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# Opportunities for Research in Marketing

By D. B. DeLoach

*Among the established purposes of Agricultural Economics Research is the publication of broad reviews of fields of research within the general area of agricultural economics. This is such an article. The author first presented the subject before the Western Agricultural Economics Research Council. Believing that his remarks deserved a wider audience, the Editors have persuaded him to prepare them for presentation here. They reflect his extensive experience and mature thinking on problems important for a forward-looking program of research in the economics of marketing.*

**T**HE PRIMARY PURPOSE of marketing research is to provide information to help farmers, processors, distributors, and consumers to make better decisions regarding their economic operations. Research findings likewise are of value to State and Federal agencies that have the problem of formulating and instituting policies affecting the conditions of trade for food and fiber products.

Most decisions people make in farming, processing, distributing, and even consuming are routine in character, but a few are of major importance. Such decisions frequently result from changes that occur in the conditions under which people live and work. Some are made for the purpose of initiating changes; others to adjust to changes. They range from problems of quality and costs to accounting and personnel procedures. They may come about as a result of changes on the outside of the business firm or of conditions within the firm where changes must be made to remain in a competitive business.

Two types of information are needed in the field of marketing to aid in the decision making process. The first relates to changes that must be made as a result of adjustments that take place in our business environment. These are changes beyond the control of any individual firm or person, but they set certain limitations under which a firm can operate. The second type concerns the operating policies and practices of a firm.

## Adjustments to Government Regulations

Management must be aware of and adjust to the multiplicity of Government regulations under which it must operate. In addition to the general run of economic factors influencing our economy, changes in the business environment are generally associated with social and economic

legislation which affects the conditions of employment of labor, including minimum wages, hours, social security, private retirement plans, and the availability of workers; zoning of business locations; waste disposal from processing activities; acreage and market quotas; and sanitary and health measures; and by such institutional factors as unionization of labor and collective bargaining with management on plant operating policies and practices. These types of social and economic measures have material effects on marketing costs and practices, and they are major factors in determining the conditions under which it is feasible to establish new industries.

The structure and organization of industry are assuming greater significance in our general economic environment. The ownership and control of business and the facilities and arrangements for moving products from the farm to the consumer are undergoing major realignments. Of particular importance at the present time is the degree of concentration of ownership and control at the retail level of distribution. Developments in this field are important to all segments of our society. They are doing more to influence the manner in which food products and clothing are distributed than any other one thing on the horizon. For this reason, I think we should give much attention to learn the extent to which ownership and control are factors in deciding the manner in which goods are purchased at the farm level, and the conditions under which they are processed and routed through market channels to the consumer.

## Economic Indicators Record Changes

The changes taking place in business environment are reasonably well recorded in the various

economic indicators published by the Federal Reserve Board, the 12 Federal Reserve Banks, the Bureau of Labor Statistics, the U. S. Department of Commerce, the Federal Trade Commission, and the U. S. Department of Agriculture. In addition to the economic information published by the Government and quasi-Government agencies, private banking institutions issue a vast amount of economic information that aids business people in reaching better business decision.

Usually the type of information in these economic indicators and private banking reports is of a general character and relates to the business environment in which an operator must carry on his affairs. It is important that people engaged in business either as consumers, farmers, processors, or distributors should understand the society in which they operate. It seems particularly important now that the conditions under which business institutions must operate, particularly with respect to labor and market conditions, market prices, and production and trade in general, should be available generally for use by people in agriculture and industry.

In spite of the vast amount of general information that is published on the production and marketing of agricultural products and on other economic matters that are relevant to an understanding of the status of our economy, there is a shortage of good information relating to consumer needs and consumer buying practices. I am not sure that this type of information falls under the general heading of changes that take place in our business environment. It seems, however, that information regarding consumers and their buying habits should be available to those who must make decisions with respect to what to produce and what to market.

The external environment in which a business must operate establishes the boundaries of a firm's activities. Conversely, the external environment is partly a result of the composite actions of the community of business firms which evolve policies and practices for mutual accommodation. The business firm is the organizational entity that produces goods and services, and its existence depends on its management's ability to compete with other businesses.

We find, therefore, that the second type of information needed in the decision-making process concerns the changes associated with the internal

organization and operation of the firm. This type of information encompasses facts relating to the choice and location of businesses, and the conditions under which businesses of different types are likely to succeed or fail.

In this area, the Agricultural Marketing Service has underway studies relating to the economics of location of flour milling and meatpacking plant. Regional studies are underway on frozen food production and marketing. We could go much further in this direction and it is likely that our studies in the future will take us into research on the economics of location of many types of agricultural industries.

The selection of the types, qualities, prices, and markets for products can only be made if there is a good understanding of markets, consumer buying practices, and the likelihood of success of business ventures in particular localities. Pricing and price discovery are of outstanding importance to people who are in business. It is through prices, services, and quality that competition is carried on.

