

IDENTIFYING EXTENSION'S MARKETING CLIENTELE AND ADAPTING ECONOMIC INFORMATION TO THEIR NEEDS

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This task with respect to any extension marketing program, can be divided into four parts (1) identify the clientele of extension marketing work, (2) identify the problems of the various clientele, (3) relative to these problems, identify the types of economic information needed for solving the problems of this clientele, and (4) suggest how this economic information can be adapted to the needs of this clientele. The first section of this paper will identify the clientele and the latter section will deal with problems, information needs, and methods of adapting information relative to each defined type of clientele.

CLIENTELE IDENTIFICATION

*"Since the primary goal of Extension's marketing program is to improve the performance of the total marketing system, educational assistance should concentrate on improving the decisions of producers, assemblers, processors, distributors, and farm suppliers. All of the above decision makers, as well as such related groups as consumers, youth, and the general public, are necessary clientele if Extension is to fulfill its responsibilities in marketing."*¹

This statement defines in general terms, and rather all inclusively, the clientele toward which extension marketing personnel orient their educational activities. I have chosen to delineate further the types of clientele at this time, because in the latter section of this paper it is important to discuss certain problems, information needs, and methods of adapting information to the needs of the clientele as they are directly related to specific clientele groups.

Producers

It is my feeling that the clientele classified as producers can, and must, for purposes of orienting

marketing educational programs, be divided into two general groups. First, the commercial farmer and rancher group, which can be defined as those producers who are large enough to have some influence on the market place. Members of this group may gain influence because their size of operation is large enough to attract buyers direct and/or because they have the volume of product which when marketed will affect market price or conditions of sale at the market place. Often, such as is the case with most of the larger feedlots, these producers have relatively competent marketing personnel on their staffs.

The second group of producers may be called small-scale producers, marginal producers, or for purposes of money funding today, low income producers. These are producers with less than sufficient volume in the market place to have significant influence on market price and/or conditions of sale. Further, a majority of these producers generally produce with little or no concern for market requirements.

Agribusiness Firms

I have chosen to label this group "agribusiness firms" because for purposes of this paper I will group together marketing and supply and/or service firms. This group, then, includes assemblers, processors, distributors and farm suppliers. There are many specific and different types of problems faced by each of these groups. However, there are even more problems that are common to both groups. Hence, the decision to group them together.

Not many years ago, extension marketing personnel conducted programs primarily with farmers and farm groups concerning their farm marketing problems. Work with agribusiness firms, concerning their market-

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¹ "Extension Marketing Programs - Scope and Future Needs," Report of Marketing Subcommittee, Extension Committee on Organization and Policy.

ing problems, was relatively unheard of until recently. Today, in contrast, marketing of agricultural products beyond the farm is recognized as an extremely important segment of our total agricultural industry. Increased emphasis is placed upon promoting the efficiency of our total marketing system, not just the on-farm marketing activities. As a consequence, extension marketing programs have undergone considerable change and now have the basic objective of bringing desirable adjustments in agribusiness firms.

I would like to distinguish two categories of agribusiness firms; large firms and small firms. Usually, the terms large and small, as used in marketing, refer to differences in volume of output. However, a large firm can be differentiated from a small firm in terms of the composition of the managerial staff.

The small firm is defined as the firm not large enough to have a departmentalized type of management structure. This type of firm usually has a one-, two-, or three-owner-operator managerial staff. The large firm, in contrast, has a departmentalized managerial structure. Further, this type of firm will more likely operate on a regional or national basis than will the small agribusiness firm. In general, this method of differentiating the two types of agribusiness firms follows a volume division, because the basic reason for departmentalizing the firm's activities is usually due to growth in the size of the firm and a resulting need to specialize the management function.

Although the foundation of and major emphasis of extension marketing programs is placed on producers and agribusiness firms today, I should not fail to mention three additional categories of clientele of many marketing programs.

Consumers

Although major emphasis generally is not placed on conducting educational programs with consumers by extension marketing personnel across the nation, there are states that apportion rather significant time to this program. Since I have little knowledge concerning the details of these programs, I will not discuss the problems and needs of this clientele. Marketing programs with consumers are generally oriented to (1) educate consumers as to the factors that determine food prices, (2) help consumers adjust more rapidly to changing product prices and supplies, and (3) improve consumers' understanding of quality factors and grading standards.

