firm was found to have been established and that was as late as 1948. Soon after the country gained independence 6 firms were established 4 in the macaroni and 2 in the tomato industry. The establishment of such firms also reflects, in part, the improving economic conditions in the country where the economy of oil exploration began to show its effect on both capital formation and increased demand for food products.

When oil revenues started to flow in the country by 1961 some 13 more firms were established, most of them over the period from 1961 to 1968. No firms had been established during the years 1969 and 1970. This, in fact, reflected political uncertainty following the overthrow of the monarchial regime on September the first 1969. The first three years of the new regime were

considered as a transition period during which the whole economy and the related plans for development were reassessed. One firm appeared to have been established in 1971. This firm was recorded as the largest, in terms of annual sales volume in the sample. This, in fact, cannot be taken as a new trend of the type of establishment to be expected in the future.

This close relationship between age of firms on the one hand and the development of the economic and political environment on the other, makes it more meaningful to classify the firms involved according to different stages of the country's development. In other words, classifying our sample as number of firms established before 1960 on the one hand and firms established from 1960 up to 1971 on the other hand, will be more adequate when measuring the relationship between ages of firms and levels of marketing development.

6.1.2 Size of Firms

Firms interviewed were classified by size on the basis of both sales value and number of employees. The smallness of the sample dealt with in this study presented no difficulties in measuring the sizes of firm on both bases mentioned above, since the sample did not contain firms with five employees or less.

In terms of size of firms, based on number of employees, firms are classified as small, medium and large according to the following measures:

Less than 40 employees	Small
40 and less than 100	Medium
100 and over	Large

Using these measures the following results were obtained:

Small	6
Medium	10
Large	5

It was found that 3 out of the 5 large firms were in the tomato industry where employment is affected by the seasonal nature of this type of business. Those 3 firms employed an average of 327 employees in part time (seasonal employment) (1) and an average of 32 employees on a full time basis. This, in fact, reflects heavy dependency on their principle product (tomato processing) whereas the level of their operations with

(1) The full time equivalent to 327 employees is found to be 75 on average for each of the 3 firms and this together with the full time employees involved places the 3 firms in the large category.

regard to other product lines is kept very low throughout the year and this requires a minimum number of employees.

One of the 2 remaining large firms is in the macaroni industry and the other is in the confectionary industry and both have no part time employment.

As for the small firms, the macaroni industry contained 4 small firms 2 of which were established in the early 1950's. The 2 remaining small firms are in the confectionary industry.

Because this study is concerned primarily with marketing, the author chose to measure the size of firms using the marketing output measure of annual sales.

Firms were asked to give their annual sales for the last three years prior to the year of the field work which was 1974. Annual sales for 1971/72 and 1973 were then obtained. Then the respondent was asked to give an estimate of expected sales for 1974 according to either sales forecast, if this technique was used, or according to actual sales trends of the previous months of 1974. (The latter part of the question will be discussed in the next chapter in relation to both production planning and sales forecasting).

The difficulties presented by classifying firms in terms of sales value is one of deciding what should be considered as low, medium and large sales value for an individual firm; in other words where to draw the lines between different size categories. The difficulty becomes crucial if one attempts to adopt a measurement technique used in a more advanced country where levels of operation are higher, and therefore what is considered as a small firm in terms of sales value could be classified as large in a less developed country.

Littlefield classified firms in Peru on sales bases as follows: (1)

Small	\$1,000,000 and less
Medium	\$1,000,001 to \$5,000,000
Large	Over \$5,000,000

(Figures are based on annual sales value).

These three levels of classification proved to be slightly higher compared with levels of sales value of Libyan manufacturing firms, though both countries are classified as underdeveloped.

(1) J. Littlefield "Marketing in a Developing Nation". Heath Lexington Books 1970, p.p. 66-67.

A slight adjustment made to those limits proved to be adequate for similar a classification of our sample.

The following size classification is found to be suitable for the purpose of this study. (1) Figures are based on annual sales value.

Small	Less than 200,000 Libyan Dinars
Medium	200,000 and less than 400,000 Libyan Dinars
Large	400,000 Libyan Dinars and over

By using this classification technique the following distribution was obtained.

Small	8
Medium	6
Large	7
Total	<u>21</u>

The distribution of firms based on annual sales value differed from that based on number of employees. The medium firms (10), in terms of number of employees, appeared to lose 2 firms to each; of the other two categories. This, in fact, suggests that a large firm, in terms of number of employees, need not necessarily be large in its annual sales value. The following comparative figures of 2 firms in the macaroni industry illustrate the lack of relationship between size of firm in terms of number of employees and average annual sales value.

	<u>No. of Employees</u>	<u>Average Annual Sales Value</u>
Firm (1)	50	£D.436,488
Firm (2)	46	£D.120,000

Despite the fact that both firms are medium, in terms of number of employees involved and the two are in the same section of food manufacturing industry (macaroni), their average annual sales values differ substantially. The first firm is classified as large, whereas the second is small. This example suggests that either the first firm employs a more efficient labour force or uses more advanced production techniques and/or fixed capital. In all cases size of firms in terms of the number of employees, can be taken for granted as an indicator of what the firm's size in terms of annual sales value would be.

(1) The rate of exchange between the Libyan Dinar and the U.S.A. Dollar at the time of the field work was: £D = \$2.9

Of the 7 large firms, with regard to their annual sales value, 4 were found to be in the macaroni industry and 3 in the tomato industry. 2 firms in each of the three sections of industry are classified as medium and all of the remaining 8 firms (4 macaroni, 1 tomato and 3 confectionary firms) are classified as small.

When size of firm, with regard to average annual sales value, is related to age of firm, it appears that 3 of the 7 large firms were established during the 1950's and the remaining 4 large firms in the 1960's, thus the relationship seems to be insignificant.

6.1.3 Type of Ownership

Type of firm's ownership was considered to be one of the key factors, because shareholding firms are expected to be relatively large in size and to have a greater potential for functional specialisation in management than single proprietary or partnership firms, which are also expected to be relatively small.

It should be noted here that none of the firms investigated belonged in whole or in part, to foreign nationals. As for concentrated industrial power, it appeared that - with the exception of one firm, which belonged in whole to another firm in the same industry - all the firms studied operated independently.

Respondents were asked to state their firm's type of ownership, and the following results were obtained.

Single Proprietorship	10
Partnership	5
Shareholding	6
	<hr/>
Total	21

This pattern of ownership distribution, in fact, is consistent with the findings of many surveys, undertaken in underdeveloped countries, which emphasise that the industries of such countries are dominated by single proprietorship and family type businesses.

The respondents in our sample were also asked whether their types of ownership were changed since establishment of the firm. When and if the respondent answered "Yes", he was also asked to state the previous type of firm ownership and the reasons for changing it. These questions were intended to detect the direction of change in ownership as well as the reasons for such change. 4 firms stated that they changed their types of ownership. 2 of these changed from proprietary to partnership because these 2 firms were owned by foreign nationals before September 1969 and were Libyanised by 1970. For the other 2

firms who changed their type of ownership, one obtained a government subsidy and yielded part ownership in 1971, i.e. changed from partnership to shareholding ownership, and the previous type of ownership of the other was shareholding and changed to partnership for legal reasons; and, that is, no single family is allowed to possess more than 30 per cent of a shareholding firm according to the 1971 Industrial Act. Since over 30 per cent of the shares of this firm were previously owned by one family, the type of firm's ownership was changed to partnership.

The change of type of ownership of firms, therefore, was not up to the expectation of the author in the sense that the change was neither large enough to indicate a particular future trend, nor was it a direct response to the firm's development.

6.1.4 Type of Management

It is a well known fact to those who are concerned about management science that owner-managers hold their positions by right of ownership rather than by their ability to manage alone. This belief, however, has its own exceptions in the sense that some of the owner-managers are not only capable enough, but also have surrounded themselves with professional managers who are hired on the basis of ability. Whenever this is the case in owner-managed firms, the presence of such capable managers would, in the aggregate, cause greater use to be made of more advanced marketing technology in the firm's operations. In general terms, professionally managed firms would have more advanced marketing technology than the owner-managed firms.

The respondents were asked whether the firm was managed by its owner and/or one of its partners. A "No" answer to this question was taken as an indicator of a professionally managed firm, whereas a "Yes" answer was taken to indicate an owner-managed firm. The respondent was then asked whether any of the owner-manager's relatives were employed at a top managerial level. This question, in fact, attempts to indicate the extent of family involvement in managing the firm. The following results were obtained.

Owner-Managed Firms	15
Professionally Managed Firms	6

These figures show that approximately 71.4 per cent of the sample are owner-managed firms, which means that both proprietary and partnership firms are all managed by either the owner or a partner. The remaining 6 firms are professionally managed and fall into the shareholding category.

Of the 15 owner-managed firms, 7 firms have owner-manager's relatives employed at managerial levels, and 2 other firms have manager's relatives employed either in technical or manual jobs.

It was also recorded that one of the largest shareholders in a shareholding firm had one of his relatives as the general manager of the firm. This fact, however, could not be taken as evidence of the influence of large shareholders on the appointment of key managerial positions in shareholding firms, as this was found to be one individual case.

In an attempt to relate the size of firm, in terms of annual sales value to the type of management, it was found that 4 out of the 7 large firms were professionally managed, and the remaining 3 firms were managed by either the owner-manager or a partner(s). It was also noted that the remaining 2 shareholding firms were classified as medium with regard to annual sales value. The fact that all the shareholding firms - which are professionally managed - in the sample are classified as either large or medium, proved the researcher's expectation that professionally managed firms would be relatively larger than partnership and owner-managed firms. An additional factor, to be examined in the next chapter, is whether professionally managed firms would have incorporated more advanced marketing technology than owner-managed firms.

6.1.5 Employment of Foreign Nationals

In an attempt to examine whether management philosophy, in general, and the incorporation of advanced marketing technology in the Libyan food manufacturing industry is influenced by non-Libyan nationals, the respondents were asked whether they employed non-Libyan nationals. A "Yes" answer to the question was followed by a more detailed question to discover how many non-Libyan nationals were employed in different functions, i.e. managerial levels, technical positions (production or accountancy) and general office work level.

14 firms appeared to have employed foreign nationals and the following details were obtained.

Total number employed at managerial levels	6
Total number employed in technical jobs	39
Total number employed in general office work	18
Total number employed at all levels	63

Further details about the 6 non-Libyan nationals employed at managerial levels show that 4 of them are employed in one of the 14 firms and none of them holds any marketing position. As for the remaining two foreign nationals, both held marketing positions, one as marketing manager and the other as sales manager. The number of non-Libyan nationals employed at managerial levels, therefore, is not only small, but it also involves a small number of firms (3) which makes their impact on management philosophy in general and marketing in particular, very small.

The figures also show a considerable need for technicians in production and office work rather than top managerial personnel. This, in fact, reflects the low level of technological know-how in Libya, a problem which is common among the emerging nations. The employment of foreign nationals, therefore, may have an impact on levels of production operation, of those firms where they are employed, rather than on management and marketing philosophy. Of the 3 firms employing foreign nationals at managerial levels, 2 firms were found to be in the medium size category, in terms of sales values, and the third was classified as large. This evidence, in fact, supports what has been previously stated, that the employment of foreign nationals in our sample has a minor impact on marketing and management philosophy.

6.1.6 Education of Management

The characteristics of firms dealt with so far, are both quantifiable and easy to determine. Education of management differs in its nature in the sense that the term is more abstract and general. Education of management, therefore, could be measured in so many different ways, i.e. on the basis of formal or non-formal education, past experience, type of degrees and certificates, and number of years spent in schools. To overcome the difficulties presented by classifying education of management, the respondents were asked to state the educational status of the holders of key managerial posts, (production, finance, marketing and administrative managers) within their organisations with respect to the following educational scale: primary, preparatory, secondary, commercial college, university, and experience in the case of informal education.

The author assumed that the higher the level of managers in the educational scale, the more likely they are to use advanced management and marketing technology.

From the results obtained it appeared that experience was more frequently mentioned as qualifications of top managerial title holders, university education came second, commercial college education came third, and secondary, preparatory and primary education appeared to be less significant. Further investigation shows that the financial manager - whose title is commercial manager in some cases - is the most qualified among the rest of the managers of firms. His qualification is either university or commercial college education. The administrative manager comes next in qualification, then the production manager whose qualification is frequently mentioned to be experience. The marketing manager - who has not been popular in most firm's organisations - has either commercial college or secondary education. Only 6 firms have top executives dealing with marketing one way or another. One of the firms has a marketing manager and the remaining 5 have sales managers only.

It also appears that the owner-managers as well as managers of partnership firms have little education, but more experience in business. In fact, before they embarked upon their manufacturing business most of them were either wholesalers or large land owners in agricultural areas, and this is where they gained experience in business. The implication of this is that their names in the wholesaling and retailing businesses are well established, a fact which enables them to carry out the marketing and financial functions of their manufacturing establishments successfully depending on their status. The owner-managers, therefore, assume responsibility for marketing and finance as well as the administrative side of their manufacturing business, leaving the production function to a rather qualified and experienced person mainly hired from abroad.

The educational system in Libya, generally speaking, does not play any role in supplying educated people to industry in the private sector. The reason being that all graduates from university, technical and commercial colleges have to work for the government for at least four years on average. The educational system does not provide any types of short courses or training to those in the private sector. For these reasons a Libyan manufacturing firm - in the private sector - is more likely to search for highly qualified people from abroad.

In an attempt to classify firms, in terms of education of management, 3 firms appeared to have higher education in top management positions, 6 could be classified as medium and the remaining 12 are classified as low. Of the 3 highly educated, 2 were found to be in the confectionary industry and one in macaroni, with the latter being the largest in annual sales and the last established in our sample. The classification of firms in terms of high, medium and low in levels of education of management would enable us to measure any relationship between education of management on one hand and the employment of advanced marketing technology on the other. This will be discussed in the next chapter.

6.2 Summary and Evaluation

The three sections of the Libyan food manufacturing industry, studied in this research were:

1. All the tomato firms have been covered by this research.
2. All the macaroni firms in the private sector have been covered, except one which failed to respond.
3. Of the 6 confectionary firms which met the requirements of the sampling techniques used for the purpose of this research, 5 firms were covered and one failed to respond.

In so far as the requirements of the sampling techniques used in this research are concerned, our sample size has the properties of the whole population concerned except for the 2 firms which failed to respond. It follows that whenever the term "sample" is used it should mean, with some reservation, "whole population". Therefore, whatever applies for these firms cannot be extended to those which were not included because they have different characteristics, i.e. they are in the public sector, or too small to be included, or it is too soon for them to be assessed.

The study of the different characteristics of firms revealed that the Libyan food manufacturing firms share most, if not all, of the characteristics of firms in underdeveloped countries, i.e. small owner-managed firms dominate the industry, accordingly the average size of firms is relatively small, education of management is also low and the employment of foreign nationals appears to be significant in so far as technical knowledge is concerned.

It appeared that "age of firms" is closely related to both economic and political factors in Libya. After the country gained its independence in 1951 (a political factor) 6 firms were established over the period from 1951 to 1959, most of these were established in response to the huge expenditures of oil companies in the exploratory period. 13 more firms were established over the period from 1960 to 1968, a period of inflow of vast oil revenues to the country (an economic factor). This period was also marked by expanding government expenditure in basic infrastructure, education and public health. No firms appeared to have been established over the period from 1969 to 1971 with the exception of one. This period was marked with the September revolution in 1969 (a political factor). The three years following the year of the revolution were considered as a transition period during which the whole conduct of economic development plans was put under serious evaluation and assessment.

SECTION II

6.3 Organisation of the Firm

Without a general knowledge of company organisation it would be difficult, if not impossible, to determine the status of the marketing function within the firm with any degree of accuracy. Therefore, the starting point in this section is to look at the most popular types of organisations through individual basic managerial functions and the emphasis put on each.

This approach, however, would not only enable us to determine how business is managed in the Libyan food manufacturing industry, it would also enable us to detect the existence of the marketing function in the firm's organisational chart. This would ultimately lead the analysis to focus on different levels of marketing organisations within firms.

6.3.1 Basic Managerial Functions

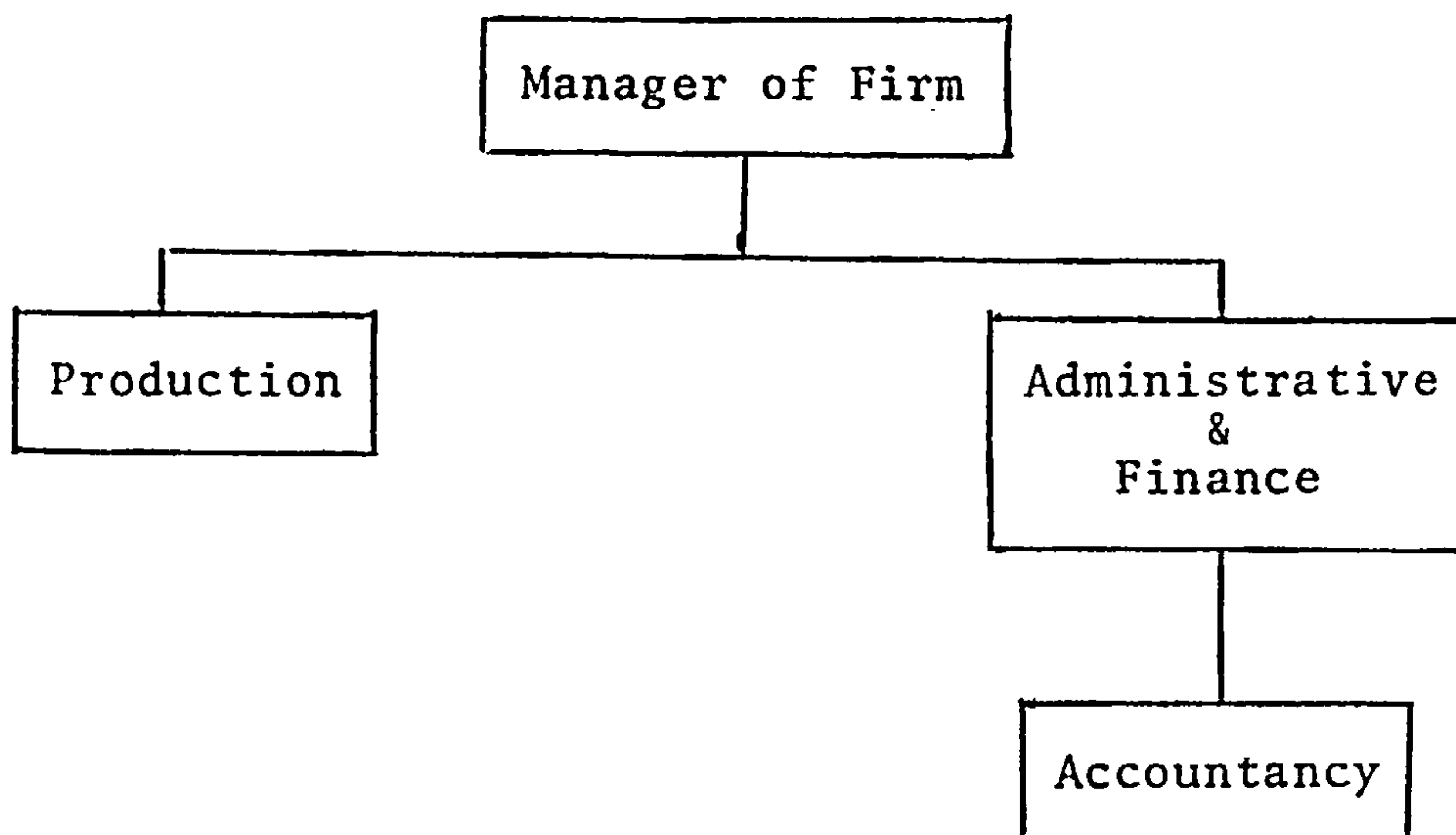
It is widely believed that, in general terms, the tendency in the early life of new manufacturing concerns is to place primary emphasis on staffing the production, finance, and general administrative departments of the firm. This implies that production-oriented types of organisations are more likely to emerge as an approach to management in the early life of new business establishments.

In an attempt to test this hypothesis in the newly established manufacturing industry of Libya, respondents were handed a card in which a list of basic functional departments appeared. The respondents were asked to tick from the list all the departments which actually existed within their organisations. They were also asked to state any other departments within their organisations which might not be listed on the card. Instructions were given to the respondents to put a distinguishing mark in front of any department(s) which might not be considered and actually handled as a separate function within the organisation, i.e. a firm might have "a Commercial Department" under which marketing and purchasing functions are handled jointly and thus disappear from the firm's organisational chart. Such a situation was found to be the case in several firms in the study.

The functional departments shown on the card were production, finance, administrative, marketing, purchasing and personnel.

When the results of these questions were obtained and finally analysed 13 out of 21 firms appeared to have very primitive types of management organisations. Most of these firms are owner-managed and small partnership types of firms.

Diagram (6-1) Shows the Least Developed Organisational Structure
Found in the Libyan Food Manufacturing Industry



The manager of the firm in such an organisation appears to have a very tight control over all activities. The owner-manager or partner-manager, in some cases, assumed responsibility for all activities related to administration, finance, purchasing material and marketing the products.

The production function appeared to be less influenced by the owner-manager, in so far as technical decisions were concerned. As for production levels, adding or dropping a product item or line, the owner-manager assumes the responsibility for the final decisions. In a partnership firm, slight differences are introduced with regard to sharing responsibilities. That is to say that the owner-partners appeared to divide all activities of the firm into two different categories. The production function falls within the responsibility of one partner, and the remaining two basic functions (administrative and finance) are either performed by one or more other partners.

The marketing function which is not shown in the earlier diagram is strictly performed by either the owner-manager or his partner, basically because the function is regarded as one of finance rather than as an independent specialised function.

This type of management organisation, in fact, is determined by so many factors, some of them related to the nature of the business and others to attitude to the business.

Those which are related to the nature of business are:

1. The smallness of business handled which requires fewer employees and therefore, less managerial capabilities to supervise the whole organisation. It follows that in such primitive organisations, the need for co-ordinators is less urgent than the need for a practical type of person capable of setting the whole organisation in motion towards corporate objectives.
2. The owner and/or partner-managers in the Libyan food manufacturing firms did not appear to have any production experience or training; in other words most of them have never been in any production capacities prior to going into the manufacturing business. Instead they appeared to have been either wholesalers, contractors or agricultural land owners, from which they gained commercial rather than production experience. This was reflected in their type of organisations where purchasing, marketing, finance and administrative functions were grouped directly under the responsibility of the owner and/or partner-managers, and the production function, on the other hand, was assigned to experienced persons, usually foreign nationals.
3. The other factor related to the owner-manager's attitude towards business seems to be his insistence on being fully aware of where his money goes and the way it is spent. To them this meant direct control and supervision of finance, marketing and purchasing functions which were performed by the firm's management. The owner-manager, however, appreciates the accountancy difficulties and usually is equipped with qualified assistants in accountancy.

The relatively short experience of the food manufacturers in Libya seems to have affected their conduct of business, in the sense that a high level of future uncertainty is associated with their business decisions and investment. It appeared while holding the informal discussions with the respondents, that owner-managers, and in some cases professional managers, favoured investing their capital in different types of businesses. This was expressed in the following attitudinal statement made by several respondents, "It is dangerous to keep all your eggs in one basket".

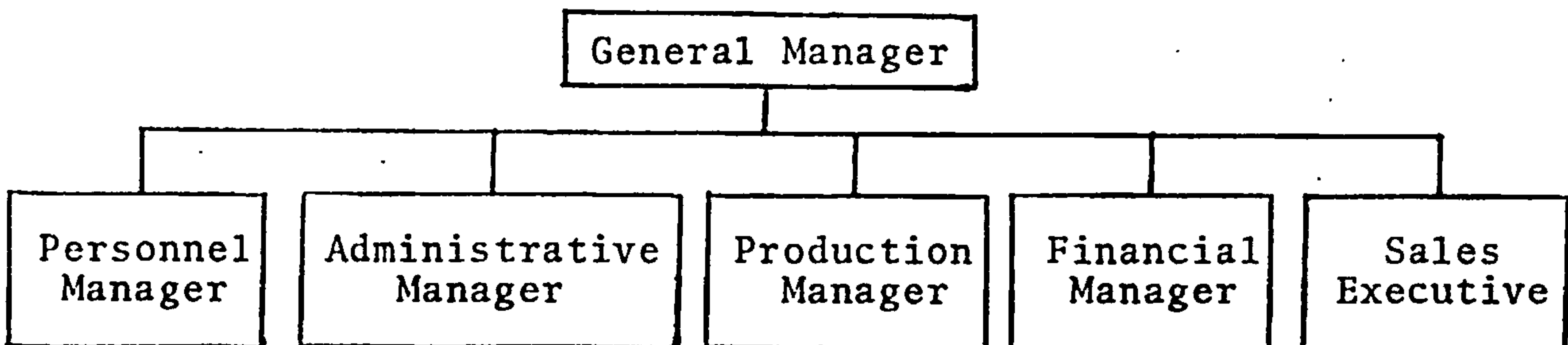
Apparently, this type of business practice indicates that either the managers concerned invested only part of their capital in their manufacturing businesses, or they used part of their profits generated from their manufacturing operations in other forms of investment. The scale of their production operations, therefore, is kept deliberately low in order to allow the growth of other types of investment. Real estate such as land, houses, and trade, in some cases, appeared to be the most popular types of investments outside the firm. Managers of partnership firms tend to favour investment in wholesaling and retailing businesses. Two other cases, on a relatively larger scale, were noted when two respondents stated that both are also managers in two other different manufacturing firms.

The patterns of behaviour discussed above, related to attitudes to business in Libyan food manufacturing firms, seem to be logical in the sense that the inexperienced managers concerned are less secure in so far as their future is concerned. Add to this the uncertainty related to agricultural output - which provides the main raw material used in food manufacturing firms - due to its dependence on the quantity of rainfall throughout the year, and one can hardly escape the conclusion that the Libyan owner-manager in the food manufacturing industry seeks different sources of income in order to minimise the amount of risk related to undertaking one type of business with limited experience.