### **Large Investment Capital Required**

I think it is worthwhile to recognize the fact that ability to obtain investment capital is becoming of outstanding importance; it determines to a great degree who can and cannot go into business. Present investments in a modern supermarket seldom run less than a half million dollars. This capital requirement is far beyond that considered necessary in former years by people who expected to enter food retailing. These high capital requirements have altered greatly the conditions of entry into retailing.

Another comment or two relating to the importance of large-scale financing and the size of business organizations is important at this point. It has been my observation that large-scale businesses with many outlets are in a position where the failure of one unit does not necessarily mean the failure of the entire business organization. This is not true with a small firm. The independent processing plant, wholesale firm, or retail store cannot afford a failure. On the other hand, a large corporation can have several failures and continue to be a success.

Mass production and marketing practices are both a cause and a result of urbanization. It seems, however, that the rate at which individual



firms strive to adopt mass production and marketing techniques to increase efficiency is related closely to labor versus capital costs, spreading of risks, and promotion costs for mass marketing. Furthermore, the growth in size and power of some businesses is closely associated with the tax loss rights in Federal income tax laws.

### Problems of Internal Control

The last item I wish to mention under the changes associated with internal organization and operation is that of internal control. Included under this heading are the problems of (1) physical handling of products at the various stages in the marketing operation, (2) quality maintenance and control, and (3) accounting records.

The problems of types of buildings, plant layout, material and product flow, labor use and product output are common to all types businesses. Nevertheless, scientific management has met with little favor in the food industry until recent years. With the development of larger organizations employing many workers at a time when wage rates, fringe benefits, and capital costs were rising, the food industry began to seek ways to lower costs in order to meet competition.

Quality maintenance and control have grown in importance as mass production and marketing increased. The necessity of standardizing qualities and of identifying qualities by grade labeling or by proprietary brands has increased as food retailing has drifted more toward multiple-unit operations. For a large multiple-unit retail organization to standardize its offerings to consumers, it must develop sources of supply that can provide products of given grades and in sufficient volume to make trading feasible. These practices of large buyers have had material repercussions on growers, processors, and consumers.

The current competitive struggle between suppliers of nationally advertised branded merchandise and users of private labels or Federal grades as a means of identifying product quality is of utmost significance to our marketing system. The spread in the use of Federal grades in the perishable commodity field, especially meats, fruits, and vegetables is of unusual significance.

The magnitude of the adjustments in the production and marketing practices of farmers, processors, distributors, and consumers to cope

with the changes in merchandising techniques such as the use of Federal grades by large, integrated concerns are having a far-reaching effect on our economy. Regardless of how this competitive struggle is resolved, quality identification of some sort will continue to dominate merchandising procedures. The need for and the expansion of an economically feasible system of quality control, identification, and maintenance will continue as major managerial problems.

Accounting controls are traditionally the most familiar, trustworthy, and accepted management tool. Carried to a refined stage of costing, the accounting record is about as useful a device as management can have. The difficulty of accounting controls, like all controls, is that the simple records usually are inadequate and the most useful ones often are too costly.

It is unfortunate that so many of the discussions of marketing in the professional society meetings since 1946 have dwelt on the mechanism for carrying on marketing research rather than the actual problem of doing marketing research. Too frequently, interest has centered on the distribution of Federal grants-in-aid rather than on problems, and the ferreting out of problems, that are really meaningful from the standpoint of assisting business people to make decisions they have to make.

The concern of the State agricultural experiment stations, as well as the U. S. Department of Agriculture, with problems of the physical handling of products, quality maintenance and quality control, and prices to a large extent cover the range of subject matter that have been the concern of research workers during the last 10 years. In addition to research on handling methods, quality, and prices, some efforts have been made to go beyond the immediate measurement of these factors to determine the efficiency of operation of the firm, the industry, or particular facets of the firm's activities.

The emphasis on studies relating to the efficiency of handling food and fiber products and the need for maintaining or controlling quality have had a distinct place, and a useful one, in the field of marketing research. I believe, too, that this type of material has provided the public and industry with much information that will help to increase the efficiency of marketing and in the long run probably to improve returns to pro-

ducers of agricultural commodities. This type of work should be continued and probably expanded in some commodity areas.

### **Knowledge of Existing Channels and Practices**

Generally speaking, we have not answered too well the many questions that need to be answered relating to the conditions under which farm products are being marketed at this time. A thorough understanding of present marketing channels, practices, and organization is essential to any improvement that might be suggested in marketing processes.

While there is a disposition on the part of many research workers and administrators to look with disfavor on the descriptive type of research, I do not think it has been carried too far—in fact, it has not been carried far enough. The difficulty that we have faced is that the research has not been thorough enough and the interested parties have not been able to gain a complete understanding of marketing processes from what has been written.

If we can develop a complete understanding of existing marketing conditions, it will be much easier for us to proceed to a second problem, namely, competition and its magnitude as it relates to quality, prices, and services. I believe that an understanding of our marketing system and how it adjusts to changes in products, production, and processing as well as consumer buying practices, is a key to a more efficient system.