Youth

In most extension marketing programs, an effort

is made to conduct marketing educational programs with youth, and usually these youth are 4-H members. Again, major emphasis generally is not placed on this activity, but it does and in the future will have an important influence with respect to creating a more orderly and efficient marketing system. If one were to state an objective for youth work, it might be that we are attempting to prevent future problems that these youth could have if they had not received information relative to marketing channels, requirements, methods, etc. I will not discuss this clientele any further.

County and Area Extension Personnel

Recently, there has been additional emphasis placed on training county and area agents in marketing. This emphasis has developed based on the idea that the role of this type of extension person is to help farmers understand the market and to enable them to deal effectively with it. These agents are clientele of extension marketing personnel. I shall not delve into the specific problems, needs, etc. of this group. There is a Southern Extension Marketing Publication which discusses the entire complex of county agent training in marketing.²

PROBLEMS, INFORMATION NEEDS AND INFORMATION ADAPTION

It is my intent in this section of this paper to discuss jointly the problems, the types of information needed in solving these problems, and how extension marketing programs can adapt this information to the needs of each type of clientele previously identified.

The first clientele defined was the producer group which is composed of two categories - the commercial farmer or rancher, and the small-scale producer. I feel that the problems of these two groups are somewhat different as are the types of marketing decisions made by each group. As a consequence, extension marketing educational programs must be different for each of the groups.

The commercial farmer, as I defined him, is able in some degree to affect market price and/or conditions of sale. Also, the members of this group basically make individual marketing decisions. Therefore, the marketing problems of the commercial farmer center around individual decisions relating to our traditional what, when, where, and how to market a product.

The small-scale producer, on the other hand, does not have volumes of production that will allow him to have any effect on market price and/or conditions of sale. Also, and perhaps because he does not have adequate volume to have an effect on the market, he

² Marketing Course Outline for County Agent Training, "Southern Extension Marketing Publication, No. 68-1.

usually produces with little concern for the requirements of the market system. As a result of these problem characteristics, the information needs of this group center around the question, How can the small-scale farmer achieve the volume and meet the specifications of today's marketing system? Then, if this is answered, the problem of our traditional what, when, where, and how to market becomes of concern.

The basic problem of the small-scale producer is an inability to provide for the requirements of the marketing system, primarily volume requirements. The answer suggested by many today is that producers should form groups that will facilitate the pooling of the output of many individual producers. The purpose of this group is to transform the output of the group into a stable flow of uniform quality and quantity desired by the market.

In my experience, the basic information needed by these groups can be divided into two parts (1) information which will adequately inform the members of the group as to the specific requirements of the market they desire to serve, and (2) the requirements of successful group decision making with specific reference to the requirements necessary to achieve adequate group action.

The first area of information needed, that related to the requirements of the market, is relatively easy to secure and to disperse to the group. It requires that the extension marketing specialist know the market. This can be achieved by personal experience of the extension marketing personnel through direct contact with the market facility or personnel, and/or knowledge of research studies which are market structure oriented. I prefer the first method because specific area peculiarities do exist in the market and must be made known to the seller. Little difficulty usually is encountered when disseminating this type of information to the group as it is rather straight forward; i.e., the information is in terms of specific quantity and quality specifications. However, it also is important to make the group aware of interregional competitive factors that may also affect their undertaking. This educational endeavor is not as easily accomplished. Producers generally prefer to consider their local situation as the only consideration necessary. As information becomes more widespread, however, this task will become less difficult.

The second area of information needed, that related to the requirements of successful group decision making relative to marketing their product successfully, is also relatively easy to secure. Literature is more than plentiful regarding the essentials of group marketing, group bargaining, basic concepts and purposes of cooperative marketing, laws and regulations affecting group action, etc. The difficulty that we

have experienced is that of getting the group to fully accept the information presented relative to the elements of supply control and/or the producer loyalty to the group that is required for orderly marketing of the group's product. The reason for this difficulty stems from the fact that individuals are generally opposed to turning over on the farm decisions to the group, i.e., that the group determine what and how much will be produced by the individuals in light of the market demands.

If the small-scale producer group does decide to band together then their marketing problems become quite similar to those of the commercial producer; that is, the traditional marketing problem of the what, when, where, and how to market the product. The basic problem, as the commercial producer sees it, is, How can he reach an optimum in resource mix and scale of operation? And, this optimum is conditioned by the fact that the farmer must recognize that the production and marketing activities are becoming increasingly integrated. This integration takes many forms, but the most common at the farm level is contractual arrangements. This involves agreement to such items as pricing, timing of harvest and planting, variety selection, changes in cultural practices, and methods of harvesting and handling products so that the products will be geared more precisely to the needs and specifications of the buyer. Here, I feel that extension marketing personnel must, and do, play an important role in explaining the purposes of contracts and also in some cases acting as an intermediary between the two parties.

