

Food Distribution Research for Developing Countries

Discussant

Food 70's

General agreement with position paper, but felt that private firms should be given more credit for their role in food distribution research

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● Dr. Kriesberg emphasized in his paper that the need for food distribution research is becoming increasingly urgent for sustaining agricultural growth and for overcoming world wide hunger. I agree with Dr. Kriesberg's position, but even though the development economists and policy planners finally seem to be more aware of the importance of marketing, very little food marketing research is being conducted in many of the developing countries.

Research results have indicated that marketing reforms can be a catalyst in bringing about modernization of traditional systems of production and distribution. Then why was marketing almost completely neglected in the past, and why is the importance of marketing and marketing research still being neglected in many developing countries? Following are a few reasons:

1. There has been considerably more interest in increasing the production of physical goods as compared to intangible marketing services since goods are more readily associated with a high standard of living.
2. The inefficient marketing system frequently provides a dole for the otherwise unemployed.
3. Until recent years, the development theories considered marketing to be one of the sectors that implicitly adapts itself to the more important changes that are taking place in economy.

4. It is difficult to "sort out" and demonstrate the effect of marketing in a developing economy.

5. The economics of marketing and the possibilities of improving real incomes by improving the distribution system have been ignored by the development planners due to a lack of knowledge concerning the impact marketing can have on development.

6. There are few marketing trained personnel working in Federal, State and University agricultural economics positions.

There is another important reason for a lack of interest and effort in marketing and this pertains to the situation in many of the Agricultural Colleges in developing countries. It seems that in many cases the faculty members and graduate students do not have much interest in the field of marketing or marketing research. Consequently, the college graduates that enter into State and Federal government positions, in many cases, have little knowledge or interest in marketing. Also, a lot of the research that needs to be done in marketing at this time is applied descriptive research, and faculty members and graduate students want to do more sophisticated econometrics research and research in production economics as greater recognition is awarded for the more sophisticated types of research.

The matter of funds for conducting marketing research is a critical

problem in most of the developing countries. An example of this situation is a well trained State marketing research group in Sao Paulo, Brazil can obtain funds to hire additional staff, but they cannot obtain the needed funds to send their researchers out in the State to collect the primary data needed for working on the most important marketing problems. Therefore, the group is not following any priority in working on major problems as they are restricted to conducting research that must be done close to where the office is located or secondary data must be utilized in their work. The financing difficulty will have to be resolved before the marketing researchers can make the needed progress on the most critical problems.

RESEARCH NEEDS

In his paper, Dr. Kriesberg pointed out the needed areas of marketing research - marketing structure and marketing systems, marketing mechanics and operating efficiency, human nutrition and consumer economics, marketing management and marketing expansion research. I would agree that these are the general needed areas of research. In order to avoid repetition, I will not comment on all of the aforementioned research areas. Specifically, I want to provide support for some of Dr. Kriesberg's research suggestions and elaborate on some of the suggestions.

Government Intervention. Dr. Kriesberg stated that the intervention of the government in the marketing place is an area where more research is needed, and I certainly support this viewpoint. Serious problems in numerous developing countries have been created by the government unwisely intervening in the market place. For example, in some of the developing countries the governments have maintained relatively low-price levels for food items in the interest of keeping food prices as low as possible for consumers. Chile was using this government policy in the 1950's for a number of years to control beef prices. The particular policy strategy prevented modification of the market structure to meet consumer demand and the result was substantial imports of beef.^{1/} In recent years, the Brazilian government has intervened in the beef market by taking over some of the larger meat packing plants and exercising market power both in buying and selling with the objective being to hold down the

price of beef for consumers. Producers have been hurt and the packers in many instances have suffered financial loss. Some short run goals have been accomplished, but it appears that the long run repercussions will be quite undesirable. Frequently, governments in developing countries do not consider the long run implications of such policies and additional research is certainly needed to analyze the impact of different types of government policies on the marketing system.

Marketing Management. Also, I want to endorse Dr. Kriesberg's position concerning the need for substantial marketing management research. For this research area, I want to direct my comments specifically toward the appropriate form of marketing organization. Much of the emphasis in the developing countries has been placed on cooperatives as the instrument of marketing reforms. Benefit-cost analysis has often been neglected or ignored, and this type of analysis is imperative when evaluating cooperatives in the framework of alternative means to achieve market reforms and greater efficiency.

