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by

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Direct Marketing in Perspective

by

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Supermarkets have succeeded in handling America's food supply in very large quantities and with great efficiency. This "mass handling" operation probably works the best for food products coming from mass production assembly lines. The mass handling methods of the modern supermarket works least well in perishable products such as meat, dairy, bakery, and produce--with produce being clearly the most difficult. Production processes for meat, dairy, and bakery products can be conditioned and organized in a way to deliver products of high quality in the volume needed at our many supermarkets. In order to have a massive supply of fresh fruits and vegetables delivered to our supermarkets, these fragile products must be picked many days earlier in their production regions. They then must undergo an arduous and expensive period of transportation and handling. They must be harvested while they are green and strong because if harvested ripe they would be out of condition before reaching the store. Because of these fundamental realities, mass-handled supermarket fruit and vegetables have a level of general quality, freshness, taste, and flavor significantly inferior to similar products harvested nearby in a much more mature state.

In response to this condition, a variety of production and handling methods have grown in importance and prominence. Farmers markets are often organized in areas of heavy consumer traffic (or in the hope of attracting heavy consumer traffic) where growers present fresh fruits and vegetables for sale during the growing season. Often the growers who bring products to these periodic organized markets will also have a roadside stand where products are displayed during the growing season and sometimes throughout the year. Another rapidly growing method of direct marketing of produce is an arrangement where the customer harvests the fruits and vegetables directly at the grower's field. A variation of the pick-your-own arrangement has developed in some regions where customers rent the services of a fruit tree or row of trees which are cared for by their owner and are harvested by the renter. All of these methods reflect an arrangement for moving freshly-harvested fruits and vegetables directly from the grower to the consumer. This paper will discuss this direct marketing industry, including its historical development, its meaning to consumers, and prospects for the future.

Direct Marketing in the Evolution of our Food System

The direct marketing of fresh fruits and vegetables from the grower to the consuming household was a very natural pattern in the subsistence economy of 100 years ago. Only primitive methods of food preservation were practiced at that time, so most food products were produced in the subsistence household where they were also consumed. There was little money in this subsistence economy, and it was usually required for items that could not be produced at home. Direct marketing to consumer households was a natural outlet for the surplus production beyond the household's consumption needs.

Around the turn of the century, several events occurred which moved our food system into a much more industrialized pattern. Commercial canning of many food products including fruits and vegetables had been feasible for some time, but development of mechanical apparatus adapted to the difficult processes of food preparation had lagged. (2) Mechanical pea shellers and fish cleaners came into the food processing industry to make it much more efficient. Industrial employment was growing in our country while many fled the rural subsistence household. During this period, an increasing proportion of our food supply was processed, and the proportion sold as fresh declined.

During the period following World War II, enormous change overtook our food system. Rising incomes and the suburban development brought with it the automobile and the supermarket. (4) Households in this industrial society did less food preparation (although the suburban kitchen was much better equipped than the subsistence kitchen where much food was processed). In this era, women were liberated from a primary focus on household activities as their horizons expanded to employment and activities outside the household. The interest in convenience shopping at the supermarket was accompanied by an interest in convenience foods which required little preparation at home. All of these trends accelerated the growth of supermarkets and the decline of all competing food distribution arrangements.

As early as 1960, a backlash against the industrialized pattern of produce handling was discernible among both consumers and producers. Consumers felt a loss of the variety which had been associated with the more traditional pattern of food distribution. The preprocessed foods were less interesting and exciting, and there was an additional sense of loss concerning the preparation

activities themselves. Perhaps the gourmet cooking interests which have been growing in our system and culture for years are an important reflection of this sense of loss. Certainly another example of the increasing interest of consumers in the traditional skills of food preparation is the growth of U-pick activities.

The loss of freshness and quality in fresh fruits and vegetables was also an apparent casualty of the newly developed industrialized food system. In response to the commercial incentives of the supermarket-oriented produce channels, genetic varieties of fruits and vegetables were developed for their durability. Harvesting and handling methods likewise were chosen to fit the imperatives of this method of distributing food. As these choices evolved through the supermarket system, the quality of fresh fruits and vegetables declined. Standardized produce grown for mechanical harvesting had less organoleptic (sensory) appeal for consumers. This decline gave a new opportunity for an alternative channel of fresher fruits and vegetables direct from the farm.