It can be argued that by concentration of efforts and capital invested in their manufacturing businesses, the owner-managers concerned would be able to improve their managerial skill and achieve higher levels of production. This would be valid if two factors are improved: First, agricultural output should be supplied in a rather regular way. This seems to be a function of time in so far as the major projects undertaken by the government - with respect to agricultural development - are concerned. Second, new different attitudes to business, on the part of management, should be formed one way or another. This would be again a function of time, as inducement of attitude change requires a change primarily in cognitious beliefs and action tendencies. Also of considerable importance is that the educational system of the country should be oriented, in part, towards supporting industries in the private sector with qualified personnel having business and technical knowledge.

The second more sophisticated pattern of firm organisational structure was found to be more popular in the remaining 8 out of 21 firms. The following diagram presents, more or less, the organisational chart of the remaining 8 firms.

Diagram (6-2) Shows the most Developed
Organisational Structure of Firms



The diagram above clearly shows a further step toward functional specialisation in management. Although the structure of the diagram reflects a production orientation approach to management, the existence of a sales department in it, as a specialised function, suggests that the firms represented by this diagram are not too far from the threshold of the modern marketing concept. In fact, the largest firm in the confectionary industry has already established a marketing department, and appeared to be more involved in marketing than the rest in this study.

Taking the managerial functions individually, it appeared that of the 8 out of 21 firms which have more advanced organisations, 3 out of 4 firms included the purchasing function within the responsibility of either financial or sales departments and the remaining two firms have purchasing as a specialised function which is treated equally alongside the rest of the departments. 3 firms also included personnel administration with the responsibility of the administrative manager.

In both diagrams production is seen as the main function of the firm. In other words, in both cases they merely make the product, then sell it. This situation, in fact, reflects lack of feedback of information which is the main drawback of a production oriented approach to management. In the less advanced 13 out of 21 firms described earlier, it is the owner-manager of the firm who tells the production part what to produce and in what quantity, whereas in the more advanced firms (8 out of 21) the production part of the firm tells the sales executive to sell the products (the latter being fortunate that the products he has to sell are mainly vital supply commodities). Therefore, his selling job is one of getting orders and translating them into deliveries in due time. It is for these reasons that the level of marketing organisation within the firms is relatively low.

The marketing function, in fact, is mixed up with selling. In other words there is no distinction between the marketing and the selling functions and very often the two terms are used as substitutes, meaning "what is going to happen to the product when it is produced?"

In an attempt to find out whether the 8 out of 21 firms, which reached a more advanced organisational structure, have anything in common in so far as characteristics of firms are concerned, it appeared that 3 out of 4 of them were established in the 1960's and the remaining one out of 4 was established in the 1950's. This shows that the newly established firms have reached more advanced organisation of management. It was also found that the larger the firm is, in terms of sales value, the more advanced the firm is in its organisational structure. 4 out of the 8 firms on hand are large, 3 out of 8 are medium and one out of 8 is small, all in terms of sales value.

When type of management was related to organisation structure of a firm, it appeared that 4 of the more advanced firms were professionally managed and the remaining 4 were equally divided between partnership and proprietary type of firm which are, in fact, owner-managed firms. The 4 firms found in the owner-managed category could be regarded as an exception to the widely held belief that owner-managed firms have primitive management organisations mainly because the owner-manager as well as his subordinates are not hired according to their ability to hold such positions, but rather by the right of ownership on the owner-manager's part, and family relationship on the part of relatives employed.

As for the relationship between type of industry and level of organisation of management, the distribution of the 8 firms appeared to be 3 out of 8, 3 out of 8, and 2 out of 8 for the macaroni, tomato and confectionary industries respectively. These figures, however, do not show any significant differences between the three types of food manufacturing sections on hand.

Education of management shows that 25 per cent (2) of the more advanced firms are classified as low and the remaining 75 per cent (6) are equally divided between medium and high levels of education of management. This meant that the higher the level of education of management is, the more advanced organisation of management the firm would have in general terms.

The 8 firms which reached more advanced management organisation have the following characteristics in common:

1. They are relatively large in terms of sales value.
2. They have been established over the period 1960/70 (a period marked by oil revenues inflow and capital accumulation in the country), except for 2 firms which were established during the 1950's.

3. 50 per cent of them are professionally managed.
4. They are relatively more educated at top managerial levels.

Up to this stage of our analysis in this Chapter, the discussion was focused on the basic managerial function within the firms and their organisational structures. The question which imposes itself now is whether there are different levels of marketing organisations within the firms, parallel to those of general organisational structure already discussed. This will be the focal point of the next step in our analysis.

6.3.2 Levels of Marketing Organisation

The organisational structure of the Libyan food manufacturers discussed earlier on are clearly characterised by a significant lack of marketing specialisation; marketing received relatively little attention in most of the firms studied compared with production and finance. As we have already seen, approximately 62 per cent (13) of the firms studied did not recognise marketing as a specialised function and thus their organisational structures showed no sign of marketing at all. As for the remaining 38 per cent (8) of the firms, marketing was shown merely as a sales function with one exceptional firm who reached a stage of establishing a full marketing department.

In an attempt to obtain an overview of the way marketing activities are organised in each firm, the researcher had to ensure that:

1. The respondent clearly understood what was meant by "Marketing".
2. The type of information expected from the respondent had to be classifiable.

To fulfill the first requirement a comprehensive definition of marketing was handed over - written on a card - to the respondent. It read as follows; "Marketing is a managerial function dealing with planning, organising and controlling all the activities related to product planning, advertising, sales promotion, marketing research, channels of distribution, pricing and packaging in order to make profit through customer satisfaction."

As for the second requirement, the researcher hypothesised that the marketing function is handled by:

- (a) A marketing department responsible for all or most of the marketing activities given in the definition.
- (b) A sales department - in less developed firms - responsible for selling the firm's produce to customers.
- (c) Neither marketing nor sales department has been established in the firm's organisation, and marketing activities are carried out by other executives.

The respondent was asked to bear the definition in mind and state which of these three stages (of marketing organisation) his marketing operations fell into?

This question was introductory in the sense that it indicated what type (stage) of marketing organisation the firm had in a rather broad sense. Firms in each group were exposed to a list of detailed marketing activities and asked to state "which" of these activities were responsibilities of "who" in the firm. In other words, the respondent was asked to give the functional title of the person(s) fully or partly responsible for each of the marketing activities in the list. The question, in fact, proved to be educational in the sense that many respondents in each category expressed both interest and surprise that marketing covers such wide areas of a firm's activities. Questions such as "what has this function got to do with marketing?" were often asked by the respondents, a matter which reflects lack of marketing knowledge on the part of the respondents.

The results obtained from these questions are summarised as follows:

Stage One:	Firms with neither marketing nor sales department.
Stage Two:	Firms with sales departments.
Stage Three:	Firms with marketing departments.

By adopting this measurement technique the following distribution was obtained:

Stage One:	15 firms
Stage Two:	5 firms
Stage Three:	1 firm

Going back to trace any common characteristics of the 6 firms in stages two and three, it appeared that all were among the more advanced 8 firms referred to when discussing the general organisation structure of firms earlier on in this Chapter.

Taking each group of firms in each stage provided a clear picture of how firms organise their marketing functions and who is responsible for which marketing activity.

Stage One

The lowest level of marketing organisation presented as "Stage One" was found to be predominant, with approximately 71.4 per cent (15 firms) of the total number of firms investigated. As expected, most firms in stage one are either owner-managed or partnership firms where the owner partner(s) also manage the firm. Despite the fact that the marketing function is not shown as a specialised one in the organisational structure of owner-managed

firms, this did not mean necessarily that the function is handled inefficiently. Some owner-managers in fact have shown a remarkable performance in handling the marketing part of their operations. This could be attributed to their experience in wholesaling and/or other business experience prior to going into their manufacturing business. This in turn explains the insistence of most owner-managers in keeping financial as well as marketing activities under their direct control rather than dealing directly with the production function. The non-existence of marketing and sales departments in their organisational structure, therefore, could be explained within the context of firm characteristics such as a small sized firm - in terms of number of employees - needs a small organisation as far as management is concerned; low competition levels in a given environment (nature of the market) requires the employment of less marketing technology both in size and sophistication levels.

Also to be mentioned is the situation where demand exceeds supply - which is a clear case in Libya - the product is sold with minimum marketing effort which does not require complicated organisation of marketing. The crucial problem under these circumstances, therefore, is one of production rather than marketing, i.e. the availability of raw materials, technological know-how and the availability of capital.

The Northern Wisconsin Development Centre described the typical owner or manager of a small manufacturing firm in Northern Wisconsin as follows "..... is not marketing oriented. His training or experience usually has been in some production capacity prior to going into business for himself. Thus he has had little previous contact with marketing or some of the other basic functional areas of management." On the contrary the Libyan owner or manager of a manufacturing firm has been in some business capacity such as wholesaling or agricultural land ownership, prior to going into the manufacturing business for himself. In this respect he has had previous contact with marketing as well as business administration in some cases, which has given him a sufficient background to undertake the financial and marketing functions of his manufacturing firm. His name is already known in business, which is a valuable asset in selling his manufactured produce. In other words, it might give him a direct contact with a few wholesalers or retailers to sell all his produce, and what is left is the actual delivery which is usually done by a couple of the firm's workers or salesmen.

When the respondents in this category of firm (Stage One) were handed a list of different basic marketing functions (sales forecasting, marketing research, advertising, sales promotion, pricing, distribution, packaging, marketing staff selection and training, new product planning and overall marketing strategies), and were asked to give the functional title of the person(s) responsible for taking decisions concerning their function, the typical answer was, "the manager of the firm and /or his assistant"

with frequent comments such as "we do not have this function", or, "what has this function got to do with marketing?" The respondents were often asked to specify what they meant by "his assistant", and the answers were either the owner-partner or an employee within the financial or administrative department. This emphasised, however, the strict control of the owner-manager and/or his partner over the marketing aspect of their manufacturing business.

Stage Two

Stage Two of marketing organisation in firms is described as a stage where the marketing function begins to take shape within the general organisational structure as a specialised function. This, however, does not mean that all the marketing activities are necessarily grouped within one department and performed by one specialised person, i.e. sales manager. Therefore, where a firm is found to have established "a sales department" within its organisation, such a firm is classified as being in stage two. We then proceed to examine the extent to which individual marketing functions are the main responsibility of the sales executive.

Preliminary results show that 5 firms are classified as being in stage two. These firms are found to be large in terms of number of employees and annual sales value. 4 out of these 5 firms are professionally managed and appear to have formed more advanced organisational structures compared with firms in stage one.

Respondents in this stage of marketing organisation were asked to give the functional title of the person(s) responsible for the nine different marketing functions listed earlier on. This list of basic marketing functions is, in fact, the same list shown to respondents in stage one. The aim was to obtain an overall view of the way marketing, as a managerial function, is organised in different stages as well as to examine the extent to which the sales department, in stage two firms, is involved in marketing.

It appeared that while the owner-manager and/or his partner in stage one firms were fully responsible for all the marketing part of the business, except for physical distribution, some basic marketing activities were still within the responsibility of the general manager of firms in stage two, i.e. marketing staff selection, new product planning, modification and related decisions concerning product lines and the planning and approving of overall marketing strategies were still within the responsibilities of the general manager of the firm in stage two. The production manager has a considerable influence over product packaging and sales forecasting which are the main responsibilities of the sales manager. 2 out of the 5 firms in stage two

are reported to be involved in advertising activities. The 2 firms indicated that the sales manager is responsible for the advertising activities which are to be approved finally by the general manager. As for marketing research, sales force and distribution, the sales manager - whose functional title is often "the sales executive" - is fully responsible for them.

The marketing function, therefore, is partly recognised as a specialised one and mainly taken in its narrow sense to mean selling. The sales manager is denied full responsibility for a number of basic marketing functions, whereas the production manager assumes a share of responsibility for other marketing functions with the sales manager.

This situation could be described as a production oriented approach to management in the sense that managers of firms in this stage still believe that nothing happens until "a product" is made, whereas the modern marketing concept suggests that nothing happens until "a selling" is made.

Realistically speaking, the incorporation of advanced marketing techniques and organisations should be a response to the firm's needs to cope with the internal as well as external difficulties facing the firm's marketing operations. In other words, a firm might reorganise and extend its marketing organisation in order to increase the efficiency of its marketing operations. On the other hand, a firm might decide to undertake marketing research in order to decide whether to introduce a new product item to the market or not.

The point to be made is that the Libyan manufacturing firms are dealing with import-substitution commodities which means that they are offered a relatively ready market in which they sell their produce. It follows that when the Libyan manufacturer talks about a new product development, he means a new product to substitute for imports rather than a new product concept. Thus, marketing activities concerning new product development such as researching new product concept, market test, consumer surveys and intensive advertising campaigns in the introductory period of the new product life cycle are hardly used. The main focus is likely to be on estimating preliminary demand for the new product, scale of production operations, availability of raw materials and capital to be invested and size of manpower to be employed.

The Libyan manufacturer, therefore, takes imports as an incontrovertible proof that the market is there which in turn means that the amount of risk involved in launching the product in the market is reduced to minimum. This situation generally does not require the use of sophisticated marketing techniques or the establishment of advanced marketing organisations, which was found to be the case in the two stages of marketing organisations discussed earlier on in this Chapter.

It is becoming increasingly valid to assume that the nature of the market involved has a major influence on the level of marketing involvement of the Libyan manufacturing firms and this in turn determines the way their marketing function is organised.

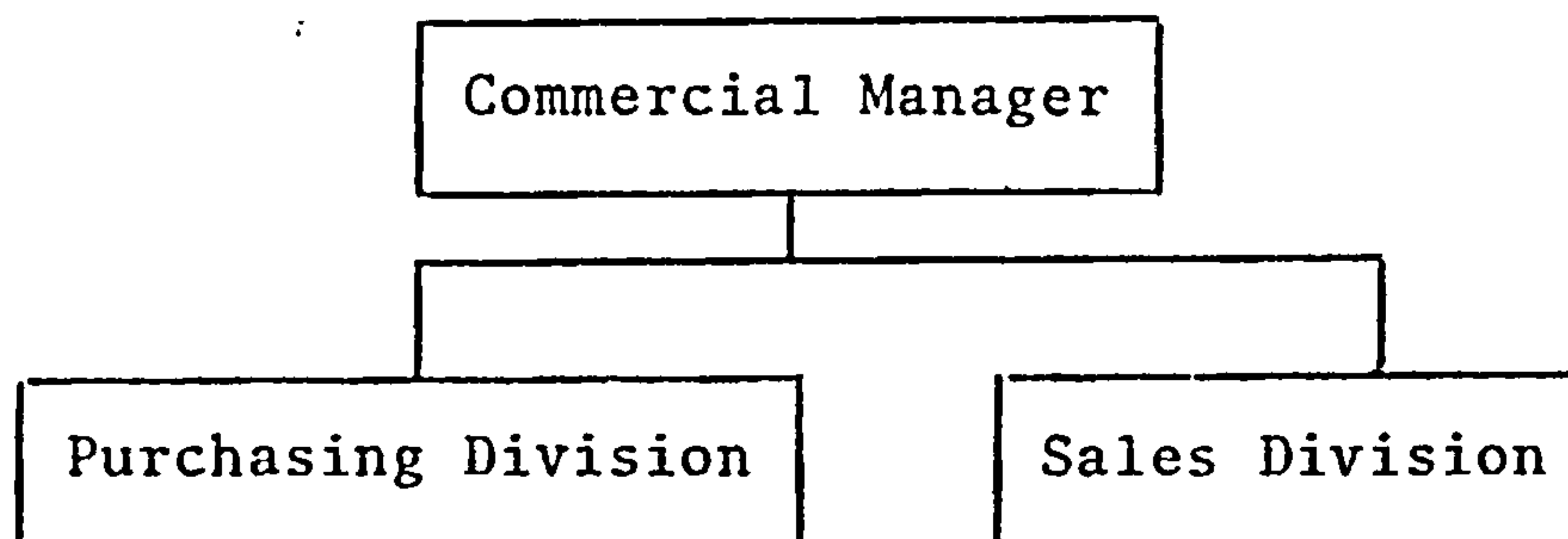
Stage Three

Stage Three of the marketing organisation of firms is described as a stage where all or most of the marketing activities of firms are grouped in a specialised department. The chief marketing executive in this stage is expected to be responsible for all or most of the marketing activities performed within the firm.

One firm appeared to have reached stage three in its marketing organisation. In fact, this firm has one of the most advanced organisational structures in the sample.

The functional title given to the chief marketing executive is "the commercial manager" mainly because he is also fully responsible for the purchasing function within the firm. The marketing organisation of this firm is shown in the following diagram.

Diagram (6-3) The Most Advanced Marketing Organisation Recorded



The commercial manager reports directly to the manager of the firm which implies that marketing is recognised as a specialised function and has found its way to the top line functions within the organisational structure of the firm.

The marketing manager (commercial manager) appeared to have full responsibility for sales forecasting, advertising, sales promotion, market research, channels of distribution, marketing staff recruiting and training, and purchasing. He also shares responsibility for packaging, production planning and programming with the production manager.

The pricing function is shared between the commercial manager and the financial department. The manager of the firm approves the overall marketing strategies as well as production planning. The fact that the commercial manager shares responsibility for packaging, production planning and programming with the production manager, implies that the firm is well on the way to becoming market oriented in its approach to management though the organisational structure of the firm does not reflect such an approach (see Diagram (6-3)).

In terms of firm characteristics, it appears that this firm is classified as large in terms of number of employees, medium in sales value, owner-managed, established in the 1960's, highly educated management, employs 10 foreign nationals four of whom are employed at managerial levels and the firm was found to be in the confectionary industry (the leading firm in this section of the food manufacturing industry).

The firm mentioned, therefore, is a clear example of the owner-managed firms headed by a very capable owner-manager who has surrounded himself with professional managers of high educational qualifications (four out of the six foreign nationals employed at managerial levels in the sample are, in fact, employed in this firm in stage three). This suggests that the management of this firm is influenced by foreign management thought and philosophy (Middle East type of management as these foreign nationals came from this area). This might have contributed to the incorporation of advanced marketing techniques and organisation. The other factor which is responsible for placing this firm at such an advanced stage of marketing organisation, is the nature of the market in which the firm operates. The confectionary market in Libya - as stated before - is characterised by a high level of competition between domestic and foreign producers (domestic produce is not protected by government measures). This situation requires more marketing effort in order to secure a firm's share in this market. This, however, was found to be the case with the firm on hand. The firm is not only leading in terms of its marketing organisation but the degree of its involvement in marketing is also found to be very deep.

The owner-manager of the firm in stage three is also found to be the owner-manager of another firm in a different type of business (light steel manufacturing firm). In fact, the management of the firm is linked with both firms, i.e. joint management. But the information obtained, while undertaking the field work, was only that concerning the food manufacturing part of the firm's operations.

Throughout this section of this Chapter the analysis was focused on two main points:

1. The general organisational structure of firms which was found to follow two main patterns. A primitive organisation - where the owner-manager dominates all aspects of management apart from the production function and this was a result of his past experience in trade or agricultural business - on the one hand, and a relatively advanced organisation of management - where the basic managerial functions appeared to be rather specialised and separated from each other. In both cases the tendency among many firm managers is to allocate their capital in more than one business. This is due to their limited experience in the manufacturing business which in turn brings about future uncertainty. The inadequate supply of raw materials is also a factor militating against substantial investment in fixed capital as far as the food manufacturing industry is concerned.
 2. Levels of marketing organisations. The three stages approach to classifying firms, in terms of their marketing organisations, proved to be adequate in the sense that it showed the extent to which marketing is recognised as a specialised managerial function in its own right.
- The number of firms in each of the three stages of marketing organisations was anticipated, though the researcher hypothesised that professionally managed firms would reach stage three earlier than owner-managed firms. The fact that the professionally managed firms dominated stage two, and only one firm (owner-managed) was found to have reached stage three - in response to the nature of the market - does not disprove the hypothesis made.

As for the relationship between size of firm, in terms of sales value, and stages of marketing organisation, it appeared that the larger the firm is the higher stage of marketing organisation the firm reaches, the firm in stage three being an exception. Education of management was also found to have the same relationship with regard to the three stages of marketing organisation.

Finally, the nature of the market, in general, seems to dictate the firm's degree of marketing involvement. Thus, where the level of competition is low and import-substitution is the case, manufacturers involved tend to employ less marketing technology, and therefore establish relatively small marketing organisations within their firms.

CHAPTER SEVEN

THE USE OF INDIVIDUAL MARKETING TECHNIQUES AND STRATEGIES IN THE LIBYAN FOOD MANUFACTURING INDUSTRY

Introduction

Despite the fact that a large number of firms, which have been studied for the purpose of this research, did not recognise marketing as a specialised function and independent in its own right, their use of some, if not all, of the individual marketing techniques available is inevitable. The degree to which firms employ individual marketing techniques depends on other factors.

This section of the Chapter attempts to examine individual marketing techniques used by the firms under study, and evaluate hypotheses concerning the impact of several independent variables (size of firm, type of ownership and management, influence of foreign nationals on management, education of management and the nature of the markets involved) on marketing sophistication of the Libyan food manufacturing industry. Marketing sophistication as evidenced by the degree to which firms employ advanced marketing techniques (defined as employing market research, advertising, sales promotion, efficient channels of distribution and product planning and development) is hypothesised to be a function of the independent variables mentioned above.

The degree to which firms employ individual marketing techniques presents serious measurement difficulties because of the subjective judgement involved, i.e. a firm might emphasise the use of one marketing technique rather than the other, whereas a similar firm might employ more than one technique with the same degree of emphasis. Yet a third firm might not use some of the available marketing techniques at all. This is a common case in underdeveloped countries.

Given the circumstances under which the Libyan manufacturing firms operate (see Chapters 2 and 6) it would be far from being realistic to assess marketing sophistication of the firms in the sample according to advanced western standards, i.e. the starting point for gearing any marketing program to customer wants and needs is the establishment of a marketing research department. When the marketing research department attempts to discover customer wants and needs (prior to launching a new product in the market) through scientific methods of research, one could be left with little doubt that the firm is market oriented. The other side of the argument is that where a firm is involved in import-substitution business, where the market for the product is already established, the amount of risk involved in launching a new product in the market does not justify the costs of a consumer survey, market tests and other related activities. It is for these reasons that lower standards of measurement are needed in so far as underdeveloped countries are concerned.

The researcher is taking a two stage approach to measure the degree of marketing sophistication of the firm:

1. Whether a firm employs a marketing technique at all. If not, the reasons for not using it. This could be applied for each marketing technique to be assessed.
2. For those employing given marketing techniques, both quantitative and qualitative judgement will be made in order to determine the extent to which they use the specified marketing techniques mentioned earlier on.

The two stage technique used for the purpose of this research is applicable to the Libyan food manufacturing industry, mainly because the marketing organisations within this industry are found to be relatively simple.

7.1 Marketing Research

The establishment of marketing research departments as well as the extent of marketing research are two indicators of both the adoption of the marketing concept and the quality of management in so far as marketing activities are concerned. The extent of marketing research could be usefully looked at in terms of both marketing problem solving and guidance for planning marketing activities in order to satisfy customer wants and needs, along with the achievement of business objectives. Marketing research, therefore, may be defined as the application of the scientific method to marketing problems in order to reduce uncertainty and improve the quality of business decisions related to both customer satisfaction and business objectives.

This implies that marketing research is not an end in itself but it is rather a specialised marketing technique used to achieve defined objectives or solve given marketing problems for decision making purposes. It follows that the use of marketing research and the extent to which it is used depend on whether there is a problem to be solved and the complexity of the problem itself. Thus the management of a firm may have to decide whether the expected profits, to be generated from solving a given marketing problem, justify the cost of a proposed marketing research programme. Another related decision is whether the marketing research is to be undertaken by a research unit within the firm or by an outside organisation. When a firm is characterised by a lack of specialised marketing staff, the choice of undertaking marketing research activities may be limited to outside organisations. Therefore one indication of the use of marketing research is the extent and size of commercial marketing research firms in a country. This type of commercial research facility is particularly lacking in Libya. In other words, there is no market for marketing research in Libya, at least for the time being. This was found to be the case while reviewing the existence of marketing research facilities during the time of the field work. This fact was also reflected by the respondents when asked to state whether they assigned any marketing research to an outside organisation, i.e. research agencies.

The researcher made several contacts with the Ministry of Industry, the Chamber of Commerce in Tripoli and the Libyan university in order to trace any form of marketing research done by any of these establishments and whether any commercial research organisation exists in the private sector. It appeared, then, that no research organisation in the private sector existed, and for the three establishments contacted, their main concern was with the publication of general statistics relating to trade and industry. The researcher, then was left with no doubt that those firms investigated for the purpose of this research have no choice other than undertaking their marketing research activities within their own organisations.

7.1.1 Marketing Research in the Libyan Food Manufacturing Industry

In order to determine whether a firm is engaged in marketing research activities at all, the respondents were asked a direct question, "Do you undertake marketing research activities?" It should be noted that no criteria were used at this stage to determine the extent of engagement in marketing research as those respondents who answered "Yes" were directed to other detailed questions involving type and area of research. As for those whose answer was "No", a list of possible reasons for not being engaged in marketing research activities was handed to them from which they chose the real reason(s) and stated others if not on the list.

The preliminary results show that 33.3 per cent (7 firms) of the total firms interviewed claimed that they undertake marketing research activities and the remaining 66.6 per cent (14 firms) gave a "No" answer. During the informal discussion, however, it appeared that 6 firms who stated that they are not engaged in marketing research claimed that their customers - referring to wholesalers - provided them with sufficient information about the market. This was given as a reason for not undertaking marketing research. The question to be asked under such circumstances is whether a superficial investigation of a market could be considered as marketing research activity. The researcher argues that the extent of marketing research depends on a firm's need for information for a given problem to be solved or a given objective to be achieved in the first place. Add to this the fact that marketing, in general, and marketing research, in particular, are regarded as low status occupations in underdeveloped countries. Moreover, marketing literature in the emerging nations is full of reasons concerning the relatively narrow use of marketing research, i.e. firms are small and management talent to undertake research is limited, business and government administrators tend to view marketing as a mechanistic process involving transportation, storage and exchange; besides the technical problems involved in undertaking marketing research, such as sampling problems, due to out-of-date maps, the un-numbered dwelling units, expensive and sometimes impossible data collection and inadequate means of communication. All these

problems make it difficult, if not impossible, for small firms in underdeveloped countries to conduct scientific marketing research. In fact, when the extent of marketing research undertaken by those firms interviewed for the purpose of this research was examined it appeared that the depth of their marketing research was not far from that of the 6 firms who stated that they obtained sufficient information from their customers. In this sense the researcher considered that these 6 firms should be included with those who originally stated that they were engaged in marketing research. Therefore, approximately 62 per cent (12) of the total firms interviewed are engaged, one way or another, in marketing research.