Along this same trend of thought is the ever increasing possibility of bypassing traditional stages in the movement of farm products. This is a path that is, or could be, chosen whenever risk can be minimized or profits increased. Here, the farmer needs information that will enable him to evaluate the various market channels available to him both in terms of the short run and the long run consequences of his choice. For example, he needs to know just what are the specific factors such as quality, grade, quantity, etc., used in pricing under alternative marketing systems; what market information should he have before he accepts an offered price; and which alternative will benefit him most over the long run. Many other types of questions need to be answered in each individual situation. The above are just examples to illustrate the type of information needed.

Extension marketing personnel in the past generally have performed rather well in providing assistance to producers relative to the what and when aspects of selling their product. This has been accomplished through providing market information and outlook. Although this type of assistance still is important and probably always will be, I feel that more effort

needs to be exerted in assisting producers with their where and how marketing decisions. Producers need assistance in analyzing the alternative markets available to them and guides for evaluating the differences. Also, they need to know the implications of marketing through contracts, use of future markets and hedging possibilities and of direct marketing. For example, hedging and the future's market are tools, which if properly utilized, can be effective marketing tools for farmers and farmer groups. This subject, however, has been very difficult to teach farmers. Is it because relevant information is sparse and/or inconclusive, or is it because we have not developed the proper technique for teaching it? I feel it is a combination of the two. This leads me to the conclusion that much work is still required in presenting appropriate information at an appropriate level in not only hedging and the future's market but in many other areas as well.

As was mentioned earlier, during the past few years, extension marketing programs have taken on added emphasis in work with agribusiness firms. In fact, some of us work almost exclusively in this area. I am one who does and, therefore, I feel a little more at home when I discuss the problems and information needs of this group.

Those of us who work with the management of agribusiness firms work with them much the same way that the farm management specialist has always worked with farm managers. However, the agribusiness manager faces a greater variety of problems than the farm manager. For example, agribusiness managers must make marketing decisions concerning the channels of distribution, which include export possibilities as well as domestic; the size and location of processing and distribution facilities; the form the product should take as determined by the consumer; the method of branding and of differentiation of the product; the appropriate type of magnitude of merchandising and advertising; and proper interpretation of and conformity to the various regulations that affect them. In addition, management must decide upon the type of plant layout which will be most efficient; procurement at the best place, time and quantity; when to adopt new technology; the personnel policies it should adopt and enforce; how it will deal with unions; how it will control costs and financial condition of the firm; the type of internal organization the firm should employ; the appropriate diversification the firm should employ; and, in some cases, whether it should reorganize through a merger or consolidation. These are only a sampling of the types of problems which confront the management of agribusiness firms, but it will point out the many and varied types of problems these managers face. If extension marketing programs are to adequately service this clientele, their programs must assist managerial and operational

personnel to understand and adapt to both external and internal forces that affect their firm.

External forces include such concerns as (1) the changing competitive environment as it affects the firm, (2) the impact of governmental policies, regulations and decisions on the firm, (3) the effect of labor policies, actions, and decisions on the firm, (4) changing consumption characteristics and their impact on the pricing policies of the firm, and (5) demand-supply outlook in both the long and short range as it may affect company planning.

Internal forces include such concerns as (1) the increased need for business planning and control, (2) the feasibility of development and use of electronic data processing, (3) the need for effective utilization of human resources, (4) the need for evaluation and adoption of technological advances in plant and equipment automation, and (5) the need for more strenuous financial control and planning as related to the firm's future.

Because of the varied types of problems that managers of agribusiness firms face, the need for varied kinds of information exist. In fact, the disciplines required to provide the needed information include economics, business management, industrial relations, biological sciences, engineering, and the behavioral sciences, particularly sociology and psychology.

At this time, I would like to refer back to my definition of the two types of agribusiness firm clientele. I defined large firms as those firms which had a departmentalized management structure. The reason for this choice of terms is that a different type of extension marketing education program must be conducted for these firms than for those without a departmentalized structure. Under a departmentalized structure, the firm most likely will have specialists in such areas as personnel management, feasibility analysis, market research, plant engineering, financial control, etc. This, of course, is not true for the firms not large enough to specialize and departmentalize. In fact, in many agribusiness firms I have worked with, one man performs all of the duties of the various departments. Obviously, the degree and depth of the level of information and training required by each of these groups is quite different.

