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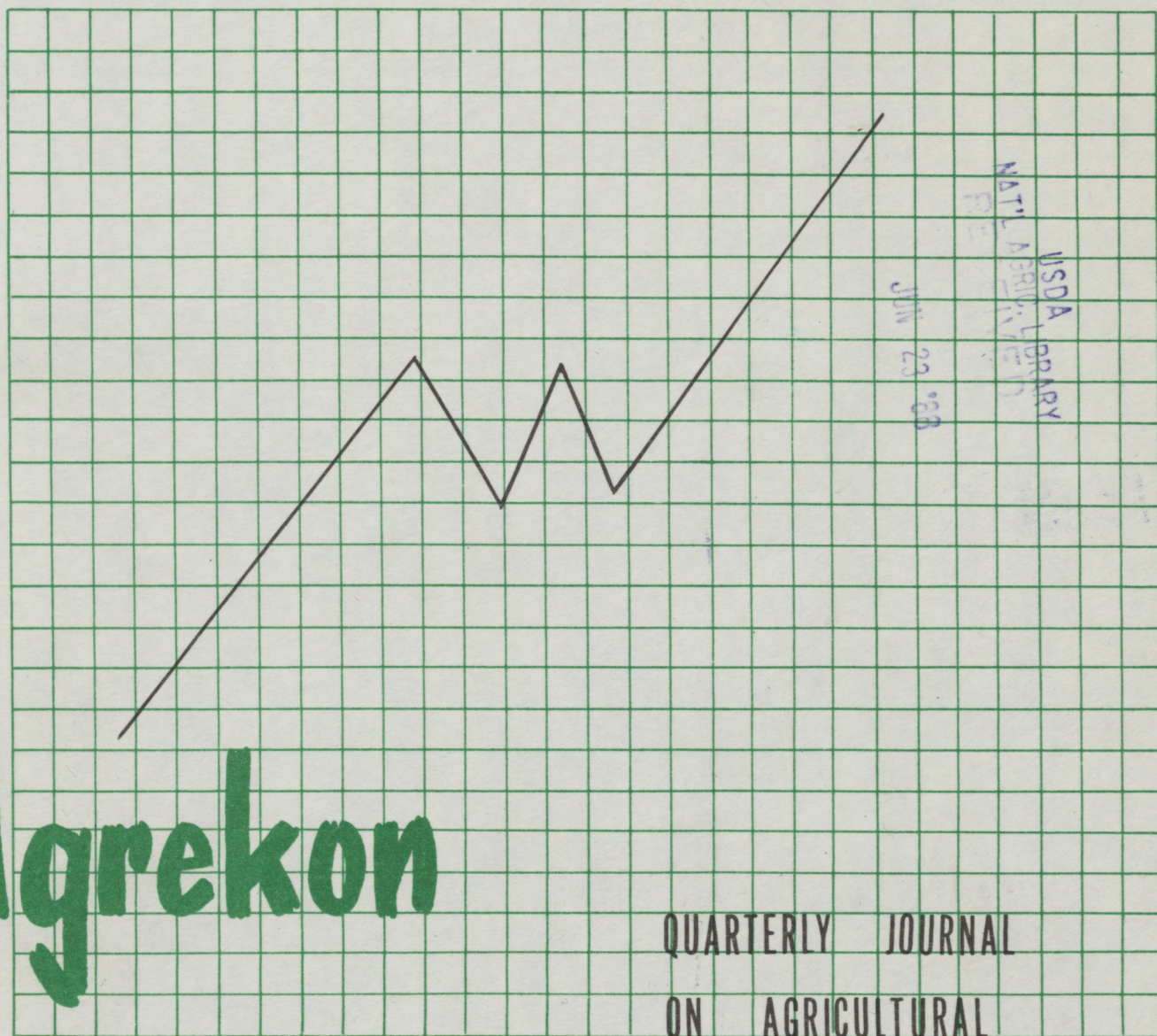
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# ADVERTISING AGRICULTURAL PRODUCTS - YES OR NO?

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## 1. INTRODUCTION

The advertising of agricultural products, particularly food, is a business practice and a form of promotion which has often evoked heated debate, among both people who are knowledgeable and people who are not.