Two main reasons were identified when the respondents were asked to give reasons for not being engaged in marketing research:

1. "The firm is too small to employ such a specialised technique of marketing". 7 out of the 8 firms not engaged in marketing research made the statement above. "The smallness of firm", as used in the statement, referred to the organisation of the firm and the number of employees involved. This implies that a lack of management talent in small firms - as discussed in the first section of this Chapter - along with the technical problems involved in undertaking scientific marketing research, are two main reasons for the narrow use of marketing research. 4 out of the 7 firms making the statement above also stated that, "They do not face difficulties in selling their product". Taking the two statements together, the firms involved may not need marketing research at least for the time being, since it would neither solve immediate problems nor help to achieve a given objective. Their efforts may be usefully concentrated in expanding production as it is implied by their last statement that they could sell more; as we have already seen, the Libyan market could actually absorb more commodities of the type they produce.
2. The second reason frequently given for not engaging in marketing research is, "The firm does not face any marketing problems. Whatever is produced is easily sold". Such statements, in fact, do not differ much from those discussed earlier on and do not reflect attitudes toward marketing research. All that they imply is that marketing and marketing research do not present difficulties to management at least for the time being. Only one firm among those that do not undertake marketing research stated that marketing research is too expensive to carry out.

It will be shown at a later stage of this research that these firms concentrate their marketing efforts on customer contact based on direct communication between the manager of the firm and his customers.

Firms engaged in marketing research activities were asked to state whether this type of activity is undertaken by outside organisations or by the firm itself. All respondents (13) stated that the firm undertook all activities related to marketing research. This, in fact, supported what was stated earlier on that commercial research organisations in Libya do not exist.

Looking at the marketing organisations of these firms, only 6 out of the 13 firms engaged in marketing research appeared to have established a marketing organisation in their organisational structure, none of which have established a marketing research department. The function on hand - as already referred to in section two of Chapter Six - is performed by sales managers or the chief marketing executive through their personnel within the organisation. In other firms where no marketing organisations have been established the manager of the firm assumes the responsibility for marketing research which is done mainly in a superficial way of investigating the market.

Firms engaged in marketing research activities were also asked to specify areas of research involved. The researcher handed over a list of possible marketing research areas including: sales analysis and forecasting, market analysis, new product research including market tests and packaging, consumer surveys, advertising research, psychological research and other areas of research which are not listed.

It should be noted that the areas of research mentioned above were further elaborated in the arabic copy of the questionnaire as it appeared, while piloting the questionnaire, that some areas of research were misunderstood by respondents, i.e. market tests of a new product was understood to mean testing the quality of the product rather than testing the consumer response to the product prior to launching it in the market on a nationwide basis. This misunderstanding, in fact, reflects non-familiarity with western marketing terminology on the respondent's part, which was expected.

It should be further noted that respondents were not asked to use any criteria for deciding whether they could legitimately claim that they use any given type of research. Thus, the use of various types of marketing research - as reported in this section - could be overstated, i.e. a sales manager or the manager of a firm who had once asked his salesmen to report about customer's opinions concerning the finished products could claim that he undertakes consumer surveys. This, admittedly is one of the weaknesses of the questionnaire. However, the firm's degree of involvement in marketing research - as we shall see - is generally

found to be very low. This would ultimately reduce any overstatements which were caused by lack of criteria for the legitimate claim to engage in marketing research on the respondent's part.

Three areas were claimed to be subjects for marketing research. These are:

<u>Area of Research</u>	<u>Number of Firms</u>
Market Analysis	9
Product Development and Packaging	5
Consumer Surveys	3

Before taking these three areas of research individually for analysis, it will be interesting to note that surprisingly none of the 13 firms which claimed to be engaged in marketing research conducted sales analysis an extremely basic marketing research area. Without sales analysis, a firm's marketing operations are conducted blindly. It is a fact that when sales are rising and production capacity is fully used, the management of the firm may not see the need for such research. It is equally true that the firm under such circumstances would be vulnerable to the growth of competitors who might be attracted by the market opportunity created by this situation. In other words, profits realised under these circumstances are precarious, thus, either the existing firms would have to reconsider their market opportunities or some new firm would enter the market in order to exploit existing market opportunities, a matter which will increase the level of competition and ultimately force the existing firms to enhance their marketing techniques.

When respondents were asked to give their annual sales value none of them could, in fact, give the sales value for each product or product lines. Instead they provided total figures of their annual sales, which reflected the fact that sales analysis was not used, not to mention sales forecasting.

7.1.2 Type of Research Undertaken

1. Market Analysis

Market analysis is taken here to mean the study of market potential prior to entry into business along with current and future trends in the market in relation to a firm's future sales. The study of markets, therefore, is needed frequently, if not continuously, for any business establishment. In this sense it differs from sales analysis which is rather oriented towards the study of the firm's past and current sales.

All firms interviewed had conducted preliminary analysis of their markets prior to entry into business, but few of them regarded such studies as frequently needed. The extent to which

they repeated their market analysis was limited to the occasional study of government statistics concerning trade and industry, personal contact with wholesalers and retailers who provided firms with limited information about market demand and newly established firms (competitors) and heavy reliance on firms' managers' past experience in the market. The non existence of marketing research units within firm's organisations, in fact, implies that marketing research, in general, is done in a rather superficial way.

Libya, as we already know, is a small market in terms of total population and the Libyan manufacturer feels that he is close enough to the market to understand and evaluate it without actually conducting formal research. His judgment is based on past experience in business which, to a certain extent, is inadequate to guide strategy decisions, as market conditions change over time and Libya is a case since the discovery of oil in 1958.

2. Product Development and Packaging

The shared interest between customers and manufacturers is a product which will satisfy the customer's wants and needs on the one hand, and sell at a profit on the other. The customer's wishes, therefore, should be considered as a controlling factor influencing product development. In other words, product planning and development is essentially the adjustment of product(s) to potential customers whatever form the product development might take, i.e. improvement of existing product, development of new uses for an existing product and creation of an entirely new product. Such a market oriented approach to product planning and development presumes a competitive market where making company profit through customer satisfaction is a concept.

Turning to the Libyan market, where competition is relatively low, industrial experience is limited and marketing education barely exists, the manufacturing industry is based on an import substitution type of business where the manufacturer takes the market for his intended produce as already established. Under such circumstances one can hardly talk about new product development or even adjusting an existing product for potential customers.

When the 5 respondents, who stated that they were engaged in product development and packaging research activities, talked about this particular type of marketing research, they were, in fact, referring to product quality adjustments, size of product item and related packaging decisions. The talk about market test of the product is clearly omitted because these product adjustment activities are still within the line of import substitution. Product quality adjustment has always been in response to meeting quality standards put by the government rather than satisfying new customer needs and wants. As for packaging, it presents considerable difficulties, because most, if not all, types of containers are to be imported since a container industry is almost non-existent in the country. Perhaps it would be interesting to quote one of the respondents saying, " our

production of olive processing will be 50 per cent lower this year (1974) compared with the previous year.... We ordered containers (jars) from Italy six months ago. The delivery was due in two months from the date of order, til now we did not receive a single jar. We used all the reserve we had in our inventory. That kept us running for three months now no more processing of this particular item (olives) God knows how long till we start again" This is only one example of many which could be given in this respect.

The research conducted by the 5 firms into packaging was found to be in the form of exploring different available sources of supply of packaging rather than in response to customer needs or emphasising product image. In fact, all firms in each section of the food manufacturing firms used standardised packages in so far as item size is concerned, i.e. the standard item sizes used in the tomato firms are: (10, 5, 1, $\frac{1}{2}$ and $\frac{1}{4}$ kilogrammes in weight) and all firms use cans as containers.

The fact that the research conducted into both product development and packaging was not in response to customer changing wants and needs, suggests that the findings of such research were not, in fact, used to guide the firm's marketing strategies; a matter which leads to the conclusion that marketing research in this area is far less than being sophisticated.

3. Consumer Surveys

Three firms claimed to be engaged in the consumer survey type of research, one was found to be in the confectionary market which is relatively more competitive than the tomato and macaroni markets. This was expected since the nature of the market (competition) has considerable impact on the degree to which marketing techniques of business establishments are used.

When the extent of involvement in this area of marketing research was discussed with the three respondents it appeared that the research undertaken was indirect but extensive. It was indirect because it involved salesmen collecting information about consumers through wholesalers and retailers, and extensive because it was done frequently on a wide scale of retailers. Retailers involved were often asked to find out the reasons why customers buy a similar imported product item rather than a domestically produced one (customer preferences). Retailers were also asked to report heavy demand for any particular imported item (market trend). It occurred that 2 of the 3 firms involved added some product items to their product lines in direct response to reports obtained from wholesalers and retailers.

When the respondents were asked to give reasons for not undertaking direct consumer surveys they stated, "it is expensive .. too difficult and complicated". This is understandable considering the size of the 3 firms, 2 of them are classified as medium in terms of sales value, and the third is small.

Despite the fact that the degree of involvement in this area of marketing research is relatively low, it still could be taken as a sufficient indicator that the firms involved are not only interested in researching the consumer preference area, but also are on the threshold of undertaking formal consumer surveys.

All firms (13) claiming to be engaged in marketing research activities were asked to give their annual expenditures on this type of activity. Unfortunately none could provide even a rough estimate; all they could say was that marketing research expenditure consists of: cost of contact and related transportation costs and both cannot be measured accurately since none of the 13 firms has a marketing research unit within the organisation, and moreover, no commercial research organisation has undertaken any research on behalf of a given firm. This means that all marketing research activities are performed by non-specialised persons within the firm and this is considered as a part job of the persons involved, and this situation presents difficulties in measuring how much time is devoted to marketing research activities and whether a salesman who prepares a report about his customers, while doing his sales job, could be taken as doing marketing research. Because of these difficulties our analysis is left without marketing research expenditures on which firms could be assessed, in terms of degree of involvement in research activities.

Despite the fact that 13 firms (approximately 62 per cent) claimed that they are involved in marketing research activities, one way or another, the extent of their involvement is far from being described as sophisticated. Thus, any attempt to measure the relationships between the degree of involvement in marketing research on the one hand, and characteristics of firms (age, type of management and ownership, education of management, employment of foreign nationals, size of firm and nature of the market served) on the other hand, should be based on whether a given firm is involved in marketing research or not in the first place. In other words, because the marketing research involvement of the 13 firms takes the form of superficial investigation to a large extent, no distinction is made between different levels of firms' involvement in research, the distinction is rather based on characteristics of firms, i.e. large, medium and small. This will enable us to assess whether large firms are more involved in marketing research than medium and small firms, and so on with the other characteristics of firms.

The figures given in Table (7-1) show that, in total, 62 per cent of all firms are engaged in marketing research activities. Taking the large, medium and small firms individually, the figures show that there is a positive relationship between size of firm and involvement in marketing research activities, i.e. 5 out of 7 of the large firms undertake marketing research compared with 2 out of 3 for medium, and one out of 2 for small firms. This positive relationship, however, is expected and was proved in many similar studies in the marketing literature.

Table (7-1) Shows the Relationship Between Size of Firm
(Sales Value) and Marketing Research Involvement"

Class	Total No. of Firms	No. of Firms Involved	%
Large	7	5	71.4
Medium	6	4	66.6
Small	8	4	50
Total	21	13	62

Table (7-2) Shows the Relationship Between Type of Business
and Involvement in Marketing Research

Type of Business	Total No. of Firms	No. of Firms Involved	%
Macaroni	10	5	50
Tomato	6	4	66.6
Confectionary	5	4	80
Total	21	13	62

When type of business was related to undertaking marketing research activities, as was shown in Table (7-2), it appeared that the nature of the market served (level of competition in the market) has an impact on the firm's activities as far as marketing research is concerned. The fact that 4 out of 5 of the confectionary firms studied are engaged in marketing research reflects the relatively higher competitive nature of the confectionary market, as we already stated earlier on in this Chapter. This fact was also supported when "areas of marketing research involvement" was discussed. It was, then, found that all the 3 firms - claimed to undertake consumer surveys - are from the confectionary industry. As for the tomato firms, which are affected by seasonal operations, their production is diversified in order to reduce the seasonal effect on their operations. The existence of more product lines in these firms needed more research mainly because their products, excluding tomatoes, are not protected against imports which means that the market involved is competitive in its nature. Thus, the tomato firms appeared to be relatively more involved in marketing research activities than the macaroni firms.

In so far as macaroni firms are concerned, they operate in a market protected from foreign products. Knowing before hand that the total output of these firms merely satisfies the domestic demand one can conclude that the level of competition in this market is low and this explains in part the low involvement in marketing research on the part of macaroni firms compared with the tomato and confectionary firms. Another reason for the low involvement of the macaroni firms in marketing research activities is that 4 out of the 10 firms in this industry are very small, and these were shown to be less active in marketing research activities.

Age of firm showed an insignificant relationship with involvement in marketing research. This is shown in the following table.

Table (7-3) Shows the Relationship Between Age of Firm and Involvement in Marketing Research

Age of Firm	Total No. of Firms	No. of Firms Involved	%
Firms Established before 1960	7	4	57
Firms Established in 1960 & onward	14	9	64.3
Total	21	13	62

The type of relationship suggested by these figures indicates that the newly established firms (1960 & onward) have to be slightly more active in marketing research in order to establish themselves in the market.

There is no clear evidence from the empirical work which might suggest that older firms, which were established during the first decade following independence in 1951, have either grown significantly in size or improved their marketing techniques including marketing research activities. In fact, 4 out of 7 of the firms established in the 1950's are small owner-managed and merely produce and sell with minimum marketing difficulties. This analysis, as it stands, does not validate any assumption which might imply that older firms are more likely to use advanced marketing techniques including marketing research, based on their accumulated experience in business, than newly established firms. On the contrary, the newly established firms showed slightly more involvement in marketing research activities at least in so far as the Libyan food manufacturing industry is concerned.

When type of management (owner and professionally managed firms) was related to the firm's use of marketing research, results showed that professionally managed firms are slightly more involved in marketing research activities than owner-managed and/or partnership firms.

It should be noted that firms in owner-managed and partnership categories are taken jointly as owner-managed firms since these types of firms are managed by either owner-managers or partners, in both cases managers held their positions by right of ownership.

Table (7-4) Shows the Relationship Between Type of Management and Involvement in Marketing Research

Type of Management	Total No. of Firms	No. of Firms Involved	%
Professionally Managed	6	4	66.6
Owner-Managed	15	9	60
Total	21	13	62

It is widely believed that professionally managed firms have better prospects for specialisation in management functions, more ability to employ professional managers from outside and develop managerial capabilities within the firm and financially stronger than owner-managed firms; because of all these advantages the researcher expected the 6 professionally managed firms in the sample to be more involved in marketing research than owner-managed firms. The figures shown in the table above reflect a slight difference between marketing research practices of the two types of management. The insignificant difference between the two types of management in marketing research involvement is due to the fact that there are few professionally managed firms in the sample compared with owner-managed firms.

As for education of management, there is strong evidence that education of management is positively related to the use of marketing research.

The figures in Table (7-5) suggest the higher the level of managers in the educational scale, the more likely they are to use scientific management, therefore, the more their use of marketing research.

Table (7-5) Shows the Relationship Between Education of Management and Involvement in Marketing Research

Level of Management Education	Total No. of Firms	No. of Firms Involved	%
High	3	3	100
Medium	6	4	66.6
Low	12	6	50
Total	21	13	62

Employment of foreign nationals appeared to be less than average in so far as involvement in marketing research is concerned. It was shown earlier on in this Chapter that only 6 foreign nationals are employed in one firm and the remaining 2 are employed each in a different firm. The effect of those foreign nationals, therefore, is limited to only 3 firms, one of which was found to be the most sophisticated of all firms in so far as the use of marketing techniques is concerned. If the employment of foreign nationals at managerial posts is to be taken as a factor influencing marketing decision taking, it will only apply to the 3 firms where those foreign nationals are employed. In addition to this, it was found that, of the 3 firms employing foreign nationals in managerial posts, only 2 claimed to be involved in marketing research; the third firm did not.

From this analysis it would appear that the influence of foreign nationals employed in the sample is limited. What is not known, however, is whether foreign nationals employed in production and ordinary office work such as accountants and secretaries have any influence in marketing decisions particularly in firms where the marketing function is performed at different levels of the organisation.

It was stated earlier on (Chapter Six) that owner-managers assumed responsibility for all marketing activities in stage one of marketing organisations. In stage two, however, production managers and/or technicians shared responsibility with the sales managers for a number of marketing activities. Thus, one might assume that some employees including foreign nationals at the second line of management level might have more impact than their functional titles might suggest in so far as marketing decision taking is concerned. If this is the case then knowing before hand that there are only 5 firms in stage two of marketing organisations, the impact of foreign nationals with respect to all firms is still limited (just over one third of all the sample are subject to the impact of such analysis).

One may conclude at this stage that, despite the fact that the use of marketing research in the Libyan food manufacturing firms is less than sophisticated, all the evidence shown throughout this section proved that the use of marketing research is directly related to size of firms, education of management and to a lesser extent to age of the firm and type of management. Level of competition in each section of the market served proved to be strongly related to the use of marketing research in a positive way, i.e. the higher the level of competition the more the use of marketing research. Employment of foreign nationals proved to be less significant than the factors above in relation to the use of marketing research.

7.2 Marketing Communications: The use of advertising and Customer Contact.

Marketing communications is defined here as a process by which information concerning products, services and corporate image is exchanged between producers, middlemen and potential consumers. Such a broad definition of marketing communications provides a total coverage of all possible ways of communication between producers, middlemen and consumers regardless of method of communication used, i.e. advertising, personal contact or other means of sales promotion.

There is more than one evidence in the marketing literature suggesting that in a simple or primitive economy where labour specialisation and technology are low, producers and consumers usually communicate on a personal basis, i.e. face-to-face communication. Apparently this type of marketing communication is very effective in the sense that feedback is immediate, thus producers are in a better situation to adapt their production as well as their marketing efforts to the needs and wants of individuals or groups of customers. However, with specialisation of labour and technological advancement producers and customers become more widely separated due to the mass production and marketing which are associated with specialisation and technology. This however, requires mass marketing communications along with the development of marketing infrastructure, i.e. advertising agencies and mass media. One indication of the use of advertising, therefore, is the extent and size of commercial advertising organisations as well as the availability of advertising mass media in a country. In general, both commercial advertising organisations and advertising media are lacking in Libya. Moreover, the available facilities in this concern are generally neglected by the Libyan manufacturing firms studied in this research.

7.2.1 The use of Advertising

Despite the fact that advertising is a form of promotion which presents a non-personal way of communication, it is treated

here separately from the other non-personal elements of sales promotion (e.g. demonstrations, displays, shows and expositions), mainly because such activities are more used in industrial products rather than consumer products. In fact the only occasion where Libyan food manufacturers use displays and expositions of their produce is when The Tripoli International Fair opens its annual session between 20 February and 20 March every year. Even though the aim of the Libyan food manufacturers who take part in such occasions is the enhancement of their corporate images for future developments, rather than promoting immediate sales. It is for these reasons that advertising is treated here in its own right as a non-personal form of sales promotion.

Speaking about marketing communication facilities in Libya both radio and television are owned by the government and are in no way involved in commercial activities (at least until the time of field work which was undertaken during the last three months of the year 1974).

In so far as commercial advertising organisations are concerned, both the number and facilities provided are very limited. Two advertising agencies are available with facilities concerning the preparation of advertising messages in newspapers, magazines and posters. Neither of the two advertising agencies has facilities for cinema advertising. The apparent lack of advertising facilities in Libya did not seem to present difficulties to the Libyan food manufacturers simply because they, in fact, do not utilize even the available facilities provided by the two advertising agencies mentioned above. This was reflected in their responses which are discussed below.

Respondents were asked an introductory question to state whether they advertise their products at all. 8 respondents claimed to engage advertising in their marketing operation one way or another. As for the remaining 13 firms none was involved in such activity. When respondents were asked to give reasons for not using advertising at all, 3 reflected an unfavourable attitude towards advertising, "Advertising expenditure is a waste of money". One respondent stated that, "Advertising is very expensive", and the remaining 9 respondents gave the following statement, "No difficulties in selling our products". Although a list of possible reasons for not using advertising was handed over to respondents from which they could tick the reason appropriate to their individual cases none of them ticked one of these reasons given in the list, which read: "lack of specialised advertising organisations and/or agencies".

This means that lack of commercial advertising organisations or agencies is not a reason for not using advertising, what seemed to be the case was that other methods of sales promotion are used as alternatives to advertising, one of which is personal contact with customers. This will be discussed at a later stage of the Chapter.

As for the 8 firms engaged in advertising, further investigations revealed that 4 firms advertise only when a new product item is produced and advertising is only used at the introductory period of the product to the market. One of the remaining 4 firms appeared to be the only one to use advertising on a relatively wide scale. The remaining 3 firms used advertising occasionally or as they stated, "When needed". This situation presents serious difficulties concerning the measurement of the extent to which advertising is used with regard to our method of classifying firms, i.e. size, age, type of management, education of management, and so on. In so far as figures concerning advertising expenditures of individual firms are concerned, only one firm provided such figures mainly because advertising consisted a considerable amount of the firm's expenditures on marketing efforts. The remaining 3 firms claimed to use advertising as part of their marketing operations but could not provide any figures, the reason being that advertising is neither used extensively nor on an annual basis. In other words, advertising is not treated as an independent item on their budgeting, a matter which makes it difficult, if not impossible, to detect whether they spent anything in a given year, let alone the amount spent.

This situation denied this research use of quantitative judgement of the extent of advertising involvement of the firms on hand. In quantitative terms, it was shown in the second section of Chapter Six that none of the firms investigated had established any advertising department or division in their marketing organisations. All these facts, therefore, indicate that advertising is hardly used by the firms on hand.

The 4 firms claimed to be using advertising stated that posters were their main advertising media with an occasional use of newspapers.

2 of these 4 firms are found to be in the confectionary industry one of which spends an annual average of £D1,640 on advertising. When the respondent was asked to breakdown this figure between various media, the allocation appeared to be £D320, £D320 and £D1000 on newspapers, magazines and posters respectively. The respondent also stated that the firm's expenditure on advertising is fixed and this suggests that the firm's annual expenditures on advertising is in no way linked with its annual sales.

All firms involved in advertising stated that their advertising messages were directed towards the final consumers, objectives to be fulfilled being either creation of awareness or affecting loyalty.

It should be noted that one of the 4 firms is professionally managed and classified as large in terms of sales value. This suggests that either the large and professionally managed firms are using other marketing techniques or they are well established in the market and use minimum marketing efforts. It was shown

earlier that both the large and the professionally managed firms are more engaged in marketing research than the small and owner-managed firms, a matter which implies that their marketing decisions are relatively more rational than the others. On the other hand, it will be shown at a later stage of this Chapter that both large and professionally managed firms make a relatively low use of customer contact and salesmanship than the rest of the firms. This fact further emphasises that well established firms in the Libyan market tend to employ fewer marketing techniques than the relatively small, medium and owner-managed firms (the use of marketing research being excluded).

As for the type of industry, 2 out of 5 of the confectionary firms use advertising compared with one out of 6 and one out of 10 for the tomato and macaroni firms respectively. Again these figures reflect the competitive nature of the confectionary market. Of the 4 firms which are engaged in advertising 3 were classified as high in education of management which suggests that education of management is a strong factor in both the use of advertising and marketing research as we have already seen earlier in this Chapter. Of equal importance in this concern is that the 4 firms engaged in advertising were newly established during the 1960's and this is consistent with their use of marketing research. In other words, the newly established firms employed more marketing techniques than those established during the 1950's.

Advertising is usually dealt with in the marketing literature as an element of sales promotion in the sense that it stimulates customers to buy. It follows that a firm has other choices within the elements of sales promotion to use. Whether a given firm emphasises one element rather than the other depends on so many factors, i.e. cost and benefit judgement, relative effectiveness of the element used, management philosophy and strategies and the nature of the market in which the firm operates. Of equal importance is the fact that when the firm's produce moves easily through the channels of distribution to the final consumers the management of the firm is more likely to consider investment in advertising unnecessary, despite the risk involved of tempting other firms to step up their production and marketing operations.

Apart from advertising the food manufacturing firms studied used two other elements of sales promotion; customer contact and salesmanship - these are discussed below.

7.2.2 The Use of Customer Contact

Generally speaking, as long as demand is adequate to satisfy all producers and the firms concerned produce familiar products - as is likely when domestic industry is directed toward import substitution - mass media are likely to receive little attention from producers. The firms concerned already sell all that they can produce, therefore, the use of costly ways of communication becomes less justifiable. Libya is much of a case where food

manufacturers, as shown in this research, are hardly involved in marketing compared with industrial nations.

Apart from the fact that the Libyan food manufacturers are satisfied with domestic demand, they feel close to the market and their customers are as close as one or two miles. This makes it easier for a manufacturer to use direct contact with his customers at a relatively cheap cost. Add to this that a manufacturer who once was a wholesaler or importer prior to entering his manufacturing business, is already known in the market with possibly a well established name in the channels of distribution, an asset which pays back in terms of reliability and easy flow of the manufacturer's produce through various links in the distribution system.

Respondents were asked whether they contacted their customers at all. 16 firms (76.2 per cent) gave a positive answer and the remaining 5 firms (23.8 per cent) left it to customers to make contact with the firm. These figures suggest that the Libyan food manufacturers rely heavily on customer contact rather than advertising as a way of marketing communication. Respondents gave different reasons for contacting customers (e.g. to collect information about the market situation, to inform them about available products of the firm, to inform them about any change in discount and terms of payments and to see whether they wanted to place any purchase orders). Customer contact, therefore, is used both as a way of sales promotion and to get an immediate feedback from customers in relation to market trends.