Based on some research that I did in Brazil concerning this subject, it seems that if a sufficient infrastructure has been developed the experienced well organized and managed private firms, often foreign firms or joint ventures if the domestic firms are weak, have a comparative advantage over the cooperatives in rapidly generating the market power and innovations needed to increase efficiency, improve the competitive structure, and transform the marketing system. With investments in strong private firms, foreign, joint ventures and domestic, that are proven successful operators, there is less chance of leakage from the investment and the investment will go further in transforming the marketing system. The key advantages of the strong private enterprise operations are their superior managerial and organizational competence, greater technical know-how, the ability to obtain capital and use it effectively and efficiently, and the desire to make the firm succeed. These characteristics are lacking in many cooperative and government enterprises.

Additional research concerning the type

of organizations that could be used to expedite development and transform the marketing system is needed. The cooperatives certainly have a place, but should they come first in the development process? I believe, based on my research efforts, that private enterprise and cooperatives should be developed together, but in many situations the initial emphasis should be on private enterprise. At a later stage of development the emphasis can be shifted to cooperatives.

Food Retailing. All of the members of the Food Distribution Research Society are particularly interested in food retailing. And this is a sector of marketing that can have a tremendous impact on the marketing system in developing countries. Research findings in recent years have indicated that food retailing can play a very important role in economic development. 2/

In research work that was completed in Puerto Rico in the 1960's, the findings indicated that food retailing margins decreased from 23 percent in 1950 to 18 percent in 1964. This was due to numerous improvements in the retail food sector and one particular important change was the establishment of supermarkets. 3/ From a study of the marketing system in the Recife, Brazil region, it was found that efficiencies accrue from the larger scale retail operations. And, the larger the retailer the more the firm uses price to attract consumers and the more the firm attempts to price lower than others that are his competition. The conclusion reached in this work is that the atomistic retail end of the spectrum is largely unconcerned by competition, but supermarkets are conscious of competition and compete on a price basis. 4/ Consequently, there is a need to change the structure of food retailing from atomistic, non competitive, to larger scale firms that compete through price and promotional efforts. The larger multi product firms will sell "lead" items at low margins in order to increase store traffic and then they obtain profit by selling other items. Therefore, the dynamic and competitive performance of supermarkets can contribute to the many needed changes in the marketing system.

Slater contends that a critical step in the process of reforming agricultural and food channels in developing countries must take place

at the retail level. 5/ The retail food distribution system can and should be used as the catalyst to generate changes needed in the marketing system. The improvements in the food retailing sector can bring about more effective market coordination and increased efficiency with the result being (1) food costs to consumers are reduced, (2) profits for efficient distributors are increased and these distributors can then re-invest in cost reducing innovations, and (3) farm profits will be bolstered which means that these profits can be invested in new, more efficient production techniques. In addition, improvements in the food retailing sector means better quality goods and a greater variety of goods for consumers.

There is a need for the adoption of the systems concept in order to get the type of coordination needed between the producers, wholesalers and retailers, and the larger supermarket firm makes it possible to utilize the concept. The type of large food retailing firm that is being recommended encourages suppliers to make improvements and changes in their operations to provide for the requirements of the retailer as retailers of this type want to buy large quantities of product of uniform quality at stable prices.

In my experience with large food retailing firms (supermarkets) in Brazil, I observed some difficulties that supermarkets have encountered in bringing about the aforementioned changes that are needed in the marketing system. Many low income consumers do not benefit from supermarkets as credit is not provided by these firms. Also due to a lack of transportation and mobility the low income consumers cannot always buy from supermarkets. Therefore, they must buy from the neighborhood high priced stores that offer credit and a convenient location. In addition, many consumers in the smaller cities will not buy from supermarket chain firms (big city firm and an outsider) as they want to buy from a store owner that they personally know. Traditional shopping habits and customs are affecting the development and growth of supermarket chain operations in the smaller cities in Brazil and consequently impeding changes and improvements in the marketing system.

There is a need for considerable

additional research concerning food wholesaling and food retailing. The results can be quite fruitful as an efficient, strong retail sector can serve as a catalyst for the agricultural economy. Specifically, we need to know more about how the retail sector should be organized and developed in order to be a stronger and more effective catalyst in generating the overall needed marketing changes.