I have heard many extension marketing specialists say that we have no role to play with the big firms as we are not adequately equipped to work with them. Also, at the federal level, emphasis is given to programs with the medium and small firms "who have limited research and development staffs." I feel strongly that we have definite roles to play in our educational activities with both types of firms. However, as I

mentioned earlier, these roles are of a different nature for each group depending upon the specific content or purpose of the educational program. For example, most educational programs dealing with external changes can be conducted jointly for both groups. The implications from changes in external forces have similar, if not equal, effects on firms in both groups.

In conducting educational programs that deal with internal changes, the content and nature of the educational material and assistance needs to be different for the two groups. The specific clientele of the departmentalized firms are specialists in their field. As a consequence, the material and assistance rendered must be very specific and much more in-depth than that presented to the general manager type of clientele of most smaller firms. That is, we need to work, for example, with personnel managers, financial managers, research personnel, etc. as independent groups. Although each of these specialized groups require specific, detailed assistance, the specialist must be equipped to determine the specific needs of a group. That is, perhaps one of the most important contributions of the extension marketing specialist is that he be a problem identifier for these firms.

Further, we need to employ, if we do not have them on our staff, which most of us don't, specialists from other colleges on the campus. We work closely with personnel in the Business Colleges and Engineering Colleges to obtain expertise in such areas as finance, taxes, accounting, industrial engineering, personnel relations and public relations. In short, the major comment I have relative to adapting information to the needs of our agribusiness clientele is that it is essential to utilize all resources available from the relevant disciplines in a coordinated team approach. There are many possible teams, some of which are research and extension personnel, agriculture extension personnel and personnel from extension divisions from other colleges, state level extension personnel and regional or interstate extension personnel having special expertise. The important point that I'd like to get across is that no matter what group of clientele we are working with it is essential to utilize the expertise necessary and not try to be all things to all people as many of us have attempted to be in the past.

Let me conclude by making reference to some of the specific problem areas that are currently plaguing management of agribusiness firms.

First, electronic computers are generating an information explosion. Information retrieval and analysis can now take place at a tremendous scale not experienced a few years ago. Along with the computer has come new techniques of analysis; such as, mathematical programming that requires the use of computer service. In fact, progress in developing these

tools has far out-distanced progress in learning how to get them used appropriately in the regular course of decision making by management of agribusiness firms. This, then, is a major problem of agribusiness today - should we, as a firm, utilize computers and related techniques of analysis and if we should, what specifically should we use?

A second major problem area relates to the fact that the effectiveness of our pricing system is being diminished to the extent that price is an inadequate signal of desired product attributes. The problem confronting many managers of agribusiness firms then is how do they effectively relate these demands back to the producer level.

A third problem area relates to the implications to the agribusiness firm of the rapidly changing transportation situation today. New methods and techniques of transportation are rapidly developing and because the share of marketing costs attributed to transportation is large, firms are in need of constantly reevaluating alternative methods of transporting their products. This requires a knowledge of rate structures which many of our small agribusinesses do not have.

Still another major problem area is the ever increasing need to analyze possibilities of diversifying activities, or of merging or consolidating to more efficient use of resources and/or to gain financial or competitive strength in the industry. Many of our agribusiness firms are aware of these needs but lack the know how required to analyze the feasibility of the alternatives.

Finally, there is tremendous need to evaluate the expected results from public programs and legal restraints on agribusiness firms. These firms are aware of the various programs, but have little or no knowledge of the short-run or long-run effects and implications of these programs on the individual firm or the industry. I am referring here to such activities as price maintenance programs at the farm level, regulations of the market, tax regulations, grade standard changes, sanitation requirements and many others. Managers need appropriate information to analyze these programs and also the tools to conduct the analysis.

There are other major problem areas that confront management of agribusiness firms. The ones I have mentioned are those most frequently brought to our attention in Oklahoma. We don't have all the answers, even using the teamwork approach. And, to my knowledge the information which is needed to evaluate and analyze many of these problems is either non-existent or extremely slow in becoming available. Perhaps we in extension need to relay the needs

more effectively to our research counterparts so that research is oriented to provide the information required in problem solving situations of the individual firm. Or perhaps, some of us need to update our own expertise in both knowledge of subject matter and appropriate tools to effectively adapt the information to the needs of our clientele.