### **Cost Reducing Actions by Management**

The substance of this discussion is that the rapid changes taking place in the processing and distribution of food and fibers have come about largely as a result of the efforts of entrepreneurs to establish a competitive advantage. Such efforts take the form of cost-reducing actions by management.

Operating costs reductions might occur in the form of (1) changes in the services provided by the firm; (2) changes in methods of handling materials and products in the plant; (3) adjustments in inventory policies; (4) adjustments in administrative and supervisory activities; (5) changes in the arrangements for transportation, assembly, and storage; (6) relocation of plants and facilities; (7) alterations of distribution

methods and channels; (8) changes in the allocation of and types of promotional media; (9) alterations of the quality of product offered for sale; and (10) the limitation of number of products sold. There are doubtless many other ways to adjust to competition in addition to those we list here.

I wish to repeat that marketing research and service programs exist to provide information and services to help farmers, marketing agencies, and consumers to make better decisions regarding buying, selling, and handling of food. As our system becomes more complex there will be a growing need and demand for more adequate current statistics on market supplies, product movement, practices, margins, and costs as an aid to producers, marketing agencies, consumers, and policymakers who must respond immediately to price and supply changes. It is evident, however, that a statistical record of change is not an explanation of either the reasons for, or the impact of, change on an industry or a firm. It is important, therefore, that we continue our research and analyses to develop ways and means of using our present marketing resources most effectively, and to find new and improved technologies and products.

### **Special Problem Areas**

Most certainly there are many problems confronting research workers in agricultural marketing on which our research groups can make a real contribution to marketing efficiency. A few broad areas with special types of problems on which economists can be very productive follow.

1. Studies of the economic and social developments associated with the integration of food retailing organizations. Particular attention should be given to underlying factors causing such adjustments and the impact of such changes on producers, processors, distributors, and consumers. Collective bargaining, taxation policy, technology, and mass-marketing techniques deserve special consideration.

2. Economic studies of grading and standardizing food and fibers at each level in the marketing process. Special consideration should be given to the implications of the adoption of uniform quality standards on the operations of the industry, firm, and the consumer.



3. Studies of the adaptability and adequacy of marketing facilities and outlets to serve small-scale farmers are badly needed. This is especially true with perishable products, that is, eggs, poultry, milk, and livestock.

4. Studies of the impact of market controls on the use of processing and marketing resources should be undertaken for the purpose of learning the economic response to each type of regulation at each level in the marketing process.

5. Studies of the effects of States and industry commodity promotional programs on producers of

farm products, stressing particularly those programs that require a deduction from the producer's selling price in order to finance the general promotional activity.

6. Studies of the adaptability of various forms of business organizations to specific functions and activities in the processing and marketing of farm products. In this area, special attention should be given to the adaptability of the cooperative form of business to the various processing and distributing activities.

7. Studies of the pricing system and the extent to which it facilitates or restricts sales.

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## Farm Population as a Useful Demographic Concept

By Calvin L. Beale

*In the development of plans for the 1960 Census of Population, the question has been raised as to whether "farm population" should be retained as a distinctive category of enumeration, or if "open country" residents should be enumerated without distinction as to whether their residences are farms. This article presents certain demographic differences that, in the author's view, argue the continuing usefulness of retaining farm residence as a distinct category for enumeration.*

ONCE EVERY DECADE the planning stage arrives for the next national census of population. At such a time, the demographic concepts used in the census are reevaluated together with a host of proposals for changes. We have now come to that point in time with respect to the 1960 census.

From several sources, opinions have been expressed that separate data on farm people should no longer be obtained in the census of population or that the definition of farm population now employed needs radical modification.<sup>1</sup>

Residence on rural farms has been a unit of classification in censuses since 1920. But today the farm population is only 13 percent of the total,

<sup>1</sup> For example, see the remarks of Price, Daniel O., and Hodgkinson, William, Jr., discussing the paper, *NEW DEVELOPMENTS AND THE 1960 CENSUS*, by Conrad Taeuber. *Population Index*. 22:181-182. 1956. Also, *FIRST LIST OF QUESTIONS ON 1960 CENSUS SCHEDULE CONTENT*, a statement prepared by the Bureau of the Census for the Council of Population and Housing Census Users. Pp. 1-2. September 1956.

and many farm people are now involved in non-farm industries to a degree not common in the past. Under such conditions, those who seek additional urban data in the census ask, "Is there justification for retaining in the next census the tabulation detail given to farm population in the last?" "Indeed, should the farm residence category be retained at all?"

During the period in which the majority of the people in the United States lived on farms, the censuses of population provided no statistics on the farm population. As an early student of the subject explained it, "the Nation was so largely rural that interest centered in the growth of cities."<sup>2</sup> The farm population was taken for granted.

But by the turn of the 20th century, the non-farm population was rapidly drawing away from the farm population in number. As the cities

<sup>2</sup> Foreword by Warren, G. F. to Truesdell, Leon E. *FARM POPULATION OF THE UNITED STATES, 1920*. Washington, D. C. U. S. Bureau of the Census. 1926. P. xi.