Neither are differences of opinion very new. Ward (1954) quotes Mark Twain, who recounted that a reader of the newspaper he edited reported that he had found a spider in his paper and wanted to know whether this spelled good luck or bad luck. Mark Twain replied: "Finding a spider in your newspaper is neither good nor bad luck. The spider was merely looking over our paper to see which merchant was not advertising so he could go to that store, spin his web across the door and lead a life of undisturbed peace ever afterwards."

In a rather different tone, and echoing completely different sentiments, Graham Wallas (1914, as quoted by Hoos, 1959) wrote: "Every newspaper and magazine now contains evidence that advertising writing has become a profession suitable.....for 'sons of gentlemen'. Young men of good education, naturally warm feelings, and that delicate sense of the emotional effect of words which, under different circumstances might have made them poets, are now being trained as convincing liars as makers, that is to say, of statements to whose truth they are indifferent, is in such a form that readers shall subconsciously assume the personal sincerity of the writer."

Although they are not always expressed in such flowery language, such differences of opinion do still exist today. It must, however, be borne in mind that few will explicitly condemn or condone the advertisement of all products. In recent years some newspaper editors who have never publicly attacked the advertising of woollen textiles (using agricultural raw materials), margarine (made from oilseeds - an agricultural product) or wines (grown in vineyards by agricultural methods), for example, became very disturbed and on occasion rather pedantically sarcastic when the Dairy Board decided on fresh milk promotion campaigns.

## 2. CERTAIN PRINCIPLES INVOLVED IN ADVERTISING

The immediate aim of advertising is to increase the demand for the product in question. This implies not only an upward shift of the demand curve, but also a change in its shape. The

aim is to render it inelastic at higher prices, thus causing quantities bought to be relatively unresponsive to price increases. At lower price levels, however, the aim is to increase elasticity of demand, so that a small decline in price will be associated with large increases in purchases, or otherwise stated, large increases in amounts marketed will be associated with relatively small reductions in price (Stanton, 1971).

In the absence of substantial economies of scale, a substantial success in such demand expansion leads to larger quantity sales at higher prices and increased revenues to sellers (Nerlove & Waugh, 1961). If there are substantial economies of scale accompanied by effective competition, the long-term effect of advertising will be larger sales, but possibly at lower prices. Even in such an event, the effect on revenue, as measured by the Marshallian producers' surplus, will be positive (Nerlove & Waugh, 1961). It can also be shown that since the areas under demand curves to the left of their intersections with a supply curve will generally be enlarged by advertising if it is successful and if it avoids some of the pitfalls often encountered, it theoretically increases the welfare of the whole community.

The main question is, however, whether advertising will move the demand curve sufficiently, and whether suppliers will be able amply to supply the goods advertised.

According to various authors, opportunities for successful advertisement are best when the following conditions are met (Clement, 1966; Beckman & Davidson, 1962; Shepherd & Futrell, 1975; Gardner & Borden, 1954):

- 1) A favourable demand trend and thus a substantial opportunity to expand the total demand for the product exists.
- 2) The product is significantly differentiated from others, is identifiable and has some benefits not readily available from close substitutes.
- 3) The product is associated with powerful emotional buying motives, for example motives closely associated with health or personal appearance.
- 4) The product has tangible inherent qualities not readily apparent from inspection.
- 5) The advertising budget for the product is large enough to be concentrated sufficiently to impress consumers.

- 6) Advertising is backed up by a well co-ordinated market package, including distribution and display.

Obviously, some products (including agricultural products) answer more positively to such criteria than others.

In an analysis of recent research on advertising, Orpen (1981) concludes that advertising does not work by conveying messages of fact to buyers; buyers simply do not usually act in purchases of convenience goods by rationally weighing up the merits of different alternatives. He also concludes that consumers are not an undifferentiated mass of people who will be induced to buy a certain product by simply exposing them repeatedly to an advertisement.