Two different methods of customer contact were mentioned by respondents. 10 firms used personal representatives only in contacting their customers and the remaining 6 firms used personal representatives and contact by telephone. Direct mail is used by only one firm which also uses the other two methods of contact mentioned above.

The fact that all firms which claimed to contact their customers use direct and personal contact (face-to-face) explains a distinctive pattern of behaviour on the part of the firms involved. First, face-to-face contact is the most effective way of inducing both immediate sales and feedback. Second, the fact that the food manufacturing firms in Libya are concentrated in the two largest cities of Tripoli and Benghazi, which are also the main business centres, made it possible for the manufacturers involved to carry out face-to-face contact with their customers in the cheapest possible way. And third, the use of the most effective way of communication between producers and their customers leaves little room for other methods of sales promotion such as advertising, displays, and product demonstrations.

In an attempt to determine whether there is any relationship between the use of customer contact on the one hand, and size of

firm, age of firm, type of management, education of management and type of industry on the other, the following results were obtained.

Table (7-6) Shows the Relationship Between Size of Firm in Terms of Sales Value and the Use of Customer Contact

Size of Firm	Total No. of Firms	No. of Firms Involved	%
Small	8	7	87.5
Medium	6	5	83.3
Large	7	4	57.1
Total	21	16	76.2

These figures shown in the table above suggest that small firms are more involved in personally contacting their customers than larger firms. Size of business, therefore, is a factor determining the face-to-face method of contacting customers which is found to be common among a large number of the food manufacturers studied. The nature of the relationship between size of firm and the use of personal contact (personal selling) could be explained in the sense that with mass production comes the need for mass marketing which is associated with mass communications. Meanwhile firms which have not reached the stage of mass production remain heavily dependent on personal selling. This sequential development of marketing communications is clearly indicated by the figures shown in Table (7-6) where only 57.1 per cent of the 7 large firms used personal contact compared with 83.3 per cent and 87.5 per cent for medium and small firms respectively. If this conclusion is to be disputed, it would only be on the grounds that none of the large firms investigated claimed a heavy use of advertising as a way of marketing communication. In fact, only one medium firm is really involved on a large scale with advertising and the remaining firms - claimed to engage in advertising in their marketing operations - used advertising occasionally at a lower scale.

In so far as product displays and expositions are concerned most of the large firms are considerably active and participate in The Tripoli International Fair's sessions annually, a matter which exposes products of those firms to the mass of visitors. If such an exposure of products is to be taken as a message conveyed to both customers and consumers, the least to be said is that those firms are well established in the market and tend to act accordingly by occasional reminder messages to their customers as well as consumers. In this sense their messages are well within mass marketing communications.

As for age of firm and the use of customer contact relationship it appeared that 85.7 per cent (12 firms) of the 14 firms established during the 1960's used customer contact as a method of sales promotion. 57 per cent (4 firms) of the 7 firms established during the 1950's also used this method of sales promotion. The constantly active role of younger firms in so far as the employment of various marketing techniques is involved could be explained on the grounds that younger firms, at early stages of their establishment, required a more active role in marketing in order to gain ground and settle comfortably in a relatively satisfactory share of the market. On the other hand, older firms which are already settled down and have established personal contact with their customers need less effort to get their produce moving smoothly through the distribution system.

Age of firm related to its marketing behaviour also showed that it took an average of 8 years for the older firms to modify their product lines in terms of adding and/or dropping product items, whereas for the young firms it took only an average of 4 years to do so. 4 firms claimed that in modifying their product lines, product items were dropped because such items are either very costly to produce or domestic demand is less adequate. All firms that dropped items from their product lines appeared to be among those newly established. This means that the relatively shorter period of time taken by younger firms to modify their product lines was not supported by long-run market and demand forecasting and this proved to be risky. The younger firms, being more progressive than the older firms, apparently needed the backing of formal marketing research in order to minimise the amount of risk related to their progressive attitude towards expansion.

Type of management related to the use of customer contact revealed that owner-managed firms are relatively more active in contacting their customers. 86.6 per cent (13 firms) of the 15 owner-managed firms use personal contact with their customers as a method of promoting sales, compared with 50 per cent (3 firms) of the 6 professionally managed firms.

The fact that owner-managed firms are more active in contacting their customers is well expected since the relatively small production volume they deal with allows them to base most of their marketing and sales efforts on personal contact. What was not expected, however, was that the professionally managed firms are less active both in customer contact and advertising as methods of making a sale.

In an attempt to combine the extent of involvement of professionally and owner-managed firms in marketing activities on the one hand, and the annual rates by which sales of both firm categories grow, on the other, it appeared that in general terms sales varied from one year to another according to annual fluctuations of domestic agricultural produce. Nevertheless, the professionally

managed firms showed an aggregate rate of growth of 17 per cent in terms of sales value over the period from 1971 to 1973 compared with an aggregate rate of 12.5 per cent for owner-managed firms over the same period of time. This means that although professionally managed firms tend to be less involved in marketing efforts, the rate of growth of their annual sales appeared to be higher than that of the owner-managed firms. The fact that the professionally managed firms are also large in terms of sales value and these are well established in the market; all these facts suggest that their well established situation in the market enables them to grow and sell their produce with relatively less marketing efforts. It follows that owner-managed firms, which are relatively small, are left with no choice other than that of increasing their involvement in marketing if they are to increase their annual rates of growth.

Education of management related to customer contact, as a method of sales promotion, showed that highly educated management does not necessarily incorporate intensive customer contact in their marketing activities. Evidence from the data collected revealed that the lower educated management used personal contact as a method of sales promotion, whereas highly education management concentrates on advertising as a method of sales promotion. 83.3 per cent of the 12 firms described as having low educated managements emphasised personal selling compared with 66.6 for medium and highly educated firms. On the contrary 66.6 per cent of the firms described as highly educated used advertising compared with 41.7 per cent for the low educated ones.

As for type of industry, all firms in the confectionary industry use customer contact compared with 80 per cent of the macaroni firms (8 firms) and 50 per cent of the tomato firms (3 out of 6 firms). The extent to which firms in different sections of the food manufacturing industry employ different marketing techniques, in fact, reflects the nature of the market in which they operate, i.e. firms in the confectionary market are the highest in the employment of advertising, marketing research and customer contact compared with the macaroni firms which came second in this respect, and the tomato firms are generally less active in marketing because the bulk of their produce is marketed by the National Supply Corporation. It is the level of competition, therefore, which dictates the extent of the firm's involvement in marketing to a certain degree. In this sense the confectionary market is very competitive compared with macaroni and tomato markets.

It may be concluded at this stage that, in so far as different methods of sales promotion are concerned, the Libyan food manufacturing firms rely heavily on personal contact with their customers rather than advertising, displays, demonstrations and expositions. Various reasons contributed to this situation, some of which are the closeness of producers to the market, experience of manufacturers in trading and distribution prior to entry into manufacturing, and the relatively small size of production most of the manufacturers handled. Well established firms appeared to be less

involved in marketing than small owner-managed firms who seemed to be struggling their way in the market in order to settle comfortably. Education of firm's personnel as well as the nature of the market related to each section of the food industry appeared to be highly related to the use of various marketing techniques.

7.2.3 The Use of Salesmanship

In a market where personal selling is an effective approach to making a sale, one would expect the firms involved to use salesmanship on a relatively wider basis. It is also expected that the extent to which firms employ salesmen is directly related to size of production dealt with and, therefore, to the level of distribution, i.e. the wider the distribution the more likely the use of many salesmen to make contacts with different links in the distribution system.

Respondents were asked an introductory question whether they employed salesmen and if yes; how many full and part time salesmen they had? Data obtained showed that 12 firms (slightly over 57 per cent of all firms) employed salesmen with the number of salesmen employed in individual firms ranging between one and 5. All firms who claimed to use sales force stated that their salesmen were employed on a full time basis. A total of 34 salesmen were employed by the 12 firms which leaves an average of slightly less than 3 salesmen per individual firm. The reader should be reminded that the total number of salesmen employed by individual firms is well understated because many executives - including, in many cases, the owner-manager and/or his partner(s) - of these firms, in fact, did extensive selling themselves, and did not count themselves as part time salesmen. Such cases are found in small firms which lack specialisation in their organisational structure.

The concept of a salesman as a carefully recruited, specially trained, highly motivated and specialised in selling to specific links in the distribution channels is particularly lacking in the food manufacturing firms investigated.

The salesman, in many cases, is recruited by the manager of the firm or other executives such as administrative or financial managers. Lack of specialised marketing departments or organisations within a large number of firms makes it difficult, if not impossible, to equip the sales force with specialised formal training. In fact, the only two training techniques used by these firms providing their sales force with any kind of training at all, are a few days of informal training, combined with on-the-job training techniques. All firms involved, however, expressed satisfaction with both size and quality of salesmen employed. Statements such as, ".... we sell our produce exclusively to wholesalers who keep good terms with us", ".... I make a lot of contacts with my customers personally, so that my salesmen would not find it

difficult to sell", and ".... we could sell more if only we could produce more using the same sales force ... no problems at all ...", were made by a large number of respondents. Such statements suggest that the tasks assigned to salesmen in the food manufacturing industry involve the minimum possible efforts and in many cases these efforts are supported by personal contacts made by the managers of firms and/or their chief marketing executives with their customers. This situation is reflected on the methods of sales force payments and compensations used by the food manufacturers on hand. Two thirds of the firms employing a sales force paid fixed salaries as the only method of payment to their sales force. The remaining third paid commission only.

The use of salesmen appeared to be significantly influenced by certain comparative factors, strongest of which are section of the food industry and the nature of competition in the related market, size of firm in terms of sales value, and type of management (owner-managed and professionally managed firms). All firms in the confectionary industry (5 firms) whose related market is characterised by relatively high competition, used sales force compared with 6 out of 10 for macaroni firms and only one firm employed salesmen in the tomato industry. The reason why tomato firms do not employ a sales force is that the bulk of their production is marketed directly by the National Supply Corporation. In so far as their non-tomato production is concerned, it seemed that the tomato firms are in favour of selling to wholesalers using other ways of customer contact such as sales representatives and direct telephone contact between the managers of firms and their customers, rather than using a sales force.

Personal contact between producers and customer - widely used for making a sale by the firms under study - did not necessarily mean that all firms claiming to contact their customers also used salesmen. Some firms appeared to contact their customers without employing a sales force at all. A clear example of this is that medium and large firms employed less sales force and yet used customer contacts in a considerably wider extent. This, in fact, re-enforces what was stated earlier on that managers of firms tend to support their salesmen's efforts by making personal contacts themselves. This in turn suggests that such managers are part time salesmen themselves.

Small and medium firms, as the figures in Table (7-7) indicate, are heavily dependent on personal selling based on the heavy use of a sales force, sales representatives and direct contacts between the managers of firms and their customers. This apparent dependency on personal selling is coupled with the lack of sales promotion in their marketing activities such as displays, 2 for 1 sale, few pence off and other sales promotion techniques. Large firms appeared to depend on their strength in the market, well established and loyal middlemen in the distribution channels and their occasional displays in The Tripoli International Fair, rather than substantial use of sales force and other methods of personal contact with customers.

Table (7-7) Shows the Relationship Between Size of Firm and the Use of Personal Selling

Size of Firms	Total No. of Firms	Firms Contacting Customers		Firms Using Salesmen	
		Number	%	Number	%
Small	8	7	87.5	7	87.5
Medium	6	5	83.3	4	66.6
Large	7	4	57	1	14.3

Professionally managed firms did not employ salesmen at all and half of them claimed to contact their customers either by telephone or by sales representatives. Other factors such as education of management, age of firm and the employment of foreign nationals showed insignificant differences with respect to personal selling.

7.3 Channels of Distribution in the Food Manufacturing Industry

It is widely believed that the channels of distribution in underdeveloped countries are the most backward parts of the whole marketing system of those countries. The inefficiency of distribution systems of the emerging nations - as authorities in this field of marketing pointed out - streams from the following facts:

- Lack of functional specialisation in various levels of the distribution system.
- The domination of the family type of business which are characterised by undertaking small levels of operations associated with inefficiency.
- Import-orientation in the distribution channels, an approach which might not serve adequately the needs of domestic manufacturers aiming at nationwide distribution, since large import wholesalers tend to cluster their businesses in big cities where margins are relatively high and sales are not too costly.
- And above all comes the negative image of middlemen in general, and wholesalers in particular, which is a misunderstanding of the economic role of marketing and middlemen.

For these reasons, and perhaps others, manufacturers in underdeveloped countries plan to bypass several links in the distribution channels (e.g. wholesalers are often bypassed and, where possible, retailers). Such marketing practices of manufacturers in underdeveloped countries, generally speaking, could be economically feasible given that both size of production dealt with by individual manufacturers and the market in which they operate are relatively small. Otherwise, few would dispute the fact that mass distribution through functionally specialised links in the distribution system is economically justified.

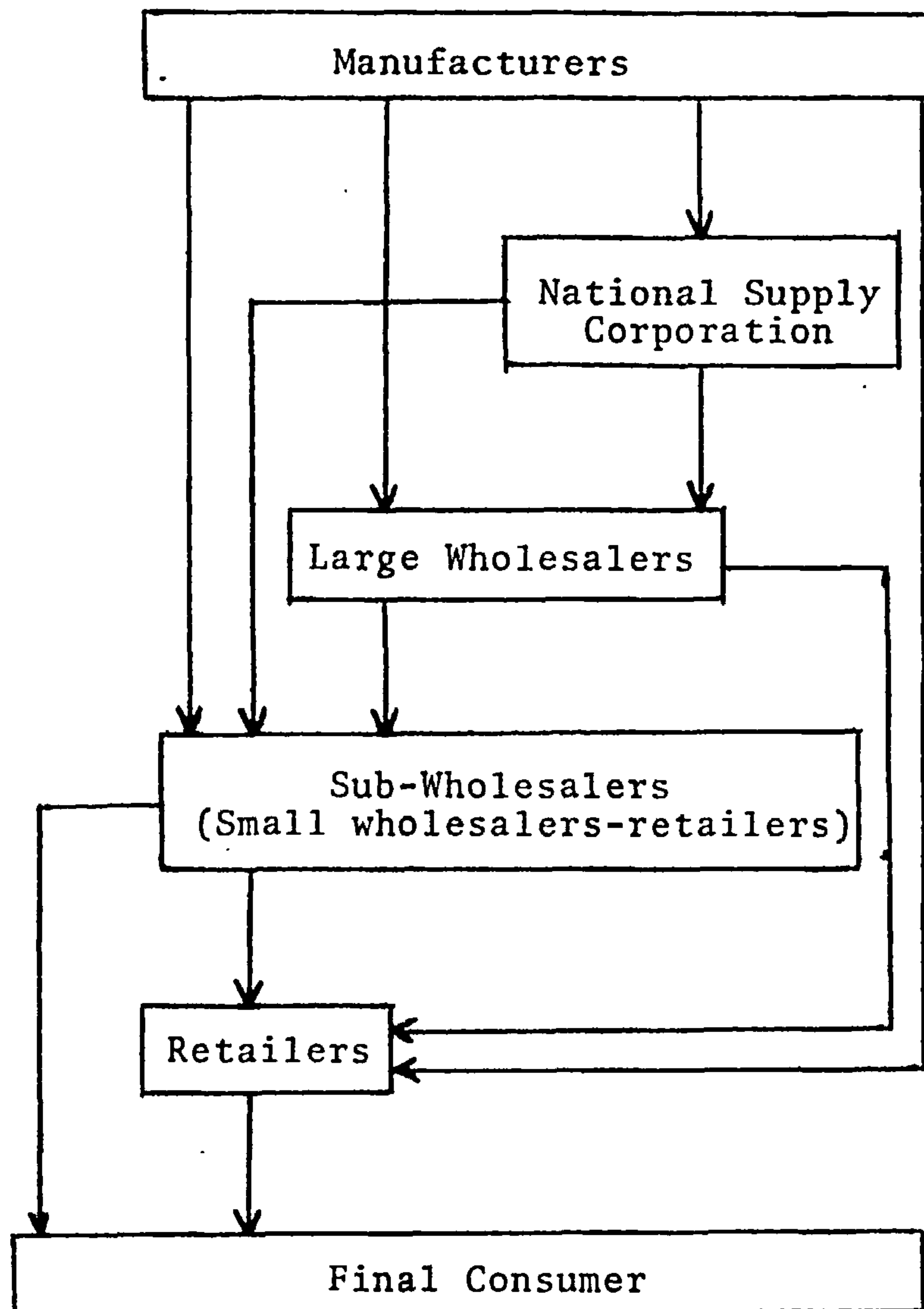
Libya, as an emerging nation, showed a different pattern of practices in the distribution system, in so far as the food manufacturers under study are concerned. The tendency of bypassing wholesalers and retailers by manufacturers is almost non-existent in their marketing practices. On the contrary, the Libyan food manufacturer tends to sell most, if not all, of his production to only one link in the distribution channel, i.e. either to wholesalers or retailers and a few sell to both links. None of the manufacturers under study stated that he ever used brokers or commissioners as distributive agents. In fact, both are regarded by the manufacturers involved as unnecessary links both economically and in terms of length of distribution channels.

7.3.1 Channels of Distribution Used

Diagram (7-1) shows various channels of distribution used by the food manufacturers on hand, based on their responses to our introductory question concerning channels used by individual firms.

The diagram presents a model of less complicity in the distribution system. The final consumer is served by two agents in the distribution system - sub-wholesalers (small wholesaler-retailer) who perform both the functions of wholesaler and retailer, and a large number of retailers scattered all over the country. Large numbers of wholesalers who are relatively larger in size than the sub-wholesalers, have their business concentrated in the two larger and populated cities of Tripoli and Benghazi. Most retailers and sub-wholesalers, serving customers in small geographical areas outside the two big cities, travel to Tripoli and Benghazi in order to search for sources of supply since wholesalers could hardly be found in small areas, and the only form of service retailers can get from wholesalers - apart from commodity supply - is credit terms which solves a considerable financial problem associated with operating small retailing outlets. Costs related to physical distribution of commodities from wholesalers, sub-wholesalers and manufacturers to retailers are to be paid by the retailers themselves, a matter which leads to additional cost per unit at the retailing level and ultimately to the price charged depending on the physical distance between sources of supply and location of retailers in different geographical areas.

Diagram (7-1) Shows various Channels of Distribution
Used by the Food Manufacturers Under Study



The channels of distribution in Libya, which could be described as import-oriented in the first place, work backwards in the sense that consumers, retailers, sub-wholesalers are always seeking goods, a matter which economically justifies inventory hoarding practices on the part of retailers and sub-wholesalers operating in remote geographical areas. In other words, the cost of inventory stocking could be less than the cost of frequent travelling for small quantities of goods, considering the large distances separating the sources of supply and the location of the retailers concerned.

7.3.2 Policies Related to Channels of Distribution

It was shown in Diagram (7-1) that manufacturers deal with all the existing links in the channels of distribution, final consumers being served by sub-wholesalers and retailers. The researcher's concern at this stage of analysis is to what extent various links in the channels of distribution are used by which manufacturers and the determinant factors governing channel selection by the food manufacturers under study.

Respondents were asked to give their annual sales value over three years, (1971, 1972 and 1973) from which average sales values are worked out for individual firms. They were also asked to give their percentage distribution of their sales to each link they might be using in the channel of distribution. Data obtained are shown in the following table.

Table (7-8) Shows Manufacturers' Sales by Type of Customer

Type of Customer	Total Sales (₹D)	Percentage of Total Sales
Wholesalers	4,574,381	55.2
Government Institutions (N.S.C.)	2,162,894	26.1
Retailers	1,491,399	18.0
Others	56,754	0.7
Total	8,285,428	100

The reader is reminded here of the following points prior to further analysis.

1. The figures given for wholesalers both in total sales and percentage include also sales to sub-wholesalers since sub-wholesalers buy in large quantities and, therefore, get the same percentages from manufacturers as those given to large wholesalers. Moreover, in many cases respondents failed to distinguish between the two which made it impossible to obtain separate figures for both types of wholesaler.
2. The figures given for government institutions contained all of the tomato produce as the marketing of manufactured tomatoes is monopolised by the National Supply Corporation.

3. The last type of customers, referred to as "others" in the table (7-8) are co-operatives and negligible sales to final consumer by very small firms.

Considering the fact that the National Supply Corporation is entitled to buy all the manufactured tomatoes from all firms involved in whatever quantity, the bulk of the non-tomato produce of all firms in the three sections of food manufacturing industry - on which marketing decision related to channel selection are taken - is sold directly from manufacturers to wholesalers. This implies that there is a factor(s) of preference to deal with wholesalers rather than retailers. This belief was also supported by further evidence obtained from all respondents. It was found that 10 firms sell all their produce to wholesalers, 6 firms deal with retailers only and the remaining 5 firms sell to both wholesalers and retailers. Further investigation showed that of the 11 firms selling their produce, in total or in part, to retailers, 5 are classified as small firms, 3 medium firms and 2 large firms in terms of sales value (one firm was excluded on the basis that only 5 per cent of the firm's total produce goes directly from firm to retailers which is a negligible customer). These findings might suggest that smaller firms tend to sell either all or most of their produce to retailers. If this suggestion is to be validated, it would have to be supported by more evidence which could be found in firms' channel selection policies and that is whether channel selection and the choice of middlemen are based on sound economic factors.

It appeared while piloting the questionnaire, prepared for the purpose of this study, that respondents are rather reluctant to respond to direct questions concerning their relationship with their customers. The researcher then decided to leave such sensitive areas until the end of the formal interviewing as it was hoped that respondents would be rather more relaxed at the stage of informal discussion, therefore, would find it easier to respond to questions related to channel selection and the choice of middlemen.

During the informal discussions the respondents were asked whether the firm had any specified or written policies concerning channel selection and the choice of middlemen, if not, what were the most important factors considered in the selection of particular middlemen?

None of the respondents claimed that the firm had any written policy regarding channel selection or the choice of a particular middleman. What seemed to be a matter of concern for individual firms was the decision to sell to one link in the distribution channel or more. This opened the way for further investigation concerning factors to be considered in relation to such decisions. Surprisingly, none of the firms - including the large one - claimed to have made careful analysis of existing channel alternatives as a base on which their existing channels of distribution

were selected. It appeared that past experience as the basis for channel choice has obvious merit, but this does not mean, however, that the firm has carefully studied the alternatives, neither does it suggest that firms appreciate the competitive advantage that can be won with a better choice of channels. Statements such as, "I've been a wholesaler or importer myself before I entered the manufacturing business", and, "I know wholesalers one by one and that is what matters", have often been made by different respondents. This suggested that channel choice decisions are largely based on past experience and existing relationships between producers and wholesalers which explains, in part, why 55.2 per cent of the total manufacturers produce goes directly to wholesalers compared with only 18 per cent which goes directly from producers to retailers. Other statements such as, "That is the way it has always been done", and "We sell to anybody who comes and places a purchasing order", were also made. The last two statements suggested that channel evaluation and modifications receive little attention, as those who made such statements are either ignoring alternative channels or do not distinguish between different customers in various distribution channels.

The most important single factor considered in the selection of individual middlemen was financial strength. This was strongly linked with the business morality of individual middlemen. 2 out of 3 of all respondents stated that they preferred to deal with wholesalers because wholesalers buy in large quantities and are able to pay bills in due time (financial strength). They also expressed concern with business morality of the middlemen in various statements such as, "We only sell to those who are both loyal and honest", and, "We do not use formality with any of our customers such as contracts, therefore, we have to be careful in dealing with individual customers".

Moral obligations, widely used between producers and customers, as a substitute to formal contracts gives little protection to the parties involved. Whereas customers are expected to pay their bills in due time, the producers are also expected to deliver the amount of commodities dealt with according to agreed terms, i.e. right quantity at the right time and place. Under such circumstances it seems that large producers would rather prefer to deal with large wholesalers and vice-versa. It follows from this argument that small producers have a relatively slim chance to deal with large wholesalers, a matter which explains the tendency referred to earlier on and that is, small producers tend to sell most of their produce, if not all, to retailers.

Credibility of the source of supply (large manufacturers can easily maintain terms of individual deals with their customers compared with small manufacturers) on the one hand along with the financial strength of middlemen (large wholesalers are financially stronger than retailers) on the other hand, are the two most important factors determining who supplies whom in the whole conduct

of business between producers and customers. Under such circumstances personal contact is necessary to maintain good working relationships between manufacturers and their customers. It became clearer, then, why customer contact was widely used by manufacturers in Libya as the most important method of making a sale.

7.5.5 Manufacturers Services to Middlemen

Generally speaking, the extent to which manufacturers extend both services and incentives to middlemen is directly related to the level of competition in the market in which they operate. This means that a manufacturer supplying a highly competitive market might find it necessary to extend services such as co-operative advertising, promotional aid, salemen training and contests, as well as other services such as easy credit terms and discounts, and in many cases offers transportation facilities of his own to his middlemen, whereas, a manufacturer in a relatively low competitive market is more likely to provide minimum services to his middlemen as these would find it easier to sell than those in highly competitive markets.

In so far as the Libyan food manufacturers are concerned, the market in which they operate is characterised by government protection of domestic produce against foreign products and adequate market demand resulting from a situation where demand for domestic produce exceeds supply. Therefore, the manufacturers on hand acted accordingly to this situation which is much in their favour. The only three different incentives given by manufacturers to middlemen in this respect are credits, discounts on quantities and free deliveries in so far as transportation from producer to wholesaler's warehouse is concerned. In so far as the tomato firms are concerned their deliveries of canned tomatoes to the National Supply Corporation are not subject to credits, discounts or free transportation facilities, as for the other non-tomato products of these firms, the three different incentives are applicable.

Only 4 firms appeared to use a combination of the three incentives to their middlemen compared with 15 firms using a combination of two incentives and the 2 remaining firms provided only one incentive. These 2 firms, however, were found to be the smallest firms of all.

3 of the 4 firms providing a combination of the three incentives mentioned earlier on were found to be the largest 3 firms in the confectionary industry and the remaining firm was one of the largest macaroni firms. This indicates that the relatively higher level of competition in the confectionary market requires more incentives to be given to middlemen operating in the market on hand.