In addition to the concern for freshness and variety, nutritional concerns developed as well. It was noted that most of the processed foods moved through a large, sophisticated company which had the capability of advertising and glamourizing their assembly line products. No such communications were directed toward consumers from the fresh produce industry. In addition, it was noted that the American diet was changing to include less fresh fruits and vegetables and more processed foods. At the outset, the processing was merely canning or freezing, which altered the nature and nutritional properties of food minimally. As convenience foods became more popular, however, the formulation of new foods significantly altered the nutritional values of the American diet, with the effect that taste and consumer stimulation was given a greater significance than traditional nutritional values.^{1/} Advertising messages arising from the processed food sector constantly reinforce the organoleptic appeal of manufactured food. Status, sophistication, and sex appeal become elements of food advertising rather than wholesomeness and nutrition.

^{1/} This is probably inevitable in an economy of affluence. (5) Most of the population is well fed and bored. The great surge of soft drinks, snacks, and candy is meant to make a bland processed food supply more stimulating and exciting.

The producer's side of this backlash comes from an interesting pattern of cost incentives. Conventional wisdom has it that direct-marketed fruits and vegetables are cheaper to the consumer because they do not have the costs and profits of the middleman. This proposition is sometimes valid, but in our perspective it is greatly and frequently overstated. About 30 to 35 percent of the cost of fresh fruit and vegetables at the supermarket must go to the operation and cost incurred at the supermarket. (1) This gross margin is higher than gross margins for any other product group within the supermarket. On the other hand, commercial production methods and handling and transportation methods enable getting produce to the supermarket in large quantities at very low costs. While the rising cost of energy will undoubtedly reduce the cost advantage of specialized commercial production of fruits and vegetables, it is not at all uncommon for supermarkets' produce to be priced as cheap as what one can buy direct from the producer at the edge of town.

The cost incentives that have had the most powerful influence on the supply of local produce are the procurement cost realities faced by supermarket chains or groups. The procurement operations for supermarkets develop production areas of the greatest commercial potential, and production is concentrated there. Procurement costs are minimized for the supermarket by going to these concentrated production regions to buy fruits and vegetables. It is much more difficult for supermarket chains to supply themselves with great quantities of fresh fruits and vegetables by scavenging through the local production which often has enormous quality variations. For this reason, most modern supermarket operations cannot afford to buy local produce. (3)

This means that local producers have either no access or only the poorest access to conventional wholesale markets. Since the realities of procurement costs to the supermarket foreclose that channel to the local growers, all of their energy gets channeled to direct marketing to consumers. While it is possible that more expensive energy and transportation may geographically diversify production, it is very likely that the high volume supermarket channels will continue to buy from very large and specialized producers, leaving the small producer out of the wholesale channels.

The Meaning of "Direct Marketing" to Consumers

Economy is often mentioned as a significant consumer motivation in direct marketing of produce. While this orientation and motivation may be sometimes valid and justified, it is very difficult to measure or verify. Costs in the supermarket where a consumer is buying other things may have a different meaning than costs at a roadside stand which is some distance from normal shopping behavior patterns. This comparison becomes even more difficult when considering U-pick operations which require a considerable amount of harvesting effort. Efforts to meaningfully compare prices are further complicated when some of the activities required by the direct marketing activity are consumer values in themselves. Picking Montmorency cherries on a beautiful spring day in an orchard laden with ripe fruit and overlooking a lake may be an activity so unlike our industrialized routine that it is not a cost but an element of benefit and value in and of itself. Such an experience in upstate New York is recalled. Our families would pick about 25 pounds of tart cherries during perhaps a three-hour outing which included a drive along the lake. After the enormously successful harvesting operation, the family worked together for a longer period of time pitting, preparing, and freezing these beautiful cherries. The results, as well as the process, was a huge success which was enjoyed again at repeated occasions throughout the year. But was it an economic success?