These observations, and some others, have rather important implications:

- 1) Advertising is generally not successful with buyers who are initially unfavourably disposed towards the product in question (Orpen, 1981; Hovland & Janis, 1958), or towards those who sell it.
- 2) Consumers will, moreover, tend to distort messages in such advertisements so as to render them more compatible with their own attitudes (Orpen, 1981).
- 3) Advertising is seldom really able to change the attitudes and behaviour of purchasers; all it can really do is to reinforce existing attitudes and behaviour, e.g. to persuade consumers to buy more of a product they are already favourably disposed to. If they are not already purchasers of a given product, advertising for that product will have to overcome inertia, which proves to be a stiff hurdle (Orpen, 1981; Katona, 1951).
- 4) The closer the extent to which advertisement appeal matches the predispositions of the consumers, the larger the effect of the advertisement is likely to be (Orpen, 1981). For efficient advertisement, the advertiser should therefore determine what the predispositions of his target consumers are. Thorough market research is therefore a prerequisite for efficient advertising, and simultaneously prevents the wastage of advertising funds and time.
- 5) It also follows that advertisers should, since consumers are not an undifferentiated mass of people, divide their targets up into different, more homogeneous groups and use separate advertisements for different groups, based on their observed predispositions. Certain groups can be left out altogether; if there is a powerful antagonism against a certain product in one group, advertising aimed at this group is a waste of money and effort. There can be no point in advertising pork among people with religious objections to its consumption. There is, at the same time, possibly no reason why it should not be advertised among other groups.

### 3. OBJECTIONS TO ADVERTISING OF AGRICULTURAL PRODUCTS

Some argue that advertising or promotion of farm products will not effectively increase total consumption. Shepherd & Futrell (1975) argue, for example, that Americans are well fed, and that improved diets will not result in even moderate increases in total food consumption. Increases in per capita income will not increase food consumption substantially; an increase in consumption will be a function of population growth. Hence, larger consumption is not the answer to America's problems of overproduction.

The question is whether these authors and many who agree with them are correct. And then, would the same conditions obtain elsewhere, including in South Africa?

The above reasoning probably underrates changes in consumption patterns and movements towards the consumption of more desired goods. One effect of this is the use of products which either require other products as intermediate inputs or are associated with lower per hectare yields. For example, grain used in the U.S.A. amounts to approximately 900 kg per capita per annum - 70 kg directly as bread, breakfast cereals, farinaceous products etc., and 830 kg as feed for those animals that provide them with meat, eggs and milk. This amount of grain is about five times as high as the amount available in many other countries (Power and Holenstein, 1976). With increased consumers' revenues, those agricultural products with high income elasticities of demand - eg. fruit, more exotic vegetables, etc., - will expand and act as substitutes for some currently used. The effect of improving standards of living for the poor in the U.S.A. may also become substantial. The changes mentioned have benefited farmers' income substantially (Clement, 1966). There is also a value judgement involved. Even if total per capita consumption will be fairly constant, is there not justification for those who produce superior products to use advertising to expand their market at the expense of others? Is this not typical of an open economy?

It has also been argued that the cross elasticity of demand between food and other products is too low for promotion to be able to shift such complex relationships (Kohls, 1955).

Then, there have also been fears that large firms could use advertisement to achieve monopoly and monopsony powers for themselves. One example mentioned in literature is that of United Fruit's ventures into banana, lettuce, celery and cauliflower sales and production in the U.S.A. and their subsequent clashes with the Federal Trade Commission (Robbins, 1974). A review of literature on the subject certainly gives the impression that in some industries advertising has led to overconcentration (Comanor & Wilson, 1979). Malpractices, such as others also mentioned by Robbins, certainly have to be curbed, but it does not follow that advertising as such should be

disallowed. A study of the cases involved tends to show that the monopolistic practice movement formed a total strategy, of which advertisement was merely an integral part. Neither is it necessary to ban advertising to prevent misrepresentation. Many countries have quite efficient legislation by which misrepresentation can be prevented or curbed.

#### 4. ADVERTISEMENT AND AGRICULTURAL PRODUCTS

Agriculture is experiencing a growth in economic and physical distance between producer and consumer, increased complexity in distribution channels and intensification in the nature of competition. These developments all favour more promotion (Stanton, 1971).