The macaroni firms, which are fully protected against foreign competitors, but with a relatively considerable level of competition between domestic producers, used two different incentives, namely credit terms and free transportation facilities.

Immediate cash discount (payment on the day of delivery) is most favoured by manufacturers whenever possible, otherwise, the normal ten-day discount period is used. Although discount on quantity is commonly used as an incentive to middlemen, credit terms is often regarded as one of the most important keys to making a sale. Thus lengthy credit terms of up to 60 days are often extended from manufacturers to middlemen. Some even go beyond this limit especially when personal relationships or kinship exists between a manufacturer and particular middlemen on a rather informal basis. When lengthy credit terms are extended to particular middlemen, the manufacturer is more likely to have one thing in mind and that is to hint to his middlemen that they are well trusted, a matter which places moral obligation on the middlemen's part to show considerable loyalty to the manufacturer on hand. Thus, lengthy credit terms work both ways in favour of manufacturers as well as middlemen.

Of considerable importance is the fact that 81 per cent of all firms offer their own means of transportation facilities to deliver the firm's produce to middlemen (especially wholesalers) provided that points of deliveries are within the city boundaries in which the manufacturer operates. In other words, a manufacturer in Tripoli city would not offer his transportation facilities for deliveries outside the city, but within the city he would do so whenever it is needed.

Size of firm was found to be highly related to the number and extent of incentives offered to middlemen. In other words, large firms offered more of every incentive or service than did small firms. Also professionally managed firms tend to offer more services and incentives to their middlemen than owner-managed firms do.

Competition also showed higher correlation with the number and extent of services offered to middlemen. Confectionary firms were found to be more engaged in stimulating their middlemen by offering incentives than the macaroni firms which operate in a rather protected market against competition. The tomato firms showed less interest in offering extensive services to their middlemen because these firms are involved in marketing their non-tomato produce only.

7.3.4 The National Supply Corporation as the Largest Single Distributor

The National Supply Corporation - founded by the Libyan Revolutionary Command Council decree number 68 of 1971, article 12 - is the largest single distributor in the country with monopolistic rights to trade (importing, buying domestic produce and

selling) in food items which are classified as vital to the national supply. The Corporation so far deals with cereals (rice, barley and wheat) flour, cooking oil, sugar, tea, coffee, salt and recently, canned tomatoes as from the 1974 season's crop.

The objective assigned to the National Supply Corporation is to make these vital items of supply available in the market at controlled prices through the distribution channels and the final consumer level. Thus, the Corporation has no profit objectives and all capital needed is provided by the government.

According to the RCC decree number 68/1971 the National Supply Corporation has full rights to import those items, or any others which might be classified as vital in future, which are not produced domestically, or issue licences to wholesalers or other organisations within the country to import specified quantities. As for domestic produce, the National Supply Corporation is required to import only when demand for these products exceeds supply. This was put as a restriction in order to protect domestic produce from imports.

Organisation of the N.S.C.

The N.S.C. administers its operations from the city of Tripoli and has established nine branches all over the country in order to allow total coverage of distribution throughout the nation. The planning aspect of this organisation is central and all contracts are signed by the central management in the city of Tripoli, whereas deliveries are decentralised so that a shipment can be delivered to the nearest sea port to a given branch.

As for domestic agricultural produce (wheat, barley, olive oil and processed tomato) which is classified as basic for the nation's supply, large government storages were built up where these items were delivered and collected later by the N.S.C. for redistribution to its branches and/or processors at unified prices. Transportation costs are for the N.S.C. to pay. Where all items are sold to wholesalers a 5 per cent mark-up is allowed for wholesalers at the establishment's prices and 12 per cent for retailers on wholesalers' prices.

Operations

The N.S.C. does not only supply wholesalers in the distribution channels but manufacturers, bakers and millers also get their needs of those items through the N.S.C., considering that such a large Corporation would be in a good position for price bargaining in the world market and, therefore, would be able to sell at a relatively low price to domestic users. In addition to that, the Corporation has no profit objective, with the state undertaking transport to outlying areas.

The quantities of goods dealt with by the N.S.C. during the years 1972/73 and 1973/74 are shown in the following table.

Table (7-9) Shows Estimated Needs of the Country of Various Types of Commodity Supplies largely dealt with by the N.S.C.

Type of Commodity	1972/73 in Tons	1973/74 in Tons
Flour	150,000	170,000
Sugar	70,000	80,000
Ordinary Rice	21,000	30,000
Long Rice	1,000	2,000
Tea	12,000	12,000
Coffee	-	1,000
Oil	15,000	29,000
Wheat	90,000	225,000

Source: The National Supply Corporation. First and Second Annual Reports of 20/6/1973 and 31/3/1974.

It should be noted that manufactured tomatoes are not shown among the commodities dealt with in the table above because the N.S.C. was commissioned by the government to buy all manufactured tomatoes domestically in 1974. Thus, the size of the Corporation's deals with tomato manufacturers would appear in the Third Annual Report 1973/75 which has not yet been published. However, it was shown on p.p. 21 of the same Report that the N.S.C. imported slightly less than 2,000 tons (1,932 tons) of canned tomatoes to cover the shortage of the domestic produce with regard to this particular item during November 1973 and March 1974.

On its way to achieve the three main objectives (availability of supply commodities in the market, supporting the private sector corporations by supplying their needs for manufacturing and processing and unification of commodity prices to the consumer on a nationwide basis) the N.S.C. expressed difficulties in its 1974 Annual Report concerning distribution. These were as follows.

1. The existence of a large number of wholesalers dealing with the N.S.C. with clear lack of functional specialisation. They deal with a wide range of consumer commodities and operate as wholesalers and in so many cases also as retailers.
2. Difficulties in putting lower and upper limits of single transactions when dealing with individual wholesalers.
3. Storage and financial difficulties associated with individual dealers.

4. Lack of clarity in laws with regard to the functions of wholesalers and the N.S.C. is convinced that a limit should be put on the number of commodity items individual wholesalers should deal with.

Most of the difficulties expressed by the N.S.C. stemmed from the fact that sub-wholesalers who function in both wholesaling and retailing capacities find it more profitable to buy directly from the N.S.C. since they are allowed a 5 per cent mark-up on N.S.C. prices and sell the commodity at an additional 12 per cent to final consumers as a retailing mark-up instead of selling to retailers, which leaves them with the original 5 per cent only. Knowing that the N.S.C. deals with wholesalers only, apart from processors, this would mean that the sub-wholesalers are at a great advantage compared with retailers and other large wholesalers. The N.S.C., however, is aware of the double function of some wholesalers but did not identify them from the whole wholesaling link in the distribution system, a matter which led the N.S.C. to recommend revision of laws governing the distribution system and reform of the wholesaling link.

These difficulties, however, are well known practices in the marketing literature of underdeveloped countries (i.e. lack of functional specialisation, inefficiencies associated with dealing with a wide range of non-homogeneous commodities by individual distributors) and Libya in this respect is very similar.

7.3.5 Evaluation of the Distribution Channels

The Libyan food manufacturers under study clearly underrate the potential value of optimising their distribution networks through carefully selected channels. Instead they tend to accept "the way it has always been done" as a criterion for channel selection. The choice of individual middlemen appeared to be determined by financial strength and business morality of middlemen, mainly because informal deals are more used than formal contracts between producers and their middlemen. The manufacturers tend to sell most, if not all, of their produce to one link in the distribution channel, wholesalers being given the major share. The bypassing of several links in the distribution channel by manufacturers - a well known practice in the emerging nations - is not favoured by the Libyan manufacturers on hand, on the contrary, they tend to establish good relationships with middlemen in one or two links in the distribution channel.

Because of favourable market conditions (adequate market demand and protection from foreign competition) manufacturers tend to offer fewer services and incentives to their middlemen both in number of incentives and extent of them. Credit terms appeared to be the most important service given to middlemen, plus discounts and free transportation facilities.

Size of firm and type of management appeared to have considerable relationships with number and extent of incentives and services offered by manufacturers to middlemen. Equally, a direct relationship is found between the level of competition and the number and extent of incentives and services offered.

The National Supply Corporation established in 1971 is the largest distributor of food supply commodities in the Libyan market. It serves both processors and wholesalers. The N.S.C. expressed concern over abnormal practices of some wholesalers who lack functional specialisation both in the capacity under which they deal with the N.S.C. and the number of non-homogeneous commodity items they handle. The N.S.C. is convinced that laws governing the functions and diversifications of wholesalers should be revised and reformed in order to enable the N.S.C. to achieve its objectives.

7.4 Pricing, Competition and Overall Marketing Strategies

Under the general economic theory, which assumes perfect competition, a firm maximises its profits at a price level where marginal cost equals marginal revenue, whereas accountants are interested in a price level where total cost per unit is covered plus a profit margin. Both views agree that a profit should be made. But marketing people have other things to consider in fixing prices. Market conditions and psychological factors often dictate prices and price strategies used in different periods of time. In addition to this, government interference in controlling prices along with protection of domestic producers against foreign competitors in both developed countries in general, and emerging nations in particular, reduces competition to a level less than perfect. This means that the management of a firm has a limit within which prices are manipulated.

In underdeveloped countries - generally speaking - the limits within which prices are manipulated are even narrower than those in developed nations. As Sherbini pointed out, "domestic manufacturers in developing countries often face a dual problem in setting their basic prices. First, imports frequently impose an upper ceiling on prices and, secondly, prices become rigid once they are set". The second problem mentioned above refers to what was already stated, and this is government price controls and the requirement of any price adjustments to be approved by government.

In this section, the analysis will first be focused on pricing, major factors considered in fixing prices and responsibility for pricing. Second, levels of competition related to different sections of the food manufacturing industry, and, third, overall marketing strategies and the relative importance of various elements of the marketing mix to overall marketing strategies.

7.4.1 Pricing in the Libyan Food Manufacturing Industry

1 - Responsibility for Pricing

It was stated during the early stages of this chapter that respondents were asked to state the functional title of the person(s) responsible for each marketing activity including pricing, and it was then shown that responsibility for pricing differed according to different levels of marketing organisations within firms. In general terms, in firms at level two and three (relatively more advanced in their organisation of marketing activities) the general manager assumed responsibility for pricing policies which is a function broader in its boundaries than fixing particular prices for individual product items. Nevertheless, the general manager still finally approves the prices set by lower level executives. The marketing or sales manager in some cases, shared the responsibility for pricing with either the financial or production managers on the grounds that all are involved, one way or another, in the building up process of pricing.

In the less developed firms - with respect to their marketing organisations - mainly owner-managed (15 firms), the manager of the firms assumed full responsibility for pricing on the grounds that all managerial functions, (excluding production) including marketing are within his own sphere of responsibility. Under such a situation, the owner-manager is always equipped with capable accountants and production personnel for professional advice.

Given the situation as such, general managers - whether in advanced or less advanced marketing organisations, assumed responsibility for pricing one way or another. However, general managers are neither entirely free handed in setting prices of the firm's produce, nor are they free to adjust prices once the prices are set. First, prices of competitive producers are to be considered, second, government price controls are to be preserved including fixed mark-ups to wholesalers and retailers and third, any price adjustments are to be approved by government.

In an attempt to determine the extent to which government is involved in the pricing system of food manufacturers under study, respondents were asked a direct question "Are the prices of your produce fixed by government or the management of the firm?" 11 firms (nearly 50 per cent) claimed that it was the responsibility of the firms to fix its own price but also stated that government controls were applied through the distribution channels down to the final consumer level. The 11 firms claiming to fix their own prices are distributed between the three sections of food manufacturers as follows: 5 confectionary, 4 tomato firms which have other product lines apart from tomatoes, and 2 macaroni firms which are found to produce top quality or a special kind which requires different ingredients and both are classified as special. As for all manufactured tomatoes, which are governed by government

specifications and standardisations, prices are fully controlled by government through the national supply corporation. The remaining 10 firms claimed that their original prices are set by agreement between management and government, and fully controlled throughout the distribution channels down to the consumer level.

The trading mark-ups fixed by government for each link in the distribution channels involved with the manufacturers are as follows:

- 1 - Macaroni: 8 per cent mark-up for wholesalers on manufacturers prices, and 12 per cent for retailers. (Price Control Act 2 of 1966)
- 2 - All canned food: 10 per cent mark-up for wholesalers on manufacturers prices and 15 per cent for retailers on wholesalers prices (Price Control Act 14 of 1967).
- 3 - Confectionaries: 10 per cent mark-up for wholesalers and 15 per cent for retailers on wholesalers prices (Price Control Act 14 of 1967).

The Management of firms under such price control conditions has little room for price manipulation and strategies, confectionary firms to a certain extent being the exception due to fewer government protective measures against competition in the confectionary market.

2 - Factors considered in Pricing

In an attempt to find out the most important factors considered in pricing by the manufacturers under study, respondents were asked a direct question and were handed over a list of four suggested factors. They were also asked to include any others. The suggested factors were prices of foreign competitors, prices of domestic competitors, suitable prices to customers, and cost of production plus.

With the exception of two confectionary firms, all respondents who actually were involved in management pricing rather than direct government pricing, used cost-plus as an approach to pricing. The two exceptional firms considered cost of production plus profit margins and prices of domestic competitors as the two most important factors in their pricing systems.

Price policies of the food manufacturers under study, therefore, are based on a cost-oriented rather than a demand-oriented approach. Two reasons could be given for this. First, government price control restricts the management of a firm in fixing prices according to the forces of supply and demand, and second, a demand-oriented approach to pricing

requires considerable knowledge about consumer demand on the part of management, a factor which most of the firms managements are lacking. In other words, management of firms normally know more about product costs than consumer demand.

When respondents were asked to give their profit margins, they appeared to be extremely sensitive and refused to give any figures. All they could give were immeasurable statements such as "it is low reasonable" Some even went further, " Are you going to ask how much profit I make too?" and "I practice manufacturing not mainly for making profits but to contribute to building up our national industry .." Because of such a solid refusal to indicate profit margins, the researcher was denied the usefulness of business profitability assessment in relation to each food manufacturing section of the industry under study.

7.4.2 Competition:

In an attempt to measure levels of competition between domestic producers on the one hand, and between domestic producers and foreign producers on the other, a five-point scale was employed ranging from "very high" (5 points) to "very low" (1 point). Respondents were asked to respond twice to the five-point scale: one which was intended to measure the levels of competition between domestic manufacturers and the other for measuring levels of competition between domestic and foreign producers, as perceived by the food manufacturers under study. Because management action is determined by both, the management's way of thinking and its perception of its environment, it was hoped that their responses to the scale of measurement used would reflect their actual behaviour toward competition. Thus, those perceiving stronger competition would tend to be more involved in marketing activities than those perceiving low competition.

The mean values of the score points obtained are summarised in the following table broken down into different classifications.

Table (7-10) shows mean values of score points obtained for the measurement of levels of competition.

Classification	Competition between domestic producers. Mean value score.	Competition between domestic and foreign producers. Mean value score.
Total firms	2.0	1.4
<u>Size of firms (sales</u>		
Small	3.0	1.8
Medium	2.1	1.5
Large	1.0	1.3
<u>Type of management</u>		
Owner-managed	2.1	1.6
Professionally managed	1.3	0.6
<u>Section of market served</u>		
Confectionary	3.2	3.0
Macaroni	1.6	0.9
Tomato	1.3	1.0

The level of competition between domestic and foreign produce in the Libyan market is relatively lower than that level between domestic producers, as indicated in the table above. This reflects government restrictions on imports which is mainly protection of domestic produce. Thus, domestic firms felt a relatively higher level of competition among themselves. The level of competition between domestic producers is felt with different degrees depending primarily on the type of market served. Confectionary producers felt higher competition (Mean value of point score = 3.2), due to the nature of the market in which they operate, i.e. the market is relatively unprotected against imports and a large number of small producers of competitive and substitute products make the market rather competitive. The macaroni firms felt less competition compared with the confectionary firms, mainly because their products are very essential to the national diet. Therefore, the demand for this produce is adequate and the market is protected against imports. Considering that their total output barely satisfies the domestic demand, one would expect the level of competition between those firms to be relatively low. This explains why their mean value of parts score (1.6) is lower than that of all firms (2.0). As for the tomato firms - the lowest mean value (1.3) - their market is totally protected against imports and their involvement in marketing is limited to minor products of non tomato nature, i.e. vegetable processing.

These findings are very consistent with the degree of firms' - in different sections of the foods industry - involvement in marketing activities. It was found earlier on that the confectionary firms were more involved in marketing research, advertising, customer contact and the use of salesmanship, compared with the macaroni firms which in turn appeared to be more involved than the tomato firms in this respect.

Levels of competition between domestic producers were found to decrease with size of firm (in terms of sales value). The mean value of score points was found to be 3.0 with regard to small firms compared with 2.1 and 1.0 for medium and large firms respectively. These findings are consistent with what was found earlier on and that is, large firms are well established in the market and tend to be less active in advertising, customer contact and the use of salesmanship. In addition to this, large firms appeared to be more involved with large wholesalers with a higher degree of loyalty. Under such circumstances, small firms are expected to face difficulties before they can settle down comfortably in a reasonable share of the market, thus, would feel higher levels of competition compared with larger firms. The same could be said about small owner-managed and professionally managed firms, in the sense that only 6 firms are identified as professionally managed, four of which are large and the remaining two are medium. The mean values of score points of owner-managed and professionally managed firms were 2.1 and 1.3 respectively.

Another area of manufacturers' perception of levels of competition was investigated in order to supplement the five-point scale used earlier on. Respondents were asked directly whether the government should introduce more protective measures against competition.

One third of all firms stated that no more measures should be introduced, another third (7 firms) declined to comment and the last third suggested that more protective measures should be introduced. As was expected, the seven firms in favour of more protection against competition consisted of three small confectionary firms and four small macaroni firms. This, in fact, reinforced the previous findings that small firms perceived higher levels of competition compared with medium and large firms.

7.4.3 Marketing Planning and Strategies

7.4.3.1 Marketing Planning

In the preceding sections of this chapter, discussions have been limited to the analysis of individual marketing functions and practices. In this section discussion will be focussed on whether the food manufacturers under study have adopted systematic planning of their marketing activities and strategies. In other words, marketing activities without the discipline of planning are more likely to become an uncoordinated and inefficient series of tactics usually in response to environmental conditions of a market.

Efficient performance of marketing activities in any commercial establishment depends largely on whether objectives are clearly defined, plans to fulfill the objectives are clear and well communicated within the establishment at different levels, and certain measures of performance, and whether controls are implemented in order to measure both individual performance and overall achievements of corporate objectives. It follows that in order to have clear objectives, plans and strategies, these elements should be written and communicated wherever and/or at any level they are needed, usually at managerial levels. Apparently, written marketing plans present a form of control on future performance, whereas firms without such plans merely react to events.

The use of marketing planning implies the use of marketing budgets which are plans in their own right. In this sense, marketing plans have their own input and output values. In other words, marketing planning - using marketing budgets - is a combination of funds and efforts allocated between various elements of marketing activities over a given period of time (input) in order to achieve desired objectives (output). In marketing terms, output is usually given as expected sales, and the inputs are usually determined according to their estimated output. How much money and/or effort should be allocated to each element of the marketing plan (budget) depends on the desired or expected output of the element itself. Thus, if a manager of a firm feels that product quality is the major determinant factor of the product's success, one would expect that product efforts would constitute the most important input to the firm's marketing budget.

Similarly, if a manager of a firm feels that all his production could be sold with minimum marketing efforts, (adequate market demand and/or inflexibility of production factors), one would expect marketing planning and budgeting to receive little attention by the firm's management. Thus, market conditions and levels of competition have impact on both the use of marketing planning (budgets) and the extent to which such budgets are employed, in terms of inputs.

While manufacturers in the industrialised nations may find expanding their production levels (relatively speaking) no longer much of a problem compared with increasing sales volumes, their counterparts in the emerging nations are more likely to face production difficulties and/or inadequate supply of raw materials due to low levels of technological advancement.

Thus, such manufacturers in the emerging nations are expected to emphasise the production part of their businesses rather than the marketing aspect of their activities, whereas their counterparts in the industrialised countries are more likely to emphasise the marketing aspects of their businesses

in order to generate more sales and profits.

Keeping this in mind, the Libyan food manufacturers under study often face a situation where domestic agriculture produce differs from one year to another depending on the amount of rainfall throughout the year. In addition to this, the market demand for domestic products always exceeds its supply, which means that the firms on hand have the opportunity to sell more, but are restricted insofar as production facilities (availability of raw materials and technical know-how) are concerned.

For all these reasons, the researcher expected that neither written marketing plans nor marketing budgets would be commonly used by the manufacturers under study. In other words, their marketing plans - if used at all - were expected to be merely reactions to market conditions rather than acting according to specific plans which might influence future events.

Respondents from all firms were asked to state whether written marketing plans and budgets are used by management of firms. They were also asked to state the planning horizon used for their marketing plans. It was found that only one firm used written marketing plans. The respondent from this firm claimed that the management of the firm was familiar with marketing budgeting which was prepared by the firm's financial manager. When asked about allocation of funds between various elements of the marketing activities, he stated that 50 per cent of the total marketing budget was allocated to product efforts, 30 per cent to distribution, 15 per cent to marketing research and 5 per cent to sales efforts. The firm was found to be in the confectionary market and was most advanced, insofar as organisational structure was concerned.

When the remaining respondents were asked to give reasons for not adopting the concept of marketing planning and budgeting, various reasons were given (e.g. the firm's production is too small, I could sell more if I could produce more, production does not always go the way I try to plan it and one respondent went further to state that an Egyptian dealer offered him a contract involving 100,000 tons of macaroni annually to be sent to Egypt ... "I have neither production facilities at the moment nor can I ensure that I can produce that much consistantly every year")

These statements suggest that for many firms production problems are more critical than the marketing ones. Availability of raw materials, along with the domination of owner-managers who strictly control the management of firms by right of ownership, create a situation where production expansion is minimal. The researcher believes that availability

of raw material is no longer much of a problem provided that managers really want to expand, simply because the National Supply Corporation supplies both macaroni and confectionary firms with most of their needs of raw materials at a relatively cheaper prices. Thus, attitudes of managers towards business is a key factor in governing production expansion. Availability of capital proved to be a negligible factor in this respect for two reasons. First, an amount of LD3.4 millions were granted as free of interest loans by the Industrial and Real Estate Bank to industrial establishments in the private sector over the three years ending January 1973. A considerable proportion of this amount went to the food manufacturing industry. In addition to this, bank credits from commercial banks to industrial units in the private sector averaged LD9.4 millions between 1968 and 1969 and continue to increase at a rate of 3.2 per cent annually. 11 firms have benefitted from loans of either the Industrial and Real Estate Bank or Commercial Banks. This means that capital resources are made available for expansion. Second, a large number of firm managers have other investments beside their manufacturing businesses, which means that their total capital, being split between different small businesses, would not allow expansion of their manufacturing business. This was supported by strong evidence from the empirical work on hand where the average rate by which production was increasing over the years 1971/1972 and 1973 was found to be 3.7 per cent, insofar as the manufacturing firms on hand are concerned. The point to be made in this respect is that marketing planning and budgeting could be an answer to production difficulties, i.e. if a manager feels that the firm's annual sales could be doubled, one would expect the manager of the firm to review his production facilities, the sources of capital available and the manpower needed in order to arrive at a production programme which would enable the firm to double its annual sales. Thus, given that capital is available, one way or another, machinery for production could be imported and technical skills and manual labour could be obtained from either foreign or local sources, it appears that attitude to business on the part of firm managers is the key factor governing the status quo in the Libyan food manufacturing industry.

When respondents were asked to state whether they plan for specific rates by which their production increases annually; only four respondents claimed to do so. The remaining 17 firms claimed that fluctuation in domestic agricultural produce, which they mainly use as raw material, makes it difficult to plan specific rates of production growth. Further details were gathered when respondents were asked to state their sources of raw material supply. 8 firms stated that they get their raw materials from government sources (mainly the National Supply Corporation), 7 respondents claimed from both government sources and domestic producers. The remaining 6 firms claimed that they get raw materials from local producers only and these are the tomato firms. Thus, apart from the last 6 tomato firms,

the sources of raw material supply is rather stable (the National Supply Corporation has the right to import any quantity of raw material needed to satisfy the needs of macaroni firms). This means that the manufacturers involved could programme their production under conditions of relatively reliable flow of raw materials. This emphasises the fact that market planning could be implemented along with production programming.

The researcher believes that the tomato firms, which are completely dependent on agricultural producers, have an opportunity to orientate their marketing activities towards those producers since all manufactured tomatoes are marketed by the National Supply Corporation, i.e. tomato manufacturers could provide incentives to agricultural producers involved in order to obtain both quality and adequate quantities of produce. A list of 4 different incentive techniques were introduced to respondents from the 6 tomato firms - and respondents were asked to add any other techniques used - and asked which they used if any. The incentive techniques which appeared in the list are: Agreement on prices before the season; providing credit terms to producers during the season; providing technical information about methods of growing quality raw materials, and supplying producers with free quality seeds to grow. Results obtained showed that 5 firms used advance agreements on prices, one firm used the supply of free quality seeds plus importing packages and selling them to his suppliers at cost prices, one firm used advance price agreement, providing technical information plus immediate payments on the spot when raw material is delivered to the firm. These results show that tomato manufacturers are involved, one way or another, in motivating their suppliers which is considered by the researcher to demonstrate marketing activities oriented toward suppliers. On the other hand, inefficiency in handling the material when delivered to the firms is very high, and this is a result of lack of marketing knowledge. i.e. truck loads of fresh tomatoes delivered by the growers to the manufacturers during the 1968 crop-year contained an average of 48 per cent mouldy, sour, rotten, diseased and filth contaminated tomatoes (several incidents of this kind are recorded every year) reasons being shared between both growers and processors. On the part of the growers, poor marketing facilities such as grading, packaging and poor timing in delivery, contribute a lot to the inefficiencies witnessed over the years. Insofar as manufacturers are concerned, their insistence on direct processing from the point of delivery to the manufacturing leads to long queues of truckloads under extremely hot weather conditions for several days and this results in rotten produce. Air conditioned large storage areas could be an answer to this problem in the sense that it could minimise the lost quantity. Perhaps it would be useful to quote one of the manufacturers

involved (managing director of a shareholding firm) saying "... you have been abroad learning things there ... but you do not know what it is like hereall over the season all growers push their stuff at once we just cannot cope with their pressure ... we operate on a 24 hour basis so that we can process as much as we can what would you do in my case anyway?" When the researcher suggested the idea of building up a large air conditioned storage area in which most of the fresh tomato could be kept and channelled to the processing lines, the response was "You are talking about dozens of thousands I will end up closing down the whole factory..."