Conducting the Research. Dr. Kriesberg contends that much of the research to improve marketing processes should probably be conducted by government agencies, educational institutions, and quasi-public research foundations. In my opinion, we should not ignore private firms, particularly the strong domestic, foreign, and joint venture firms. These firms can make a substantial contribution in research that will improve the marketing processes. Some private firms in developing countries have been conducting marketing research the past few years and should be in a position to do considerably more work in the future. In Brazil a number of firms, foreign firms and joint venture firms in particular, have made some very useful contributions to the advancement and improvements in marketing through their research efforts.

Marketing Research Center. I want to commend Dr. Kriesberg for his suggestion concerning establishing international centers of competence for marketing research. This is an excellent idea and one that I hope is pursued. A concern that I have is can such a center generate the fantastic dramatic success stories such as the development of the improved wheat variety by the Research Center in Mexico, and the improved rice variety by the Philippines Research Center. It seems that dramatic results may be needed from the proposed Marketing Research Center in order to generate and maintain the financial support from the different development agencies and the countries supporting such a venture. Marketing research results in making a contribution to development, but the results of such a center would not necessarily be dramatic due to the nature of marketing and the possible accomplishments. However, the results of the research would be widely applicable to developing countries and the centers could be very useful and effective for training marketing personnel. In my opinion, a center of

the proposed type, staffed with well trained, competent marketing professionals could do a better job in certain types of training for marketing personnel, particularly for short term training, than we are able to do in the United States as the program could be geared more specifically for the trainees particular needs.

Results From Research. Any research that results in improvements in the efficiency of marketing food products can contribute to the overall development process. For example, in many of the developing countries the lower two thirds of the income groups in most of the urban areas spend two thirds or more of their income for food. Approximately half of this expenditure, and even more in some instances, provides assembly, processing and distribution services to bring the food from the rural sector to the urban area. Included in this cost is waste, loss in transportation, and unnecessary cost due to inefficiencies. The antiquated marketing system in many of the developing countries is very inefficient and quite inadequate to serve the needs of the large numbers of the poor people that migrate from the poor rural areas to the urban centers. Due to these deficiencies in the food marketing system, a larger share than necessary of the urban consumers disposable income must be expended for the food marketing system. Therefore, any efficiencies that can be generated in food marketing means the consumer will have additional resources that can be used to purchase more food or other types of food to improve their diet. Also, the consumer as an alternative can purchase other necessities or use the extra discretionary income for additional purchases. In essence, improvements in marketing efficiency will result in the consumer having additional purchasing power which will benefit the overall economy.

CONCLUSION

Dr. Kriesberg, in his excellent paper, emphasized the challenge for food distribution research and indicated the research areas where emphasis should be directed to resolve the critical marketing problems. The question is what type of support will this research receive from the development agencies and the developing countries. The desire on the part of the marketing researchers

to move ahead with the task is present, but is there enough will and interest from the supporting bodies to finance the work that is needed. Many developing countries are now at a crucial stage of development as the absence of a well organized marketing system is restricting the further increases in production that are a necessity. The past economic development efforts have emphasized production problems and neglected marketing problems. In the future, more effort will have to be directed toward research to resolve the marketing problems as a well organized marketing system is needed to expedite the development process. ●

References

1/ C. M. Harden, "Beef Marketing in Santiago", Journal of Farm Economics, Vol. XXXIV, (November, 1957), pp. 993-1002.

2/ Some studies in this area are: John R. Wish, Food Retailing in Economic Development: Puerto Rico, 1950-65. Ph.D. thesis, Michigan State University, East Lansing, Michigan, 1967; Kelly Harrison, Agricultural Marketing Coordination in the Economic Development of Puerto Rico, Ph.D. thesis, Michigan State University, East Lansing Michigan, 1966; and Peter D. Bennett, Government's Role In Retail Marketing of Food Products in Chile, Studies in Latin American Business, No. 6, Bureau of Business Research, The University of Texas, Austin, Texas, 1968. Other research in this area concerns work that was done in Puerto Rico, Bolivia and Brazil by the Agricultural Economics Department and School of Business, Michigan State University, East Lansing, Michigan.

3/ Harold Riley, "Evaluation of Marketing Systems in Latin America", a paper presented at the Markets and Trade and Economic Development Workshop, North Carolina State University, Raleigh, North Carolina, February 20, 1968, p. 11.

4/ Ibid.

5/ Charles C. Slater, "Marketing Processes in Developing Latin American Societies", Journal of Marketing, Vol. 32, No. 3, July 1968, p. 53.