If one looks back at the previous list of factors favouring promotion, one does, however, discern major differences. Some products, such as certain types of fruit, wool products and mohair, have been associated with high income elasticities of demand, and thus a favourable consumers' disposition where others, such as maize for human consumption, are regarded as inferior products in the sense that they have negative income elasticities. Potentially the previous group can benefit by direct advertisement, the latter not.

Similar differences occur in the extent to which some products can be significantly differentiated from others, in the emotionality of buying motives, and the tangibility of hidden internal qualities. It therefore appears that some agricultural products are eminently suited to advertising, others not. Wines for example can be differentiated according to cultivar or origin; they are associated with rather powerful emotional buying motives, and they may have qualities not readily discernible when bottled. The same can certainly not be said of sorghum beer or of grains. The advertisement of some products has become such a common phenomenon that practically nobody questions the advisability of such advertisements.

Differences in the ability to differentiate have led to a few types of advertising, which for our purpose can conveniently be condensed into two groups:

1. Brand advertising, or advertising a product from a certain area. Internationally wines from Bordeaux or potatoes from Idaho are examples of area advertising. The same could be the case within South Africa with regard to apples from Elgin or pineapples from East London.
2. Generic advertising is aimed at the promotion of a product which, while different from other products, allows for only limited differentiation within the product itself. There could, for example, be fairly little reason to choose Farmer Jones's milk or Farmer van der Merwe's maize above those produced by other farmers.

It is generally accepted that advertisement of brand named products should, *ceteris paribus*, have a better chance of success than that of generic products.

In view of this it is unfortunate that some control measures in South Africa have unnecessarily forced some products to become generic products, with a resultant lack of incentive to strive towards excellence. Butter, Cheddar cheese and Gouda cheese are cases in point.

The enforcement of a generic nature also prevents the sixth requirement, that of a co-ordinated marketing package form being realised.

One has, however, to take into account that although less success can generally be expected, the advertising of generic products can sometimes be very successful. Research on the effectiveness of fresh milk advertisement in the U.S.A. has revealed some interesting results (Thompson & Eiler, 1975 & 1977). In New York, for example, increases in the value of milk sold exceeded the extra cost of advertising by 10,5 cents per capita of population. The greatest impact of milk advertisement in New York came after two months of initiation, and the effect lasted for six months. In other centres, such as Syracuse and Albany, the effects dissipated faster. Price changes were, of course, inversely related to elasticity of supply.

A further point of interest is that the successful and judicious use of advertisements can, in some cases, increase sales of related products which are either complements in consumption or intermediate inputs for the products advertised. An increase in the demand for poultry will, for example, lead to larger poultry consumption of feedstuffs. Also, if it is accepted that a product such as beef is one in which advertising can be successful (high income elasticity of demand; differentiated product with powerful emotional buying motives, etc.) then the question becomes whether, rather than trying to promote maize products, maize groups should not, in an advertising sense, join forces with beef interests. Advertisements such as "Maize fed beef is better" could benefit both and would probably benefit maize sales more than advertisements aimed at increasing human consumption of maize.

Turning to South Africa in particular, we have an income elasticity of demand for food substantially higher than that experienced in the United States; about 10 years ago it was estimated as approximately 0,6 (Döckel & Groenewald, 1970). As revenues of much of the low income groups are expected to rise, a change can be substantially influenced by judicious promotion, including advertisement.

The one problem will be to see to it that the rest of the marketing package is constantly up to par. No amount of red meat promotion among Black people can hope to be successful if the points of distribution are not convenient enough to, and well enough stocked for, the consumer in Soweto or Daveyton.

## 5. CONCLUSION

Agriculture, like any other sector, has been changing. It will also have to continue changing in order to meet consumer demand. In this dynamic world of change, promotion will inevitably become increasingly important, particularly with regard to certain products.

Advertisement is not always, under all circumstances, desirable. Neither is it always undesirable under all conditions. The answer is to fit the quantity, the quality and the method of advertisement to the particular product, the particular market and the particular time.

It may be appropriate to quote William Wrigley Jr. "I went broke three times before I learned how to use advertising but when I learned how, it made me rich. There is nothing magical about advertising. Obey its principles and it will deliver."

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