The way of thinking, then, determines the course of action. Long-run investment in storage facilities will not only pay back in terms of minimising the quantities lost, but it would also attract growers to supply this firm rather than the other. In other words if a manager of a firm decides to make such an investment, growers are more likely to direct their supply to this firm in order to minimise their own losses induced by the time spent waiting in a long queue and the quantity of produce they lose as a result of the time factor under severe weather conditions. (growers are paid for the quantities that satisfy regulations, specifications and standards of tomato processing).

One may conclude, therefore, that shortage of raw material is not the most decisive factor governing the present situation of the manufacturers on hand, but rather the attitude to business along with a lack of marketing education on the part of management are responsible for the low rates by which their production grows. Marketing, the researcher believes, could contribute a lot to the progress of the food manufacturing industry.

7.4.3.2 Marketing Strategies

In an attempt to measure respondents perception of relative importance of several marketing elements (production efforts, sales efforts, distribution efforts and marketing research efforts) to their overall marketing strategies, each respondent was asked to allocate 100 points to each of those areas of marketing according to their relative importance to overall marketing strategy. The aim of this exercise is, first, to relate their perception - as recorded by their allocations of the 100 points - to individual marketing activities mentioned above, with their actual marketing practices discussed earlier on. Second, to find out whether managers from different sections of the food manufacturing industry differ insofar as their subjective evaluation of individual elements of marketing strategies are concerned.

The four major policy areas of marketing strategies were described to respondents as follows:-

1. Product efforts: including product planning and development, product lines and product item assessment and product research.
2. Sales efforts: including sales and/or the marketing department, personnel selling, advertising, displays and demonstrations, and other marketing communications.
3. Distribution efforts: including channel selection, choice of middlemen, evaluation of distribution channels, inventory control and physical distribution.
4. Marketing research efforts: including sales analysis, sales forecasting, market analysis, consumer surveys, and data and statistics collection.

It should be noted that the 100 points allocation technique was used in an extensive study of the marketing strategies of United States manufacturers, and repeated in the study of manufacturers in Peru (129). In this study the areas of marketing strategies were slightly modified to include marketing research instead of pricing strategies which is one of four major areas used in both studies referred to above. Therefore, results are not fully comparable with the study on hand. The reasons for not including "pricing strategy" in the major four areas used here is that pricing, as discussed previously is highly influenced by government price control, a matter which leaves little room for the Libyan manufacturers on hand to adopt a competitive pricing policy and/or strategies to a large extent.

By adopting the 100 points allocation technique - in its modified form - the following results were obtained.

Table (7 - 11) shows relative importance of major elements of marketing strategies.

Policy area	Average of points allocated
Product efforts	70
Sales efforts	9
Distribution efforts	14
Marketing research efforts	7
	—
Total	100

The most striking point about the results shown in the table above is that product efforts are perceived as the most dominant facet of any marketing strategy for almost all respondents. Product efforts are expected to be the most important in the marketing strategies of the manufacturers under study, but not to the extent of allocating 70 points

compared with 30 points allocated to the other three facets of marketing strategies. It seems that respondents were influenced by their general production difficulties in their perception and therefore overstated the relative importance of product efforts. Distribution efforts appeared to be the second most important facet of the marketing strategy simply because it is an area where firms really compete in terms of discounts, credit terms and providing transportation facilities to customers. Marketing research was expected to be low in importance since most of the research work done was somewhat superficial.

In relating these findings to parallel studies in the United States and Peru, it appeared that product efforts in both countries were perceived by respondents to be the most important facet in their marketing strategy. Respondents allocated 35 points to product efforts in Peru compared with 41 points for the United States. While distribution efforts were the second most important factor for Libyan manufacturers, sales efforts came second both in the U.S. and Peru (the points allocated being 28 and 25 respectively).

In an attempt to find out whether marketing strategies vary significantly from one section of industry to another, the following results were obtained.

Table (7 - 12) shows the relative importance of major facets of marketing strategy by section of industry.

Policy area	Average of points allocated		
	Confectionary firms	Macaroni firms	Tomato firms
Product efforts	60	71	80
Sales efforts	19	7	8
Distribution efforts	10	15	4
Marketing research efforts	<u>11</u>	<u>7</u>	<u>8</u>
Total	100	100	100

Despite the fact that the relative importance of product efforts is still very high in all sections of the food industry on hand, confectionary firms appeared to weigh sales efforts as second in importance with significantly higher points allocated to this facet (19 points) compared with 7 points and 8 points for Macaroni and Tomato firms respectively. In this sense, confectionary firms tend to perceive the relative importance of the first three policy areas shown on the table

in the same way as the United States and Peruvian firms' executives did. What makes the confectionary firms differ significantly from the other two sections of industry in this respect, is that they face a higher level of competition in the market which makes their involvement in sales efforts relatively high.

The type of management (owner-managed and professionally managed) showed insignificant differences in their perception of relative importance of different facets of marketing strategies except for marketing research efforts. Professionally-managed firms allocated 13 points for marketing research efforts compared with only 6 points allocated to the same facet by owner-managed firms. This was found to be consistent with their actual practices, as already concluded earlier in that professionally-managed firms are more involved in marketing research than owner-managed firms.

Table (7 - 13) shows relative importance of major facets of marketing strategies by type of management.

Policy Area	Average points allocated	
	Owner managed	Professionally managed
Product efforts	75	71
Sales efforts	9	9
Distribution efforts	10	7
Marketing research efforts	6	13
	—	—
Total	100	100

Size of firm also showed that small and medium firms allocated more points to sales efforts than large firms. It was found that sales efforts came as the second most important facet and distribution effort was rated third insofar as small and medium firms were concerned. For large firms, marketing research efforts were perceived as the second most important facet after production efforts, and distribution efforts came third in importance.

Table (7 - 14) shows the relative importance of major facets of marketing strategies by size of firm

Policy Area	Average of Points Allocated		
	Small	Medium	Large
Product efforts	72	68	72
Sales efforts	13	17	6
Distribution efforts	9	11	8
Marketing research efforts	6	4	14

7.4.4 Evaluation of Marketing Planning and Strategies

Generally speaking, the way management in the food manufacturing industry in Libya deals with marketing planning could be described as a mere reaction to events rather than an attempt to cause or control future events. With few exceptions, managers seem to think that production difficulties are responsible for any failure in planning their marketing activities.

Lack of marketing education on the part of management along with their attitude toward business are two important factors hindering both production and marketing planning. Persistence of owner-managers on direct control of their business deprives managements of these firms of functional specialisation and employment of managerial talents. This in turn is reflected in poor planning and low rates of growth in their businesses.

The researcher believes that marketing planning could contribute considerably to regulating production, which fluctuates from one year to another and to maintaining steady rates of growth of the firms under study.

Evidence from the empirical study showed that two firms have adopted marketing planning, one of which used such plans in a written form. Both firms showed higher rates of growth in production and annual sales than the average for all firms.

The relative importance of major facets of marketing strategies based on managers' perception reflected their actual marketing practices.

Product efforts were exceptionally perceived as the most important facet of marketing strategy by all firms. Despite the fact that product efforts were expected to be given a higher weight in importance compared with the other facets, the points allocated to this facet are thought to be overstated, the reason being that respondents associate their major difficulties with production, a matter which was reflected in their perception of relative importance of product efforts.

Distribution efforts came second in relative importance, sales efforts third and marketing research fourth. The way the Libyan respondents allocated points to the facets of marketing strategies differed significantly from that of their counterparts in the United States and Peru. While the Libyan manufacturer perceived distribution efforts as second in importance, his counterparts in Peru and the United States considered sales efforts as the second most important. The number of points allocated to distribution efforts in the three countries showed insignificant differences. Peruvian manufacturers allocated 17 points to distribution, the United States 18 points and the Libyan manufacturers 14 points. The difference in considering sales efforts as the second most

important by Peruvian and American manufacturers reflected their degree of involvement in sales efforts under relatively high levels of competition compared with Libyan market, thus Libyan respondents considered sales efforts as third in importance. This was supported by other evidence when the relative importance of sales efforts was related to section of industry, where confectionary firms (relatively highly competitive market) rated sales efforts as the second in relative importance, whereas macaroni firms considered sales efforts as third in importance.

The type of management (owner-managed and professionally managed), showed relatively insignificant differences in their perception of relative importance of all facets of marketing strategies except for Marketing research efforts which was perceived as second most important. This was also found to be the case in large firms which perceived marketing research as the second most important facet. Small and medium firms considered sales efforts as the second most important.

The overall marketing strategies of the Libyan food manufacturing firms, therefore, reflect a state of production oriented approach in the sense that product effort was considered as the determinant factor of marketing strategies. Product efforts which received the lion's share in relative importance did not necessarily reflect the marketing aspect of the product efforts facet of the marketing strategies, but rather it reflected production difficulties felt by the respondents, a matter which resulted in over-stating the relative importance of product efforts.

7.5 Evaluation of hypotheses.

1. It was hypothesised that the acceptance of the marketing concept in Libya, as evidenced by the degree to which firms employ advanced marketing methods, (defined as employing marketing research, advertising, sales promotion, efficient channels of distribution and product development), is a function of the firm's size, type of management, type of ownership, age of firm, education of management, employment of foreign marketing know-how and the nature of market competition.

In preparation for detecting the degree to which firms employ advanced marketing methods, organisational structure, in general, and marketing organisations within firms, in particular, were examined. The findings of the empirical work showed that with the exception of six firms, all firms appeared to have no marketing organisations, thus their marketing activities were performed mainly by non-specialist managers of firms and in some cases by other employees regardless of their functional titles. The six exceptional firms grouped most of their marketing activities within what they called, "sales department". One firm appeared to have

established a marketing department headed by a commercial manager with a sales department as a sub-division.

Given that the organisational structures of most firms lack functional specialisation and marketing activities are dealt with by non specialised executives, the use of individual marketing techniques such as marketing research, advertising, generating new product ideas and the others, appeared to receive little attention by management of firms as specialised marketing techniques.

At the use of individual marketing techniques level, the degree to which firms employed such techniques appeared to be very low and often missing. In so many cases, respondents indicated that they face no difficulties in selling their produce. In fact, some suggested that they could sell twice as much with minimum marketing efforts. This peculiar situation suggests that constraints either within or outside the firms are hindering sales optimisation of firms. This will be discussed at a later stage of this section.

Because of the low acceptance of the marketing concept as evidenced by the low degree to which individual marketing techniques are employed by the food manufacturers under study, it appeared that there is no other alternative than evaluating firms in terms of which firm employs what marketing technique, regardless of the degree with which firms employ the technique.

1. Marketing research - a highly sophisticated marketing technique which is undertaken by the Libyan manufacturers under study on a rather superficial basis - was found to be highly related to size of firm. 71.4 per cent of the large firms (in terms of sale value) used marketing research compared with 66.6 per cent and 50 per cent for medium and small firms respectively. Similarly, marketing research was found to be highly related to education of management. 100 per cent of the highly educated managements used the technique compared with 66.6 per cent and 50 per cent for medium and low educated managements respectively. Marketing research is also related to the level of competition in the markets served by each section of the food manufacturing industry. 80 per cent of the confectionary firms (highly competitive market) used marketing research compared with 66.6 per cent and 50 per cent for macaroni firms (relatively competitive market) and tomato firms (low level of competition). Professionally managed firms used more marketing research (66.6 per cent) compared with 60 per cent for owner-managed firms. Relating the use of marketing research to size of firms, it appeared that 64.3 per cent of the newly established firms used this technique compared with 57 per cent for older firms. This last relationship is not significant

enough to suggest that it presents a new trend on the part of newly established firms. As for the employment of foreign nationals at managerial levels, both the number of foreign nationals and the number of firms in which they were employed was found to be very low, thus proving to be insignificant for comparative purposes.

2. Advertising is used by only 38 per cent of the firms on hand on an occasional basis except for one firm in the confectionary section of the food industry. Radio and television commercials are non-existent in Libya. Both media are owned by government. The only significant relationship found was that 53.3 per cent of the owner managed firms used advertising, whereas none of the professionally managed firms employed this technique.
3. Promotion and salesmanship: The most popular form of promotion was found to be customer contact based on personal contact and relationships. This form of face-to-face contact as a method of sales promotion is directly responsible for making sales, and apparently is emphasised by most firms as a substitute for other marketing techniques such as advertising, expositions and other promotional techniques. The determinant factor in using personal contact with customers is the fact that a large number of the manufacturers on hand had experience in trade (wholesalers, contractors or land owners) prior to their manufacturing business, thus channels of communication between manufacturer/customer are already established which made personal contact possible. Evidence from the marketing literature showed that Peruvian manufacturers in general, occupied production positions from which they gained experience prior to entering their manufacturing business. This experience gave them little knowledge about marketing, thus they used more impersonal methods of sales promotion than their counterparts in Libya.

Customer contact was found to be highly related to size of firm. The nature of this relationship is positive. 87.5 per cent of the small firms used customer contact heavily compared with 83.3 per cent and 57 per cent for medium and large firms. Competition and the use of customer contacts are found to have a direct relationship. 100 per cent of the confectionary firms used the technique of sales promotion compared with 80 per cent for macaroni firms and only 50 per cent for the less competitive tomato firms. Low educated managements are also dependent on personal selling. 83.3 per cent of low educated management of firms depended on personal

selling compared with 66.6 per cent for both medium and highly educated managements. Owner managed firms are also reliant on this technique (86.6 per cent of firms in this category used the technique compared with 50 per cent for professionally managed firms). Similarly, 85.7 per cent of the newly established firms relied on personal contact with customers compared with 57 per cent for the older firms.

4. The Libyan food manufacturers under study clearly underrated the potential value of optimising their distribution networks through carefully selected channels. Instead, they tend to accept, "that is the way it has always been done", as a criterion for channel selection.

Manufacturers in the Libyan food industry differ from those of other under developed nations in the sense that they do not by-pass the channel links. A negligible quantity of produce is sold directly from small manufacturers to final consumers. Moreover, the manufacturers on hand tend to sell all their produce to only one link in the distribution channels, i.e. to wholesalers or retailers; with small manufacturers preferring to deal with sub-wholesaler and retailers.

The choice of individual middleman appeared to be based on his financial strength and business morality. This criterion appeared to be common among large and medium size manufacturing firms. While a manufacturer relates loyalty to the business morality of his customers, the middleman expects priority of delivery from the manufacturers. The question of business morality was given a significant value mainly because most of the deals between manufacturers and middlemen are undertaken on a personal basis rather than formal contractual agreements which protect both parties.

We may conclude at this stage that insofar as the first hypothesis is concerned, the degree to which advanced marketing techniques are employed is very low. The mere use of individual marketing techniques varied from one category of firms to another. While large and professionally managed firms along with those of highly educated managements used marketing research more than the other categories, sales promotion based on personal contact with customers, the use of salesmanship and to a certain extent the use of advertising were found to be more used by smaller and owner-managed firms along with less educated managements categories. The nature of the market was found to be the strongest factor determining the use of all marketing techniques.

(i) It was further hypothesised that notwithstanding the above (hypothesis 1), the overall level of marketing sophistication in the Libyan food manufacturing industry would be determined by external variables outside the individual firm, some of which are under the control of government and the others within the context of socio-psychological and economical aspects of development.

(i)a. With regard to government policies concerning national industry, the public sector viewed its role as:

- A. The launching of large industrial projects for the manufacture of important natural resources such as raw minerals, natural gas and petroleum as a fundamental basis of the Libyan industrial economy.
- B. The establishing of medium industries aiming at meeting the local market's needs throughout the country. The public sector would play an effective and influential role in executing these projects through participation with the private sector, not through the extension of loans to this sector.
- C. The establishing of light industries to meet the local market's needs for consumer goods within a limited area. These projects are regarded as belonging to the private sector, and therefore, the public sector will not implement them, unless the private sector fails to invest in some projects of this type. Private sector's projects of consumer goods are encouraged through industrial credits. The limited role played by the public sector in the consumer goods industry suggests that the two sectors do not compete against each other, but they rather form an integrated industry. In fact, the government's Industrial Research Centre, which began its active role on November 7, 1970, provided technical and applied industrial researches to both the private and public sectors, a matter which revealed the government's intentions to enable the private sector to expand in the consumer industry.

Industrial credits and extended industrial research services for the private sector are accompanied by strong government measures to protect this growing industry from foreign competition. Among these protective measures are: Import reduction - In some cases a complete ban - higher custom duties on

imports, first five years free of income tax on production, reduction of rates of electric current used in private sector industry, exemption of a large number of firms from customs duties on machines, tools and spare parts imported for production purposes along with the involvement of the National Supply Corporation in marketing all the canned tomato produce of all firms involved in any quantity.

Under such protective conditions, firms in the private sector in Libya appear to be the most protected and encouraged to expand. Thus, most factors within the control of government - if not all - are used in favour of the manufacturing firms which does not support the first condition in the second hypothesis.

One might still argue that the natural tendency of any businessman is to let up if he is behind a protective barrier, thus, when protection measures are exaggerated and/or continued too long, individual firms will have less incentives to develop their production and marketing techniques. This line of thinking might have some merits insofar as semi-developed countries are concerned. In the Libyan case, manufacturing experience started as late as the 1950's. Future uncertainty due to lack of both formal education and manufacturing experience on the part of the Libyan businessman, has been leading the manufacturers on hand to take any further expansion in their manufacturing businesses with great caution. Without such strong protective barriers, therefore, the survival of these firms would be doubtful.

- (i)b. Insofar as socio-psychological and economical aspects of the general development of the country are concerned, the impact of these factors on the conduct of business, in general, and on marketing development in particular, is considerably higher.

Following the discussions in Chapters 3, 4 and 5 concerning economic social and marketing structure in Libya, it was shown that until 1951 - when the country gained independence - the country was classified as one of the poorest economically, with one of the highest rates of illiteracy in the world. The sudden discovery of large oil reserves in the country did not provide an immediate answer to all questions of economic and social development. First, the sudden wealth generated from oil exports increased per

capita income to exceptionally high levels and this was reflected in increased per capita consumption and ultimately increased imports as domestic industry was almost non-existent at that time. Second, the huge investments carried out by successive governments were based on public works education, public health, transportation networks and other basic infrastructure rather than short-run industrial and agricultural productive projects. These areas of investments attracted the Libyan businessmen to invest in related projects such as contractual works and importing material needed for government projects, rather than entering manufacturing businesses which needed industrial experience and pay back over a relatively longer time, a matter which involves a great deal of risk. Third, educational development which is a rather long processes, received considerable attention from the governments and huge investments in this area were carried out: nevertheless, it is the new generation who benefitted from this investment as it was too late for the older generation to be involved in the educational process. Thus those at decision making levels in all sectors (economical, political and social) remained uneducated, the result is resistance to both change and modernisation and this factor has been frustrating any significant development in the economic and the social set up of the country, i.e. social values, attitude towards business and material gains, the scale of business operations and marketing practices were all faced by strong attitudes against modernisation and development.

Education, whose purpose is partly to create a new educated and efficient generation, served only the government and its establishments and played a minor role (if any) in the private sector industry. All graduates and middle college leavers are absorbed by government and its establishments, which means that management in the private sector is left without new skills and talented university graduates. The lack of skills and management and executives educated in marketing in the private sector industry, therefore, is a result of the educational system which served only the government and the public sector industry. Unless the educational system is changed in a way which would serve both sectors of the national industry (e.g. some graduates from the faculty of economic and commerce should be allocated to privately owned firms), management in the private sector will remain poor for a very long time.

With regard to all the factors mentioned above it appears that when a country is in a process of development, certain aspects within the socio-economic environment tend to change, relatively, faster than the others. In the Libyan case, it was shown that availability of capital is not a simple answer to the overall development of the country. The classical example in this respect is the fact that a large number of the manufacturers under study were found to be involved in more

than one particular business. They tend to invest their available capital in so many different businesses, one of which is manufacturing. Factors governing such practices vary from precaution against future uncertainty, social values which might appreciate acquisition, providing employment to relations as a form of expressing the value of kinship, to seeking power and authority through the rights of ownership. The results of such attitudes toward business are, lack of specialisation, slow process of building up experience with respect to all businesses undertaken and ultimately inefficient results despite the satisfaction a businessman might get from such business practices.

The import-substitution approach to industrialisation in Libya - an approach which is characterised by selecting easily produced and sold products which require relatively small capital investment - has left the food manufacturers without other related and supportive industries such as packaging, tools and spare parts industries. This means that the manufacturers under study have to import almost everything from machinery, tools, spare parts, packaging of all types to production techniques and maintenance personnel. Disruption in the production process is often a result of delays in deliveries of such items which indicates poor planning and poor inventory control on management's part. The establishment of supportive and/or related industries, therefore, is a requirement if continuous production is to be maintained. This, however, should not be regarded as under-estimating the fact that management planning could be an answer to the production difficulties resulting from non existence of supportive industries. Good planning can indeed solve the problem, but this assumes good management which is not always the case especially in owner-managed firms.

To qualify our second hypothesis, it may be concluded that the overall level of marketing sophistication in the Libyan food manufacturing industry is determined by:

1. Increasing the levels of management education by short course facilities being made available to the private sector in industry and modification of the educational system in order to serve both public and private sectors of the national industry.
2. The protective measures against domestic and foreign competition should be maintained, meanwhile competition between domestic producers should be increased by modifying the pricing system to show quality differentials between different products. This would allow the industry to grow under relatively normal conditions.

3. Attitudes toward business such as investment in different types of businesses would neither increase production levels nor improve marketing efficiency of the manufacturers on hand. A government extension service department could be worthwhile exploring as a possible way of increasing efficiency of both production operations and marketing practices of the private sector industries.
4. Investment in supportive and related industries should be created and encouraged in order to reduce the dependency of food manufacturers on foreign markets.
5. The main problems facing food manufacturers in Libya is how to increase production rather than to increase sales volume. Availability of capital is not the cause of production difficulties but rather inadequate supplies of raw materials and poor production planning are two main reasons for such problems. Marketing planning and budgeting - an area of marketing which received little attention by the managements of firms under study - could be an answer to production difficulties in the sense that production planning should be based on marketing planning in the first place.
6. Finally, marketing practices which are based on personal contacts and relations, insofar as the manufacturing firms under study are concerned, are in fact derived from the social values of the Libyan society in which they operate. Most businesses of almost all kinds are done on a personal basis rather than by contractual written agreements. Under such conditions the morality of businessmen as well as manufacturers is a determinant factor in business deals. Despite the amount of risk taking involved in personal deals, the method accounts for a large proportion of sales of individual firms and proved to be adequate in serving the needs of both manufacturers and middlemen.

CHAPTER EIGHT

CONCLUSIONS, RECOMMENDATIONS AND IMPLICATIONS

Introduction

Recent studies of comparative management and marketing practices suggested that when environmental conditions differ significantly, as in the case between nations, present theories of management are inadequate to explain differences in practices and efficiency of managers in different countries. This means that before managerial and marketing practices are compared, one has to study first the socio-economic and cultural environments in which different business enterprises operate.

For this reason, coupled with the fact that marketing literature about the Libyan market is almost non existent, a considerable part of the present thesis was devoted to describing, analysing and evaluating the socio-economic and cultural factors affecting both the market structure and current marketing practices of the Libyan food manufacturers.

In view of the analysis of the Libyan marketing environment an evolutionary approach was used in order to relate significant developments of the marketing environment to market structures and marketing practices.

Certain hypotheses concerning the acceptance of the modern marketing concept in the Libyan food manufacturing industry were tested, in order to determine the extent to which certain marketing techniques are employed by individual firms. An attempt was also made to assess the relative importance of major marketing facets to overall marketing strategies of the food manufacturers under study.

From the study of the Libyan market, marketing environment and the marketing practices of food manufacturers; certain general conclusions emerged. In broad terms, some of the findings are probably applicable to other emerging nations at a similar stage of socio-economic development as Libya, although specific individual details may differ for other countries.

The conclusions will be analysed in the following order:

1. Market structure and environmental development.
2. Evaluation of marketing organisations and practices of food manufacturers in Libya.
3. Trends and recommendations.
4. Implications.

8.1 Market Structure and Environmental Development

Throughout the first three chapters of this study, it was shown that until 1960 Libya was classified as one of the poorest nations of the world. The expert view in 1951, when the country gained its independence, was that without substantial capital and technical assistance from abroad, economic and social development in Libya would be next to impossible. This assessment was based on the following facts:

1. Lack of natural economic and energy resources (Oil had not been discovered at that time).
2. 90 percent of the population were illiterate, 80 per cent of the total population were engaged more or less in substitute farming and animal husbandry, and per capita income was estimated at LD 15, one of the lowest in the world.
3. The country had a large total land area with a relatively small population widely dispersed throughout the country, a matter which hinders both the development of the national economy and the integration of the national market.

Although the precise nature of the relationship between environmental factors and market structures is subject to some speculation, this study showed that such a relationship could be usefully studied within an evolutionary context over a given period of time, sufficient enough to determine the extent of change in both environmental conditions and market structure.

In this respect, the Libyan experience provided the following pattern of interaction..

- 1.1. The Libyan economy, before the Italian invasion in 1911, could be described as simple in its components. Subsistence farming, animal husbandry, handicraft and caravan trade constituted the major economic activities of Libyans. Consequently, their consumption patterns were simple. (e.g. their diet was plain, wants and needs were limited and they had little knowledge of twentieth-century technology). Most exchange of goods took place in cyclical markets, bartering was a familiar form of exchange and limited surplus of agricultural produce was exchanged horizontally and in some cases vertically.

Market structure at that time was suited to the level of economic activities.

- 1.2. The first contact between the Libyan's way of living and the modern European civilisation took place when Italy invaded the country. The Italians brought consumption patterns different from those known to the Libyans. The major coastal cities of Tripoli and Benghazi witnessed certain economic developments such as modern farming, new transportation networks, brightly lit streets, cinemas, gas stations and modern shops and market places.