The local food cooperative had 30-pound tins of frozen cherries in sugar sauce. These tins were prepared for direct sale to consumers who then separated the fruit into packages for refreezing in much the same way the "U-pick" fruit was prepared. The cost of the 30-pound tin was about the same as the cost per pound paid to the orchard for the cherries that were harvested. In order to come out with the same quantity of product, the family had to buy sugar and add several hours of work. On the other hand, the fruit picked was of a very high quality because only those that were just right in ripeness and freshness were picked. In addition, while the home-pitting operation took several hours, it left a juicier, less-mangled fruit than the commercial machine-pitted cherries.

While this illustration identifies some of the difficult comparisons and measurements involved in assessing the economy of different distribution channels, it is certainly not a complete analysis. Imputing costs to transportation and family time spent in harvesting and preparation and benefits to

recreation and consumption of end products is an intractable economic problem. Had the comparison been with commercially packed consumer packages rather than the pricing of a bulk quantity, the cost comparisons would certainly have been different. In addition, packages of frozen tart cherries are not a common product in the supermarket, perhaps illustrating some of the loss of variety we encounter as we are served by an industrialized food system.

Another motivation of consumers which is often mentioned is nutrition. This factor comes into play in several ways. Many consumers feel that the American diet does not have enough fresh fruits and vegetables and that direct market purchases, with all of their other appeals, encourage families to consume more fresh fruits and vegetables and thereby have a better diet. While many consumers' concerns about nutrition do not have a high level of focus on just what they expect fresh fruits and vegetables to add to their diet, some more nutritionally aware consumers see fresh fruits and vegetables both as an important source of vitamins and fiber.

Less frequently mentioned but perhaps very important among consumer motivations is that direct purchases of fruits and vegetables lead to a pattern of food use and shopping activity variety which is attractive to consumers. Many fruits and vegetables are consumed in the form in which they are picked or purchased through a direct marketing outlet, but on the other hand the purchase of many fruits leads to baking and further processing, and many vegetables are also cooked and prepared. This process of food preparation fills the house with exciting smells and is to many consumers fulfilling, not only in the consuming but in the process of preparation as well. The entertainment value of preparing and serving food from "alternative" sources is high. Seafood from a fish market, produce hand-selected at an outdoor market, and "home-cooked" foods are unique inputs into dinner parties, traditional holiday meals, and other occasions where food plays an important entertainment role. In a research project or other formal analysis, it is very difficult to measure and describe this phenomenon. It is less difficult to observe it in consumers' behavior and informal reactions and discussions.

Another important motivation of the consumer is the quality differential which is readily discernible in fruits and vegetables through the direct marketing channel. If a produce item from a direct marketing channel is compared with its counterpart in the supermarket, there is a discernible quality

difference which is not lost on the consumer. Often the commercial product in the supermarket is produced in a region best suited for the particular crop--under climatic and cultural practices ideal for this particular crop. The result is what potentially should be an enormously high quality product--extremely uniform and very attractive. Further, the commercial product, although more uniform at the level of production, is usually sorted and graded very carefully.

In contrast, the direct marketing channel produces a product with a great deal of variety and lack of uniformity. Often the fruits and vegetables are produced in climates and soil types not especially attractive or conducive to their most efficient production. Direct market produce is not usually graded. Despite the apparent advantages of the commercial alternative, it is usually harvested so long before it is ripe that its quality and taste are significantly compromised. On the other hand, the direct-marketed product tends very frequently to be much fresher and harvested at a time much better to its flavor, taste, and enjoyment potential. Thus, it seems that direct-marketed fruits and vegetables have many disadvantages, but the one advantage they have is profound and overrides the several comparative disadvantages one could objectively observe in comparing direct market and commercial fruits and vegetables. Another aspect of the great biological variation in direct-marketed fruits and vegetables is that there frequently exists an opportunity to buy second quality fruits or other products which gives an economy alternative that would not be found in the supermarket. Second-quality fruit may be no compromise in canning or baking.