Up to this point the development of the market structure was not a response to changes of wants and needs on the part of the Libyan consumer. On the contrary the modern distribution outlets were developed to serve the Italian citizens who were accustomed to their own marketing systems in Italy. However, such development affected the Libyan consumers who started to adapt themselves to the new consumption pattern and the new marketing system.

- 1.3. Apart from the coastal cities which included Tripoli, and Benghazi the country was less exposed to the developments which took place and remained with their traditional ways of living. This situation created what is called "dual economy". An economy which has a developed sector in one part of the country along with an under-developed sector.
2. The present structure of the Libyan market is an extension of a market developed within conditions of a dual economy.
 - 2.1. In a country where dual economy is the case - Libya is a clear example - different market structures and marketing practices emerge with regard to different geographical regions. This tends to split the national market into small sub-markets. While the modern sector of the economy consists of large commercial establishments, developed service units and relatively modernised distribution outlets to service diversified consumer wants and needs, the other sector of the economy tends to continue for a long time with its traditional small marketing institutions, simple consumption pattern and primitive farming.
 - 2.2. The market structure and the type of marketing institutions in each of the two sectors of the dual economy reflect the level of economic and social development within individual sectors. Most of the Libyan wholesalers, foreign commercial agencies, manufacturing firms, self-service and speciality shops were established in the modern sector of the economy, whereas the other sector is mainly served by small shop keepers who have to travel to the major cities for the supply of various types of commodities.

In view of the fact that the Libyan market, before the oil discovery in 1958, was much too small - in terms of population and per capita income - and widely dispersed, the development of trade and manufacturing on large scale basis was not feasible. The nature of the local market favoured an industrial structure consisting mainly of small units, simply because small industrial units were well suited to the mobilisation of small sowings and made less exacting demands on managerial skills.

In this respect, Libya shares a well known characteristic of under-developed countries, that is small family businesses and industrial units dominating the economy.

3. Another major factor which changed the structure of the market and market conditions was the discovery of oil in 1958. At first glance, the discovery of large quantities of oil seemed to have transformed the Libyan economic picture almost literally over night. However, it was proved later that availability of capital is not the only answer to economic and social development.
- 3.1. Increased expenditures of oil companies as well as those of the government, during the periods of oil explorations and production offered great opportunities for Libyans to get better jobs, higher salaries and higher standards of living. This was followed by a large shift of agricultural labour from rural areas to urban areas, mainly Tripoli and Benghazi, in search for employment. Subsequently, agricultural products started to shrink.

The poor sector of the dual economy was directly affected by the internal mobility of agricultural labour and became increasingly dependent on the modern sector of the economy for food and other commodities which traditionally had been imported. On the other hand, the modern sector depended on imports of various products including agricultural produce in order to satisfy the increased demand as a result of constantly increasing personal income.

- 3.2. The interdependency relationship between the two sectors of the Libyan economy, therefore, was disturbed and changed to a large extent one of dependency on foreign markets. At this point of development the channels of distribution in the urban cities of Tripoli and Benghazi were becoming increasingly import oriented. Subsequently domestic products begun to disappear from shop shelves to be replaced by well graded, standardised and high quality products.

- 3.3. Surprisingly enough, entrepreneurship is no longer a serious problem in the Libyan development situation. Libyan businessmen emerged in undertaking small and medium sized industrial establishments in response to the rapidly expanding economy and domestic market. But they appeared to prefer investment in trade and real estate, which offer safe, quick and high earnings, rather than undertaking agricultural or industrial projects, where returns are slower and often lower. Few manufacturing units were established during 1950s and relatively more during 1960s.

Some of the most successful entrepreneurs are men of very limited formal education, but the few university graduates among the older generation have also found new outlets for their talents. The speed with which an indigenous entrepreneurial class has appeared does not necessarily raise grave doubts about the validity of theories of the Weber-Hagen variety, which suggests the need for fundamental and slow-moving socio-cultural change before entrepreneurship can evolve. One could argue from the Libyan case that the change in the socio-cultural framework in Libya started with the Italian invasion, the oil discovery merely provided opportunity for latent entrepreneurship that was already there, although no one recognised it.

The development of entrepreneurship, especially in trade, meant alterations in the marketing systems. It extended the channel system to consist of a modest number of relatively large and functionally specialised wholesalers. It also resulted in some wholesalers entering manufacturing businesses without necessarily giving up their wholesaling business. They concentrated their wholesaling and manufacturing activities in a few large cities, of which Tripoli and Benghazi are the most important. The tendency to cluster businesses in large cities is a characteristic of import-oriented distribution channels.

- 3.4. Import-oriented channels of distribution do not necessarily hinder manufacturers' efforts in seeking nationwide distribution. In the Libyan case, it seems that the relatively small size of the domestic manufacturing products in relation to demand, can always find its proper channels of distribution even when these are import-oriented. This means that disadvantages of import-oriented channels of distribution are felt only when domestic industry reaches certain levels close to those of domestic demand. Under such conditions governments tend to protect manufacturers from foreign competition, a factor which reduces the level of import-orientation in the distribution system which, in turn, opens the way for domestic products. The manufacturing firms studied, for the purpose of this research, have no complaints about the present channels of distribution.

- 3.5. Socio-cultural factors tend to change much slower than economic growth in the world, socio-cultural conditions remained out of phase with economic development. Few Libyans would allow women to participate in economic activities or obtain any sort of employment. Quite a few, however, allowed their women to shop albeit in a limited way. Attitude toward material gains and towards the extended family have been changing. These changes give marketing new dimensions.
- 3.6. Urbanisation, public health and education have been expanding rapidly due to increased government expenditure since the early stages of oil production. The three factors contributed to the growth of the domestic market along with the constantly growing per capita income. Accordingly the Libyan market is no longer small if measured in terms of income levels; in fact it is much longer than its total population might suggest.

It appears from the factors mentioned above that marketing has not been taken as a factor which could initiate economic development. The developments which occurred in the market structure were mere reactions to economic events. In other words, without marketing planning the whole marketing system is more likely to be a subordinate sector to the economy rather than a factor in the economic development of the country.

It was not until recently (1970's) that the Libyan government entered the phase of marketing planning marked by the establishment of the National Supply Corporation with a function of regulating distribution and prices of national supply commodities. Of equal importance is that the N.S.C. also plays the role of raw material supplier to the food manufacturing industry.

Evidences of government involvement in marketing planning could also be found in the improved market places in small and larger cities throughout the country as a way of organising and improving the distribution outlets. Peddlers and itinerant traders were recently eliminated from the distribution channels because of the governments ban on such trade. According to recent studies of marketing in under-developed countries (see Wadinambiaratebi), the role of peddlers and itinerant traders decline with increasing development. In view of the Libyan experience, the diminished role of such traders does not reflect economic development, because it was not a result of such development, but rather it was a government action.

8.2 Evaluation of Marketing Organisations and Practices of Food Manufacturers in Libya

1. Characteristics of the Libyan Food Manufacturing Enterprises

The Libyan manufacturing industry was initiated by the Italians administration as early as 1930's. A wide range of small factory industries had been established, based on the processing of local agricultural products. Most of these establishments are located in and around the city of Tripoli and were managed until late 1960's by Italians. These factories consist of flour milling, olive oil refining, textiles, footwear and clothing, vehicle repairs and the manufacturing of beer, wine and soft drinks. (Wine and beer manufacturing were closed down when alcohol was banned in 1969.)

Most of these factory units were and still are very small and employed at most four or five people. Medium and relatively large manufacturing establishments did not appear until the 1950's.

The study of the Libyan food manufacturing industry revealed certain firms characteristics most of which are similar to those of the under-developed countries.

- 1.1. The Libyan food manufacturing industry is dominated by small owner-managed firms employing a relatively small number of people.
- 1.2. All firms studied have been established over the period between 1950 and 1971, none of which is owned in part or in total by non-Libyans nationals.
- 1.3. Most managers in both owner-managed and professionally managed firms have little formal education and gained experience mainly in trade as wholesalers, agricultural land owners or real estate traders, prior to entering their manufacturing businesses.
- 1.4. A considerable number of owner-managers have their capital invested in a number of other businesses along with their manufacturing activities.
- 1.5. Almost all firms established have had an acceptable volume of sales virtually assured in markets previously developed by imports.
- 1.6. The relatively small domestic market, before the country reached a stage of surplus economy, was unable to support more than a handful of firms in particular lines of production. Relatively large firms therefore in each production line are often seen as monopolists with no real promotional problems.

- 1.7. With the exception of six, all firms appeared to have primitive organisational structure characterised by lack of functional specialisation, centralisation of authority in the hands of owner-managers and non recognition of marketing as an important managerial function.

In view of the marketing organisation of food manufacturers in Libya, few firms would rate the marketing function as important enough to warrant a specialist, and fewer think that marketing activities are important to the firm's success compared with production. Marketing meant to most manufacturers, especially the smaller ones, "merely selling". Selling is an easy task under conditions of low market competition and shortage of domestic products in relation to market demand.

- 1.8. There is great doubt that production levels of individual firms are maximised in regard to market potential and manufacturers' capital and human resources. On the one hand, domestic products are in shortage of demand, on the other hand part of the profits made by individual firms is reinvested in other businesses which are managed, in many cases, by the same managers. This situation makes it difficult, if not impossible, to measure profitability of firms in the sense that the managers concerned do not separate the financial function of all their investments, i.e. capital transfer from one business to another takes place without necessarily having been clarified in their book keeping procedures. This was implied in many cases during the informal discussions following the formal interviews.

- 1.9. The Libyan food manufacturing enterprises could be described as production oriented. Managers concerned will think in terms of how much could be produced rather than how much could be sold. Consumer's wants and needs received little attention and this is reflected on the limited product lines and the small number of product items in each line, in a large number of firms.

The recent entry of the Libyan private sector to manufacturing business is one of the major factors responsible for the state of production oriented approach to marketing and management. Marketing development as is the case with economic development - is not a force of nature; but rather it is the result of planned, purposeful and risk taking actions of human beings as managers or entrepreneurs in the first place. In this sense managers and entrepreneurs are essential prerequisites for marketing and economic development.

Because of the little knowledge, if any at all, the Libyan entrepreneurs have of marketing - in its modern sense - it would be unrealistic to expect them to change their production oriented approach to a market-oriented one over night. Evidence from the marketing literature indicate that up to the first two

decades of the twentieth century, emphasis was on the growth of manufacturing enterprises because the market demand generally exceeded the available supply of products. Libya is still at this stage of development. It was not until the 1930's that the need for high level of marketing activity was felt in the United States, and to less extent in Europe. Subsequently the new marketing concept found its ground gradually. Given this parallel it is not surprising that the main focus of manufacturing enterprises in Libya is still on investment and production.

The recent entry of the Libyan entrepreneurs to the manufacturing business is characterised by:

1. Cautious attitude toward production expansion.
2. Persistence on import-substitution type of business accompanied by little production diversification.
3. A relatively long time is needed before another product line or product item is produced.
4. Increasing production costs related to a product item or shrinking sales are taken as sufficient for dropping the item from a product line. In other words marketing research is not undertaken to find precise reasons for decreasing sales or methods of lowering production costs related to the item.
5. In the import-substitution type of business, the scope for new product ideas and new product development is very limited, thus most decisions in this respect are answers to; "what could we add to this product line", rather than "which new product idea could we explore and develop."

Most of the characteristics mentioned above reflect a great deal of uncertainty on the part of the manufacturers under study, which is in turn governed by their little knowledge of manufacturing and modern marketing ideas. Their use of individual marketing techniques was found to be either low or missing. Subsequently, the concept of the marketing mix and marketing budgets are not utilised.

2. Marketing Practices of Food Manufacturers

Generally speaking, the degree with which firms employ advanced marketing techniques or methods is found to be very low and some of these techniques are often missing. To a large extent, the nature of market competition is found to be related to the use of certain marketing tools, i.e. advertising, marketing research and promotions.

- 2.1. The levels of competition in the three sections of food manufacturing industry, studied for the purpose of this research, differed considerably according to the degree of government protective measures against competition. Accordingly, this affected the degree of manufacturer's involvement in marketing with respect to each section of the food industry. Confectionary firms are more competitive and more engaged in marketing because of high level of competition between domestic and foreign producers, compared with macaroni firms who are protected against foreign competition, and tomato firms which are not involved at all in marketing their tomato products. However, the latter non-tomato products are not produced against competition.
- 2.2. Large and professionally managed firms tend to relax some of their marketing activities and concentrate on marketing research, though most of the research undertaken is rather superficial. They also tend to rely on their strength as large and reliable sources of supply to middlemen. They are therefore risking the possibility of smaller forms increasing their production and marketing activities in response to the tempting situation.
- 2.3. There is a clear indication that tomato firms are increasing their marketing involvement back to suppliers of raw materials (tomato growers) because their tomato production is marketed by the National Supply Corporation. Motivation techniques used by the tomato firms included providing credits, technical information, free quality seeds, advance agreements on prices and the supply of packaging facilities at cost price level to their suppliers. On the other hand, inefficiency in physical distribution and handling material (fresh tomatoes) during their seasonal operations, have often resulted in high rates of wastage of raw material. Increasing marketing facilities and efficiency is needed if the manufacturers involved are to increase production and profitability of their operations.
- 2.4. Despite the fact that advertising media is available for commercial use - except for radio and television - few firms advertised their products mainly in newspapers and posters on a rather occasional basis. Only one firm was found to use advertising substantially and allocated annual expenditures for advertising in its budgets. The little emphasis put on advertising is due to the fact that manufacturers used personal selling heavily, and ordinarily firms emphasise the role of advertising when they have more to sell with respect to current market demand. Advertising then would reduce the cost

of individual contact compared with that of personal selling.

- 2.5. Personal selling was found to be the most important promotional approach and apparently is accepted by almost every individual manufacturer. Subsequently, the use of salesmanship received considerable attention especially by small and medium firms. Managers of firms are, one way or another involved in personal selling themselves, through the contacts they frequently make with their customers, and in many cases through utilising their well established reputation in the distribution channels before entering their manufacturing business. (A large number of these manufacturers were and some still are middlemen in the distribution channels). The task of salesmen, therefore, is a simple one, "Merely selling what is produced to customers who were initially contacted ... in a market characterised by adequate demand." Accordingly, methods of payment to salesmen are almost basic salaries and in few cases commission is used.

Because most manufacturers allocated their businesses in and around the two largest cities, Tripoli and Benghazi, where wholesaling business is concentrated, the cost of individual contact between producers and customers is reasonably low. This in turn explains the dependency of producers on personal selling as the most important method of promotion.

- 2.6. The potential value of optimising distribution networks through carefully selected channels is clearly underrated by the Libyan food manufacturers. They tend to accept, "that is the way it has always been done", as a criteria for channel selection.

The well known tendency of producers by-passing middlemen in the distribution channels of under-developed countries is not a well known practice of food manufacturers in Libya. On the contrary, they tend to sell to either wholesalers or retailers only. Large firms tend to sell most, if not all, of their products to wholesalers, whereas, smaller producers sell more directly to retailers and in some cases to sub-wholesalers. This situation is developed from the fact that consumers, retailers and wholesalers are always seeking goods and not the other way round. This is a typical practice in an import-oriented channel which Sherbini describes as, "An import-oriented channel usually works backward". Under such circumstances it is not surprising that large middlemen would prefer to deal with large producers who are in turn interested in relatively large deals.

- 2.7. The choice of individual middlemen appeared to be based on two factors: the financial strength of the middleman along with his business morality. The relationship between producers and middlemen appeared to be personal rather than contractual, a situation which provides little protection to both parties involved and requires a great deal of morality.

The non contractual aspect which characterises the relationship between producers and middlemen is, in fact, a common practice in Libya. The element of trust implied in such non contractual deals is of great social value. "A retailer may not accept a cheque from a strange customer, yet he might be willing to deliver the commodities, in the hope that the customer will turn up and pay".

- 2.8. In a market where level of competition is low and market demand is adequate, manufacturers tend to offer lower services and incentives to their middlemen, both in terms of number of incentives and intent of services. Credit terms, discounts and in some cases, producers offering their own transportation facilities to deliver the quantities of products ordered by their customers, are the only three incentives given to customers. The extent with which these three incentives are employed appeared to be directly related to size of firm and level of market competition.

- 2.9. The National Supply Corporation (N.S.C.) is the largest single distributor of food supply commodities in the Libyan market. It serves both manufacturers and wholesalers. The N.S.C. expressed concern over peculiar practices of some wholesalers who lack functional specialisation particularly with respect to the capacity under which they deal with the N.S.C. The N.S.C. recommended that laws governing the functions and dis-function of wholesalers should be raised and reformed in order to enable the establishment to achieve its objectives.

- 2.10. Executives anxiety about foreign competition in the Libyan market is minimised because of protective barriers placed by government. The general assumption is that management of the firm is given a valuable asset (protection against foreign competition); but experience proved that this asset also has the liability of being taken over by management of the firm (government price control system). Price fixing is subject to government approval and price manipulations are allowed within narrow limits.

The pricing policies of the food manufacturers studied, are based on cost-oriented (cost of production plus profit margins) rather than a demand-oriented approach. Two main reasons were responsible for this. First, the government involvement in pricing policies, and second a demand-oriented approach to pricing requires sufficient knowledge about market demand which is clearly lacking on the part of firms management. In addition to this, production oriented types of management normally know more about product costs than consumer demand, a matter which naturally leads to a cost-oriented approach to pricing.

- 2.11. Insofar as the overall marketing strategies of individual manufacturing firms are concerned, the concepts of marketing planning, budgeting and marketing mix have only recently begun to penetrate into management practices. Most of the firms studied have neither written marketing plans nor marketing budgets, which means that their marketing practices are merely reacting to events; thus, the firms concerned have no references against which marketing performance and efficiency are measured.

The researcher believes that if marketing is to contribute to the growth of the food manufacturing firms under study, in the short-term, it would be through a substantial use of marketing planning and budgeting. There is strong evidence that production of individual firms is not maximised, partly because production levels are not related to sales potential, and it is here that marketing planning and budgeting are needed. If successfully implemented by individual firms, marketing would have the role of initiating high production levels rather than being a subordinate kind of management activity as is the case at present.

- 2.12. The relative importance of major facets of marketing strategies, based on executives perception, showed that production efforts are the most dominant facet, as is the case in most under-developed countries and to a lesser extent in European countries. The Libyan executives overstated the relative importance of production efforts (70 points allocated to this facet in average) apparently because their perceptions were influenced by their general production difficulties compared with lower marketing efforts needed to sell their limited production. Distribution efforts came second in importance which means that the manufacturers under study merely produce and sell what is produced. Sales and marketing research efforts were perceived as less important, compared with production and distribution efforts.

Evidence from the Egyptian textile industry suggests that industrial firms feel the need for more sales and marketing research efforts when the marketing sector is out of phase with industrialisation; difficulties in selling increased output being the indicator of such development. Relating this Egyptian experience to Libya, there is no evidence that the Libyan food manufacturing firms studied, are facing any difficulties in selling their products; and this is what the Libyan executives reflected when they perceived sales and marketing research efforts as less important to their marketing strategies compared with production and distribution efforts.

Level of market competition appeared to have impact on the relative importance of individual facets of marketing strategies. While average points allocated by all firms indicated that distribution efforts are second in its relative importance, executives from the confectionary firms studied, perceived sales efforts as second important and distribution efforts were placed last in importance. Executives from the macaroni firms maintained that distribution efforts are second in importance after production, with sales and marketing research equal in their relative importance, whereas tomato firms placed distribution efforts as last important (tomato products are marketed by the N.S.C.

Large and professionally managed firms placed marketing research efforts as second in its relative importance after production efforts, and this indicates that the need for more involvement in marketing efforts, especially marketing research, is gradually felt by executives in large and professionally managed firms.

8.3 Trends and Recommendations

It was shown throughout this chapter that marketing has been regarded as a subordinate kind of economic activity rather than an initiator of economic development. Thus changes in market structure and marketing practices are assumed to automatically accompany economic growth. Subsequently, economic planners as well as executives in industrial enterprises in Libya have always neglected marketing as an initiating factor of economic growth.

Management in the Libyan food manufacturing industry conceived marketing as a mere function of selling which starts when the product is made. Thus, a factory's managers can still figure out how many tons of macaroni he can produce, and then go ahead and produce them. It is true that the present market conditions in Libya are rather tempting for such production oriented businesses, but the same market conditions would even pay more for a market-oriented factory. The following factors are strong evidences for the need of management re-orientation.

1. The Libyan market is no longer small if measured in terms of consumer income.
2. Libyan consumers are becoming increasingly affluent and subsequently the market demand is becoming more sophisticated. This places a premium on skill in detecting the subtleties of demand of different segments of the market. Production diversification as well as different marketing strategies, based on consumer differential, are needed.
3. The Libyan market which appeared to favour small industrial units in 1950's is no longer so. Under the conditions of surplus economy, and yet, scarcity of labour and technical know-how, market conditions tend to favour the growth of large capital-intensive rather than labour-intensive industrial units.
4. The large agricultural projects undertaken recently by the Libyan governments are expected to bring the country close to self-sufficiency insofar as agricultural produce is concerned, by 1980. This means that there will be more raw materials for the food manufacturers to process, and subsequently, higher levels of marketing activities are needed. This would involve both management re-organisation and more efficient channels of distribution.
5. The gap between the two sectors of the Libyan dual economy is no longer as wide as it was before 1970. Government efforts to modernise the poor sector of the economy showed promising results in terms of income

levels, educational standards and living conditions. This is regarded as a remarkable contribution to the national market in the sense that more effective consumers means increased effective demand. Variations between consumption patterns and marketing practices in the two sectors of the economy have also been narrowed as a result of improved transportation and communication networks between both sectors.

With this development in the market conditions in mind, data collected from the study of the food manufacturers did not present strong evidence that there is a parallel development in their organisational structures or marketing practices. With few exceptions, the general organisation of structures and the organisation of marketing activities of firms have been changing much slower than the market conditions.

The low recognition of the importance of the marketing function, on the part of management, is partly responsible for the slow development of the food manufacturing firms, and has the following consequences.

1. Marketing activities are performed by non-specialists at different levels of the organisations. This makes it difficult, if not impossible, for management to utilise professional marketing judgments or integrated marketing plans.
2. Production planning is in no way related to market potential as most firms did not use marketing budgets.
3. Managements involved have little knowledge about their markets based on past experience and limited feedback by means of superficial marketing research.
4. It is a fact that local manufacturers have had reasonable volume of sales virtually assured in markets previously developed by imports. But it is also true that to maintain an acceptable sales volume in such markets managements concerned have to modify and diversify their production according to customer's changing wants and needs; a liability which cannot be fulfilled without the implementation of the new marketing concept.

The shift in business management approach from the policy of selling what is produced, to a policy of growing investment, production and the distribution system to an intimate knowledge of the market requirements, is not an easy task which could be achieved overnight. Management's way of thinking as well as its attitude to business have to be changed as a pre-requirement for a change in management orientation. Thus a master programme aiming at the creation and development of new managerial and marketing skill is a foremost need if Libya is to modernise its food manufacturing industry.

In the firms which were examined, none of the marketing title holders had attended any formal course in marketing. Few top managers had formal management education at a university level. It was felt, while undertaking the field work, that respondents expressed interest in management and marketing organisation. This would seem to indicate that educational programmes may well be introduced to the managements concerned as a way of enhancing their limited management and marketing education. Without such enhancement of management education, the prospect of firms' re-orientation would seem a remote objective to attain in the short-run and the way the marketing function is dealt with, within firms, would lead to a situation where the marketing sector will be out of phase with industrialisation.

The nature of the educational programme needed is an introductory one in which the following broad lines are emphasised.

1. Basic management principles and organisation.
2. Basic marketing concepts.
3. Marketing planning and budgetting as related to production planning
4. Cost reduction analysis and profitability measurement techniques - related to operations and distribution.

In view of the recommended educational programme, government initiative is needed using one or more of the following options.

1. Short courses in which the business administration section of Benghazi University should be involved.
2. Some graduates should be allocated to jobs in the private sector industry instead of being totally absorbed by the public sector.
3. The establishment of a government extension service unit to the private sector industry.

Under the conditions of a surplus economy and desperate need for rapid industrialisation, the Libyan government can afford financing most, if not all, the recommended educational programme as part of its long-run human investment, that is if availability of capital is to contribute to rapid industrialisation of the country.

With regard to the Libyan marketing system as a whole inefficiencies and poor marketing facilities are associated with certain elements of the system, thus certain reforms measures are needed in order to increase efficiency.

1. Raw materials delivered from the farms to processors contained a high rate of contaminated, sour and crushed fruit and vegetables as a result of poor packaging facilities and the failure to comply with quality, grading requirements and standardisation rules. These poor marketing facilities and arrangements are accompanied by poor handling and storage facilities on the part of food processors. (The tomato industry is a clear example of such inefficiency). In this respect, a joint operating agency in which agricultural producers, food processors and government bodies concerned, is needed for continuous inspection of quality and preserving the laws governing standards, specifications and grading in the food industry.
2. A large number of firms studied did not have quality control research units within their organisations, an essential requirement for consumer protection. Tomato canners in particular, should be forced to establish such quality control research units and apply an information system in their packaging labels to state dates of processing and the time span over which the canned food should be consumed.
3. The pricing system in the food manufacturing industry should be modified in order to allow price differences based on quality differential. This would not only compensate quality product producers, but it would also encourage competition between domestic producers, an important factor which would allow the growth of industry under relatively normal conditions.
4. At the distribution level, the channel length for food products seems to be reasonably short a matter which keeps the cost per unit related to distribution reasonably low, particularly in the populated areas of the coastal cities of the country. Other areas down to the southern part of the country have the disadvantage of high cost of physical distribution.

Government laws governing the functions and dis-functions of each link in the distribution system have to be reformed in the way which would prevent double function exercised by some wholesalers, sub-wholesalers and retailers. In other words a higher degree of specialisation is needed especially at the wholesaling link.

The researcher believes that if marketing is to play an active role in the economic development of Libya, planned, responsible and risk taking actions of both management and economic planners are needed. Economic and marketing development are not forces of nature, but rather, they are results of planned human actions.

8.4 Implications

Despite the fact that Libya has the capital needed for substantial economic and social development, the country is by no means an exception to what is generally found in the developing countries. Thus one can speculate that certain findings of the present research are, in fact, comparable and applicable to the emerging nations, particularly those at a similar stage of economic and social development.

Marketing in Libya, as it is the case in the emerging nations, has always been treated as a subordinate kind of economic activity rather than a factor initiating economic development. Subsequently, the types of marketing institution prevalent in these countries are both primitive and inefficient.

The elements of primitiveness and inefficiency associated with various types of marketing institutions in Libya, as well as in other developing countries, could be seen in the organisational structures of these institutions and the level of their operations and practices.

1. Organisational structures.

From the study of the Libyan food manufacturing firms, and other studies, undertaken in the developing countries, it appeared that few firms would rate marketing activities as important to the firm's success as production itself. Consequently, the organisational structures of firms appeared without marketing organisations or marketing specialists. For those who are aware of the importance of marketing to the success of their firms, marketing as a managerial function took the form of a sales department. This partial recognition of the marketing functions seems to be the first step towards full recognition of the marketing concept.

It is apparent from the Libyan case that the few firms who already established sales departments in their organisations, are also well developed insofar as the organisation of their production and financial functions are concerned. If we accept that marketing in the developing countries has to evolve through stages of management development, then the development of specialisation production and finance indicates that the time for marketing specialists is about to come. This is, by no means, an underestimation of the major influence environmental factors such as market size and degree of competition have on marketing organisations. On the contrary such environmental factors might persuade firms to speed up the evolutionary process referred to earlier on.

The establishment of advanced marketing organisations in Libya, as well as in other developing countries, is also conditioned by the improvement of marketing education in those countries. In order to create a business environment favourable to the introduction and dissemination of advanced management and marketing organisations and practices, business schools, short courses and seminars have to be created and oriented to serve the requirements of domestic industry.

It is a well known fact that most businessmen in the emerging nations lack management and marketing education, Libya is a good example of this. Without the business schools and related marketing educational activities in the business environment, businessmen would have little chance to improve their management and marketing knowledge, and therefore, they would find it difficult, if not impossible, to recognise or appreciate the importance of marketing. Thus educational efforts concerning the role of marketing and the training of marketing specialists are essential to the future development of domestic industries in Libya and other developing nations.

2. Levels of production operations and marketing practices:

When advanced marketing organisations within firms are absent and marketing specialists are not granted high status parallel to those of production and finance, the marketing activities of firms tend to be less sophisticated. Experience in under-developed countries showed that in a great many firms, especially the smaller ones, the president or general manager assumes responsibility for most, if not all, of the marketing activities, (Libya is a classic example). It follows that management philosophies tend to be oriented toward production rather than marketing. Under such conditions management of firms can hardly hear the consumers voice, or even be aware of any change in market conditions. Thus the expansion of national markets (consumer demand) is viewed by the firms concerned as a process that involves selling the same set of consumers a relatively similar locally manufactured product, rather than a wider range of products that satisfy different consumers with different wants and needs.

Evidence from the Libyan experience shows that none of the firms investigated had a marketing research department or product research development unit within their organisation. The result is that nearly all new products introduced to the market are simply imitations of foreign products rather than true innovations.

This approach (import-substitution) to industrialisation of the developing countries could be justified in the sense that; First, markets for such products are guaranteed since they were previously developed by imports; Second, the low level of technological advancement prevalent in the developing countries makes it difficult for newly established firms to

innovate new product ideas and actually translate the ideas to products. And third, the developing nations can gain industrial experience from the development of import substitution industries at a relatively low level of risk involved.

The challenge facing management in the import-substitution industry is whether the consumers who accepted imported products of certain attributes a few years ago-and perhaps still consuming the same products produced locally - would be satisfied with the same products over the next five years or so? If not, is the management prepared to modify the existing import-substituted products or even innovate in response to changing consumer's tastes, wants and needs?

The managements concerned might not see the impact of such challenging questions simply because they are protected against foreign competition and the level of competition between domestic producers is relatively low. There are sufficient indications that domestic production in the developing countries is steadily increasing, but not necessarily accompanied by parallel development in the marketing sector. This in itself indicates that the manufacturing firms involved in the developing nations are heading towards a situation where the marketing sector will be out of phase with industrialisation.

At the channels of distribution level, there are clear indications from the Libyan experience that the potential value of carefully selected channels is under-rated. Under the conditions of shortage of supply of domestic production in relation to demand, producers tend to have the upper hand in the distribution channels. Thus distributors at various levels of the channels systems tend to seek goods rather than producers making efforts to market their production. Under these market conditions, producers have less incentive to optimise their distribution networks through carefully selected channels. Instead, they tend to place a pressure on the selection of individual middlemen. Personal factors such as relationship, loyalty and business morality of individual middlemen becomes important factors in selective individual middlemen.

This situation in the distribution system leads to certain practices such as producers and their middlemen throttling the flow of goods through the channel system, the use of inventory hoarding as a means of choking the market and the price levels and in other cases certain wholesalers functioning as retailers as a means of optimising their profits through a combined commission in a single operation.

From the Libyan experience, it appeared that Government intervention, aiming at securing both normal supply and reasonable prices to the final consumer, is inevitable. The distribution system seems to be the largest for government

measures, i.e. the establishment of Government institutions for the distribution of vital supply commodities in Libya, co-operative distribution in Egypt are clear examples of Government intervention. Moreover, redefinition of the functions and dis-functions of wholesalers is well on the way as a next possible target for government intervention in the distribution system.

It has been argued that investment and production could be stimulated through the use of capital to expand distribution and consumption. Libya as a developing country has the capital needed for expanding both distribution and consumption, nevertheless, the theory proved to have certain limitations, possibly applicable to most of the developing countries. The Libyan experience suggests that where production technology is very low, the use of capital to expand consumption can only result in increasing demand for import commodities, at least in the short-run. Domestic industries are not flexible enough to respond significantly to both increasing and changing market demand.

The above argument would remain valid even under the conditions where Governments in the developing nations introduce protective measures against imports. In this case expanding consumption would result in rising rates of inflation. Therefore, expanding consumption, if not accompanied by corresponding increase in domestic production, would not serve the development of the economy, at least in the short-run. It follows that under the conditions of low production technology the developing nations could well be advised to avoid extravagant stimulation of consumption in their development process. In fact, such nations could be better off if they kept the demand within the bounds of limited supply. In doing so, they will not only be able to control their rising inflation, but certain expenditures related to stimulating extravagant demand could also be avoided, since domestic industries in those countries are not flexible enough to respond significantly to any increase in demand in the short run.

In practical terms, production and marketing interacting together in an allied effort, would be the realistic way to bring about the development of an economy. Anything short of the parallel development of the two sectors (production and marketing), would result in one sector being out of phase with the other, and ultimately would slow down the development of the economy.

The case of parallel development of demand and production implies a certain degree of co-ordination and control of various activities related to marketing and production. Therefore, it is essential to ask whether the average marketing institution or businessman in the developing nations can play a vital role in co-ordinating and controlling the activities related to both production and marketing in order to achieve parallel development? If not, what is the alternative?

It has been suggested that the market structure or institutions businessman plans are limited by the environmental factors of the country in which he operates. Nevertheless, he can introduce changes in the channels or in the type of institutions in the channels either a) in response to changes in the environment, or b) attempting to change the environment itself (see Wadinambiaratchi). Insofar as the developing nations are concerned, the average businessman showed a tendency to react to events rather than planning for the future events. Libya is a good example of this. Under such circumstances, there is little hope that the average marketing institution or businessmen would plan, co-ordinate and control the activities related to parallel development of marketing and production, at least in the short-run.

This implies that either efficient management has to be created and promoted for the task of development, or the governments concerned have to play a wider role in performing the task of development, (If not both taking place at the same time).

The Libyan experience suggests that where businessmen are unable or reluctant in undertaking large industrial projects, the government would have to get involved. Equally where the flow of vital supply commodity in the market is inadequate, the government would take over the distribution of such commodities through its National Supply Corporation. This means that the Libyan government is deeply involved in both production and marketing. Other examples could be found in Egypt, Tunisia, Algeria and other Middle-East Countries.

In general terms, government involvement in both production and marketing is affected by the political structure of a given country. Those among the developing countries, who showed a tendency toward what is called "socialism", tend to enlarge their public sectors through the ownership of large industrial units along with the establishment of various distribution centres owned by the public sector. This tendency is becoming widely accepted by the developing nations which in turn indicates the inability of the private sectors in those countries to respond to the requirements of rapid development. The role of government in production and marketing is also applied to the developing nations with capitalist systems, simply because large industrial projects can only be undertaken by the public sector, and the related production of such projects will have to find its way through the distribution system to the market. This implies that the public sector would exert some sort of control over the distribution channels dealing with such production, no matter whether the government owns its own marketing institutions or not. The achievement of parallel development of demand and production, therefore

depends to a large extent on government co-ordination and control.

The lack of managerial skills which eliminated the private sector from playing a vital role in the industrialisation process of the developing countries is indeed a problem, but only insofar as the short-run is concerned. In the long-run, governments in the developing countries might find it difficult to run their dominating sectors of the economy with a high degree of efficiency and decide to allow a wider role for the private sector to play in the conduct of their economics. It will all depend on the development of managerial skills and efficiency in the private sector.

APPENDIX A

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APPENDIX B

A SURVEY OF THE MARKETING PRACTICES OF THE
LIBYAN FOOD MANUFACTURERS

Q1. (a) Name of Firm:

(b) Functional title of respondent:

Q2. Date of establishment of firm:

Q3. (a) What is the total number of your full-time employees?

..... employees

(b) What is the total number of your part-time employees?

..... employees

Q4.. (a) Which of the following types of ownership does your
firm fall into? (Hand over Card No.1)

1. proprietary ownership (single or family)

☐

2. partnership

☐

3. joint stock or shareholding

☐

4. if different from above, please specify:

.....

(b) Has the type of firm's ownership ever been changed
since the establishment of the firm?

Yes

☐

No

☐

(c) If yes, what was the previous type of the firm's
ownership?

.....

(d) When did you change the type of firm's ownership?

- (e) What was the reason for changing the previous type of firm's ownership?

.....
.....

(NOTE: Q5. is to be answered by proprietary ownership firms only)

- Q5. Does the owner of the firm employ members of his family or other relatives?

Yes ☐

No ☐

- (a) If 'yes', are they employed as:

1. Administrators ☐

2. Manual workers ☐

- (b) If 'Administrators', how many of them are employed at a managerial level?

.....

- Q6. (a) Which of the following two types of management do you have?

1. Owner managed firm ☐

2. Professional management ☐

- (b) If the firm is professionally managed, has it ever been managed by owner manager?

Yes ☐

No ☐

- (c) If 'yes', when did you change your type of management?

19..

- (d) What was the reason for changing the previous type of management?

.....
.....

Q7. (a) Do you have non-Libyan nationals employed in your firm?

Yes ☐

No ☐

(b) If 'yes', state the type of jobs they occupy and number of non-Libyan employees. (Hand over Card No.2)

Type of jobs	No. of non-Libyan employees
Managerial (Managers or Heads of Divisions) Administrative (Office work) Technical (Engineering and Production)	

(c) Are any of the non-Libyan employees specialised in any of your marketing activities?

Yes ☐

No ☐

(d) If 'yes', which marketing activites are they responsible for?

.....

.....

Q8. Please give the educational level of each of the following list of managers or Heads of Divisions that you may have in your firm. (Hand over Card No.3)

Educational Level	Production Manager	Financial Manager	Marketing Manager	Administrative Manager
Primary Preparatory Commercial College Secondary University Others				

ORGANISATION OF FIRM:

Q9. Which of the following functional departments or divisions do you have in your firm organisation? (Hand over Card No.4)

- | | |
|------------------------------|--------------------------|
| 1. Production Department | ☐ |
| 2. Purchasing Department | ☐ |
| 3. Financial Department | ☐ |
| 4. Administrative Department | ☐ |
| 5. Marketing Department | ☐ |
| 6. Personnel Department | ☐ |

What are the functional titles of those responsible for each of the departments listed above?

.....
.....
.....

Q10. If the firm is owner managed, which of the functions listed in Q9. are main responsibilities of the owner manager?

.....
.....
.....

Q11. "Marketing is a managerial function dealing with planning, organising and controlling all the activities related to product planning, advertising and sales promotion, marketing research, channels of distribution, pricing and packaging, in order to make profits through customer satisfaction".

Bearing this definition in mind, which of the following three stages does your marketing operation fall into?

- (a) A marketing department responsible for all or most of the marketing activities which are given in the definition

☐

(If answer is (a), proceed to Q14.)

(b) A sales department responsible for selling the firm's produce to customers

☐

(If answer is (b), proceed to Q13.)

(c) Neither marketing nor sales department has been established, but marketing activities are carried out by other executives in the firm.

☐

(If answer is (c), proceed to Q12.)

Q12. Give the functional title of the person(s) who is/are fully responsible for each of the activities listed in the following Table:

Type of activity	Title of person fully responsible
Sales Forecasting Marketing Research Advertising & Promotion Pricing Distribution Channels Packaging Marketing Staff Selection and Training New Product Planning Planning Overall Marketing Strategies	

(Hand over Card No.5)

Q13. (a) What is the functional title of the person responsible for the Sales Department?

.....

(b) To whom does the person responsible for the Sales Department directly report?

.....

- (c) Give the functional title of the person(s) fully responsible for each of the following activities:
(Hand over Card No.6)

Type of activity	Title of person fully responsible
Sales Forecasting Marketing Research Advertising & Promotion Pricing Distribution Channels Packaging Marketing Staff Selection and Training New Product Planning Overall Marketing Strategies	

- Q14. (a) What is the functional title of the chief marketing executive?

.....

- (b) To whom does the chief marketing executive directly report?

.....

- (c) Which of the following sub-divisions do you have within the Marketing Department? (Hand over Card No.7)

1. Sales Division

☐

2. New Product Planning Division

☐

3. Advertising Division

☐

4. Marketing Research Division

☐

5. Distribution Division

☐

6. Others, please specify:

.....

- (d) Please state whether the chief marketing executive has full or shared responsibility for each of the following functions: (Hand over Card No.8)

Function	Full responsibility	Shared responsibility
Sales Forecasting Marketing Research Advertising & Promotion Pricing Distribution Channels Packaging Marketing Staff Selection and Training Marketing Strategy New Product Planning		

- (e) How many full-time employees do you have in the Marketing Department?

..... employees

- (f) How many part-time employees do you have in the Marketing Department?

..... employees

MARKET RESEARCH:

- Q15.(a) Do you undertake marketing research at all?

Yes ☐

No ☐

(If 'yes', proceed to Q16.)

- (b) If 'no', which of the following factors would you give as reasons for not undertaking marketing research?
(Hand over Card No.9)

1. Marketing research is too expensive to undertake.

☐

2. The firm is too small to employ such a specialised technique of marketing. ☐
3. The firm does not face any marketing problems. ☐
4. Our customers provide us with sufficient information about the market. ☐
5. Marketing research is not important to our firm. ☐
6. It is difficult to find marketing research organisations to do it for the firm. ☐
7. If other reasons, please specify:

.....
.....

(Proceed to Q18.)

Q16.(a) Is your marketing research undertaken by:

1. Your own marketing research unit ☐
2. Outside organisations ☐
3. Both ☐

(b) If you use outside organisations for undertaking marketing research, what type of organisations are they?

.....
.....

(c) What is your average annual expenditure on marketing research?

..... Libyan Dinars

(d) Do you have a marketing research unit of your own?

Yes ☐

No ☐

If 'yes', how many full-time employees do you have in the marketing research unit?

..... employees

Q17. Which of the following areas of marketing activities do you usually research: (Hand over Card No.10)

(a) Sales analysis and forecasting ☐

(b) Market analysis ☐

(c) Product tests and packaging ☐

(d) Consumer surveys ☐

(e) Advertising research ☐

(f) Psychological research ☐

(g) Others, please specify:

.....

.....

ADVERTISING:

Q18. Do you advertise your products at all?

Yes ☐

No ☐

(a) If 'no', do your customers (wholesalers and/or retailers) advertise your produce?

Yes ☐

No ☐

(b) If 'yes', do you arrange the advertising with your customers?

Yes ☐

No ☐

(c) Which of the following patterns would you give as reasons for not advertising your produce? (Hand over Card No.11)

1. Advertising is very expensive ☐

2. Advertising expenditure is a waste of money ☐
3. No difficulties in selling our produce ☐
4. Lack of specialised advertising organisations ☐
5. Our wholesalers and/or customers do it for us ☐
6. If other reasons, please specify:
.....
.....

(d) Did you advertise your product(s) when you first introduced them to the market?

Yes ☐

No ☐

If 'yes', which type of advertising media did you use?

.....

(Proceed to Q25.)

Q19. Which of the following bodies listed below advertise your produce?

1. The firm ☐

2. Wholesalers ☐

3. Retailers ☐

4. Others, please specify:

.....

Q20.(a) Do you utilise specialised advertising services of outside organisations?

Yes ☐

No ☐

- (b) If 'yes', what type of outside advertising organisations do you use?

.....

- (c) Do the advertising organisations you use undertake advertising research for your firm as well?

Yes ☐

No ☐

- Q21. On what basis do you determine the amount of money to be spent on advertising annually?
(Hand over Card No.12)

1. Percentage of past sales ☐

2. Percentage of expected sales ☐

3. Percentage of profit ☐

4. Fixed amount annually ☐

5. Other methods, please specify:

.....

- Q22.(a) Which of the following advertising media do you use when advertising your produce?

1. Newspapers ☐

2. Magazines ☐

3. Cinema ☐

4. Posters ☐

5. Direct mail ☐

6. Any others, please specify:

.....

- (b) How much do you spend, approximately, on each of the following advertising media annually?
(Hand over Card No.13)

Media	Expenditure in Libyan Dinars
1. Newspapers	
2. Magazines	
3. Cinema	
4. Posters	
5. Direct mail	
6. Other	

- Q23. Do you address your advertising messages to:

1. Wholesalers ☐
2. Retailers ☐
3. Final consumers ☐
4. Others, please specify:

.....

- Q24. Which of the following objectives have you ever attempted to fulfil when planning advertising campaigns? (Hand over Card No.14)

1. Create and/or improve product image ☐
2. Create awareness ☐
3. Affect loyalty ☐
4. Offer information about your products ☐
5. Increase sales volume ☐
6. Any others, please specify:

.....

Q25.(a) Do you contact your customers as a way of promoting your sales?

Yes ☐

No ☐

(b) If 'yes', whom do they contact for placing their purchasing orders?

.....

If 'no', do your customers contact the firm in order to place their purchasing orders?

Yes ☐

No ☐

(c) If you contact your customers, do you use:

1. Contact by telephone ☐

2. Direct mail ☐

3. Personal representatives ☐

4. If others, please specify:

.....

Q26. Do you employ full-time salesmen?

Yes ☐

No ☐

(If 'no', proceed to Q27.)

(a) If 'yes', how many full-time salesmen do you have?

.....

(b) How many part-time salesmen do you have (if any)?

.....

(c) Do your salesmen go outside the firm to contact customers?

Yes ☐

No ☐

(d) If 'yes', are your salesmen organised in groups specialised in:

1. Group selling to wholesalers ☐

2. Groups selling to retailers ☐

3. Groups selling to others, please specify:

.....

(e) Do you use training programmes to increase the efficiency of your salesmen?

Yes ☐

No ☐

(f) If 'yes', which of the following training techniques do you usually use? (Hand over Card No.15)

1. A few days of informal training ☐

2. On-the-job training (in field) ☐

3. Organised class within the firm ☐

4. Organised class outside the firm ☐

5. Periodic sales meetings ☐

6. If other methods, please specify:

.....

(g) Do you pay your salesmen

1. Fixed salaries only ☐

2. Fixed salaries plus commission ☐

3. Commission only ☐

PRODUCTION:

Q27.(a) How many product lines do you have?

(b) What is the percentage distribution of each product line in relation to your total production volume?

.....

.....

Q28.(a) How many product lines did you start your production with when the firm was first established?

.....

(b) How many new product items did you start producing over the last five years?

..... items

(c) Have you ever dropped a product item from any of your product lines?

Yes ☐
No ☐

(d) If 'yes', what was the reason(s)?

.....

(e) What is the functional title of the person who takes the final decision to add or drop a product item to or from a product line?

.....

Q29. What is your total production in both value and volume for the following number of years: (Hand over Card No.16)

Year	Volume (tons)	Value (Libyan Dinars)
1974		
1973		
1972		
1971		

Q30.(a) Do you plan for a specific rate by which your production increases annually?

Yes ☐
No ☐

(b) Which of the following methods do you use in financing your production expansion?

1. increasing the capital invested ☐

2. profit re-investment ☐

3. suppliers of credit ☐

4. others, please specify:

.....

(c) What is the percentage of your profit re-invested in the firm annually?

..... %

Q31.(a) Do you buy your raw materials from

1. local producers ☐

2. import from abroad ☐

3. both sources ☐

(b) Do you buy domestic raw materials from

1. wholesalers ☐

2. individual producers ☐

3. government sources ☐

4. others, please specify:

.....

Q32. If you buy more than 40% of your raw materials from individual producers (i.e. farmers) please answer the following sub-questions (a) and (b)

(a) Which of the following methods do you use in buying raw materials from individual producers:
(Hand over Card No.17)

1. buy anything available ☐

2. buy from producers with already signed contracts with the firm ☐

3. buy from any producer with priority to those with contracts with the firm ☐

- (b) Do you employ motivating techniques in order to obtain adequate supply of raw materials from individual producers?

Yes

☐

No

☐

If 'yes', which of the following techniques do you use? (Hand over Card No.18)

1. Advance agreement on prices of raw materials before season ☐
2. Providing credit terms to producers ☐
3. Providing technical information about methods of growing quality raw materials ☐
4. Supplying producers with free quality seeds to grow ☐
5. If any other methods, please specify:

.....

CHANNELS OF DISTRIBUTION:

- Q33.(a) To which of the following links of distribution do you sell your produce?

1. wholesalers ☐
2. retailers ☐
3. government institutions ☐
4. cooperatives ☐
5. If others, please specify:

.....

- (b) What is the percentage distribution of your goods to each of the following links of distribution? (Hand over Card No.19)

1. wholesalers per cent
2. retailers per cent
3. government institutions per cent
4. cooperatives per cent
5. others per cent

- (c) What is your total sales value and volume for the following years?

Year	Volume (tons)	Value (Libyan Dinars)
1974		
1973		
1972		
1971		

- Q34.(a) Do you use your own methods of transportation to distribute your produce to your customers?

Yes

☐

No

☐

- (b) Do you deliver the produce from

1. the factory

☐

2. distribution centres

☐

- Q35.(a) Do you offer credits and/or discounts to your

1. wholesalers

Yes

☐

No

☐

2. retailers

Yes

☐

No

☐

- (b) Which is more important to your customers

1. discount terms

☐

2. credit terms

☐

- Q36.(a) Do you sell your produce at the same price in each of the following distribution links?

1. wholesalers

☐

2. retailers

☐

3. cooperatives

☐

4. government institutions

☐

(b) Are the prices of your produce fixed by

1. the firm

☐

2. the government

☐

(c) If your prices are fixed by the management of the firm, does the government control the prices of your produce at

1. the distribution levels

☐

2. the final consumer level

☐

(d) Which of the following factors do you consider most important in fixing prices for your produce. (Rate the factors according to first importance, second importance, etc.) (Hand over Card No.20)

1. prices of imported competitive produce

☐

2. prices of domestic competitive produce

☐

3. suitable prices to customers

☐

4. cost per unit plus fixed profit margin

☐

5. others, please specify:

.....

MARKETING STRATEGY:

Q37.(a) Do you use marketing budgets as a guide to your marketing efforts?

Yes

☐

No

☐

(b) If 'yes', do you allocate the funds of your marketing budget among the elements of the marketing strategy (i.e. produce planning efforts, sales efforts, marketing research efforts, etc.)?

Yes

☐

No

☐

(c) Which of the following senior executives participate in the preparation of your marketing plans?
(Hand over Card No.21)

- | | |
|------------------------------------|--------------------------|
| 1. Chief Marketing Executive | ☐ |
| 2. Chief Production Executive | ☐ |
| 3. Chief Finance Executive | ☐ |
| 4. Chief of Research & Development | ☐ |
| 5. Others, please specify: | |

.....

(d) Do you have written-down marketing plan at all?

Yes ☐

No ☐

If 'yes', what are the principal headings of your current marketing plan?

.....

.....

Q38.(a) Please allocate 100 points among the following major policy areas according to their relative importance in your marketing strategies. (Hand over Card No.22)

Policy area	Description of policy area	No. of points
Product efforts	includes product planning, product research and development	
Sales efforts	includes sales department, personal selling, advertising & communications	
Distribution efforts	includes channel policies, transportation and inventory control	
Marketing Research efforts	includes sales analysis, sales forecasting, consumer survey & advertising research	

(b) Which of the following planning horizons do you use?

- | | |
|---------------------------------------|--------------------------|
| 1. less than one year | ☐ |
| 2. one year and less than three years | ☐ |
| 3. three years & less than five years | ☐ |
| 4. five years and over | ☐ |

Q39.(a) Would you consider competition between domestic producers in the Libyan market to be (Hand over Card No.23)

- | | | | |
|-----------|--------------------------|------------|--------------------------|
| very high | ☐ | reasonable | ☐ |
| high | ☐ | low | ☐ |
| | | very low | ☐ |

(b) Is the competition between domestic and imported produce

- | | | | |
|-----------|--------------------------|------------|--------------------------|
| very high | ☐ | reasonable | ☐ |
| high | ☐ | low | ☐ |
| | | very low | ☐ |

(c) Do you think that government should provide more protection measures against foreign competitive products?

- | | |
|-----|--------------------------|
| Yes | ☐ |
| No | ☐ |

(d) Do your major competitors employ any marketing techniques which you do not use?

- | | |
|-----|--------------------------|
| Yes | ☐ |
| No | ☐ |

If 'yes',

1. What are these marketing techniques?

.....
.....

2. What are the reasons for not using such marketing techniques in your firm?

.....
.....

3. Do you plan to use such techniques?

Yes

☐

No

☐

* * * *

Thank you for your cooperation.

B. Hudanah