There is considerable speculation concerning how these various motivations occur within our consuming population. Are high income people more sensitive to economy than others? Is education level of consumers related to the concern for nutrition? There is not a great deal of research experience with which to answer these questions. Preliminary analysis of a current research project suggests a complex pattern of motivations across different demographic groups within consumers. As a general pattern, the use of direct market channels increases as the levels of income and education increase. An exception to this generality occurs as we look at income. While the incidence of use of direct marketing channels increases as income goes up through several levels to the highest level used in the survey, the very lowest level within the income groupings was also a larger user of direct marketing channels. It is possible that

some parts of the consuming population have a special interest in economy and select those aspects of direct marketing which cater to that motivation, whereas other parts of the consuming population have an entirely different perception of direct marketing and its advantages and its values for them. Generally, research has shown that consumer motives may dichotomize on a convenience-quality axis. Supermarket produce shoppers are interested in the ease of shopping with a guarantee of minimal quality. Direct market patrons prefer the higher quality choices available. (6) The significant problem with this dichotomy is the definition of quality. Are consumers well trained enough to discern the relevant intrinsic differences among fresh foods? It seems that a better understanding of which values are most important to consumers would be especially useful information at this point in history because those values could be enhanced as this emerging industry grows and develops.

A Look to the Future

It seems to us that there must be some upper limit of realistic growth expectation for direct marketing within the total fruit and vegetable industries. At a conference dedicated to develop and consider the nature and character of direct marketing of fruits and vegetables, it may be appropriate to guess that this channel could grow to be as much as 20 or 25 percent of the fresh produce business in this country. That is likely a generous guess. There are some general trends which have the effect of placing a functional upper limit on direct marketing as a way of doing business in produce. First, there is a trend away from food at home. The direct marketing channels have very little access to the market for food away from home for the reasons discussed previously. Since food away from home is an important growth sector within our food system, that makes an increasing part of the total market which will not be served by the direct market channel.

Another factor limiting the influence and scope of direct marketing is that the production season in most of our country is limited to a few months of the year. Many roadside stands have the capability of storing some vegetables and fruits to lengthen their marketing season, but this only applies to a part of their products and doesn't take these stored products through the full 12 months of the year. For that reason, there will be very large periods in

which the fresh fruits and vegetables, such as they may be, will be coming from distant production regions with specialized climatic opportunities.

There is a trend toward the liberation of both men and women from food preparation. This trend works against the direct marketing channel. While there may be a lot of good business in the backlash against the boredom of processed foods, the main channel is likely to be a convenience-oriented channel. Not a large number of Americans want to spend a lot of time picking or preparing food. There are many consumers who admire direct marketing of produce and who use those channels and speak highly of them, but they use direct marketing only half a dozen times a year or less. For these consumers, direct marketing is a way to get a variety into their pattern of eating and preparing food, but that variety is special because it is rarely accessed. Certainly for these people direct marketing will always be a small part of the total channel of fresh fruits and vegetables.

Perhaps the greatest controllable factor in enhancing the position of direct market outlets in the food system is the merchandising capabilities of direct market promoters. Producers, direct market operators, and groups such as chambers of commerce that organize direct market activities need to be good marketers. Merchandising activities such as advertising, display, promotion, pricing, and product mix will affect the size of consumer traffic, repeatability of purchases, and volume of individual purchases. Conventional food retailers have developed the art and science of merchandising. Community markets, roadside stands, and U-pick farms need to borrow from the operations of the retail firms they compete with.

Despite the sense of an upper limit, it is clear that the direct marketing of fruits and vegetables is a great success from the perspectives of both the producer and the consumer. It is not clear what share of the total fresh fruits and vegetables go through direct channels at present, but estimates are in the range of three to five percent. This would suggest that the present rapid growth has an enormous potential for the next decade. This potential will doubtlessly be furthered by changes in our ability to transport goods long distances and the consumer's increasing awareness and concern for nutritional values. It further seems clear that encouraging and enhancing this growth in direct-marketed fruits and vegetables is in the consumer's interest and in a broad sense in the public interest.

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