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MARKETING - A LOOK AT THE FUTURE*

by J.C. STRYDOM**

THE DEVELOPMENT OF MARKETING PHILOSOPHY¹

The production approach

The considerable technological progress which followed the industrial revolution has had a noticeable influence on business goals and management. The real stimulus to effectiveness in production came with the establishment of an organisational system related to optimum utilisation of capital, people and machines. These factors, and also consumer demand, contributed to an explosion in productive activities. At this point, managerial responsibility is defined in terms of production efficiency and the development of an effective distribution system. The emphasis therefore falls on the improvement of methods of production and the distribution system in order to reduce costs and tempt the consumer to greater consumption.

The production approach is of value where the demand for a product is greater than the supply, or where the market can be appreciably expanded through cost cutting leading to price reduction.

There are still numerous examples of undertakings and particularly service organisations which follow the production approach. They might well be cost-effective, but they are decidedly not attuned to the needs of consumers.

The product approach

The product approach accepts that consumers will give preference to products which offer the best quality at a given price. The attention of the undertaking is therefore focussed on quality improvement.

Enterprises that adopt this approach place the emphasis on the quality of the product, while the other marketing activities are largely ignored. Enterprises which are product-orientated believe that consumers attach as great a value to their product as they themselves do and that it will be purchased simply because it is offered. In the meantime, however, it is possible that market requirements and needs have changed totally.

It is frequently accepted that the era of the product approach has passed and that it is no longer applied. However, if we look about us, we see

numerous examples of enterprises particularly non-profit organisations, which remain totally product-orientated. Universities are good examples of this. They believe that provided they maintain their standards of academic tuition at a high level and further raise them, they will attract the necessary numbers of students. So far they have been fortunate because the demand has increased every year. However, the future holds great problems for them because they are out of step with the needs of students.

The sales approach

The point of departure of the sales approach is that consumers will either not purchase any of an undertaking's products, or will not purchase enough, unless the organisation seeks to bring them strongly to the notice of the consumers. There are numerous examples of sales-orientated enterprises in which the emphasis falls on a well-organised team of aggressive salesmen to bring in the business. Who has not yet suffered the onslaughts of salesmen of second-hand cars, or life insurance, or encyclopaedias, or paving and in how many cases has the consumer felt that his needs were not really met?

The sales approach - as production efficiency increases and ever greater quantities of goods and services are offered - is experiencing ever greater difficulties in the market. Producers can no longer sell everything they produce and they have therefore started giving ever greater attention to the expansion of sales at the cost of their competitors. The effective flow of products and services from the point of production to final consumption has become an ever greater problem with the increasing complexity of the market.

The marketing approach

The above brings us to the development in recent years of the marketing concept, in which the object is to determine the needs of the target and then to meet them more effectively than competitors are able to.

Levitt² describes the difference between selling and marketing as follows:

"Selling focuses on the needs of the seller; marketing on the needs of the buyer. Selling is pre-occupied with the seller's need to convert his product into cash; marketing with the idea of satisfying the needs of the customer by means of the product and the whole cluster of things associated with creating, delivering and finally consuming it."

*Paper read at the 21st annual congress of the Agricultural Economic Association of South Africa at Pretoria, April 1983

**South African Wool Board

The marketing approach therefore has as its point of departure the identification of the target market and the determination of this target market's needs and requirements. Thereafter an integrated marketing programme is put into operation to obtain this satisfaction of the consumer's needs.

MARKETING IN AGRICULTURE

Measured against the above principles, the question may rightly be asked whether marketing principles ought to be applied to agriculture also.

A basic problem in the agricultural sector is that a product is produced by a large number of small producers. They produce under varying conditions of climate, potential for cultivation, labour, mechanisation and proximity to the market. Normally they would deliver their products to a small but powerful group of traders, agents and processors. The producers are therefore in a weak bargaining position.

There are also -

- short and long-term shifts in demand
- considerable fluctuations in production
- changes in taste, preferences and purchasing habits
- the influence of competing products
- new technologies.

The producer cannot remain abreast of all these changes and, even if he could, it would already be too late to react to them. As an individual he does not have the means to determine the direction in which the market will move.

It is therefore desirable that some organisation should exist which is capable of performing the following functions for a group of producers:

- Assemble products
- Purchase products
- Storage to regulate flow
- Processing to make the product easier to store or use
- Standardise by classification
- Arranging or providing financing of the product
- Risk-bearing in respect of demand and product
- Undertaking marketing research, assembling market information, interpreting it and transmitting it to producers. The farmer's function as a producer must begin with this.

The Marketing Act is an enabling Act which vests powers in a control board to introduce marketing arrangements for a specific product or products. The Act makes provision for the institution of a whole series of possible schemes to make the marketing of a product possible. They vary from surplus removal schemes to single-channel schemes with a fixed price or pool basis.

It is noteworthy that although production is included in the short title of the Act, production refers only to the multiplication of plant material in certain cases.

Most of the provisions of the Marketing Act concern prescriptions which must be followed and

which must be approved by the Minister of Agriculture. Nevertheless, the Act provides the necessary powers to permit research and development work to be done and to take steps to expand the demand for the product concerned.

The National Marketing Council's principle task, apart from its many other functions, is to render advisory services to the Minister of Agriculture and also to the control boards.

The control boards have the task of making marketing arrangements for their respective products, but in the eyes of the general public the emphasis falls on the word "control". The intention of the Marketing Act is that a board should perform orderly marketing services on behalf of its producers. In the report of the Commission of Inquiry into the Marketing Act³ the following basic principles, amongst other, are given:

"Necessity of control: Over and above the other measures to stimulate agricultural development, some degree of state control over the marketing of agricultural products is considered essential. Measures taken in this connection under the Marketing Act should however be founded on sound economic principles in order to promote stability, regular availability of supplies, and the rationalisation of agricultural production, processing and distribution."

In paragraph 8.2 it is stated that "...the Marketing Act should accord with general economic policy. First, the Commission subscribes to the view that the physical marketing of agricultural products belongs with the private sector, which means that co-operatives and the private sector have an equal right to exist. Second, the Commission subscribes to the national policy which gives preference to the system of free competition.

"Scope of the control measures: Because any restriction of free economic action is far-reaching, the Commission considers it essential that the control measures under each marketing scheme be limited to what is necessary to achieve the objects of the specific scheme."

From these principles it is clear that the intention of the Government is regulatory measures "...to promote stability, regular availability of supplies and the rationalisation of agricultural production, processing and distribution" but "...that the physical marketing of agricultural products belongs with the private sector".

The philosophy is therefore mainly production-orientated, but provision is nonetheless made in the Marketing Act for a product to be marketed.

Because the demand for most agricultural products has to be a deduced demand because a certain amount of processing must take place before they can be used as final products or be acceptable to consumers, it may be asked whether the agricultural marketer really has to concern himself with the process of marketing to the consumer. He is remote from the consumer and surely cannot truly ensure that the product is to the consumer's taste. Nevertheless, provision has been made by the

Government for consumer representatives to be represented on boards. So there is recognition of the consumer.

The agricultural marketer cannot lose sight of the consumer of his final product. As is the case with any other marketer, he must be aware of the consumer's tastes, attitudes, preferences and purchasing habits and he must ensure that the primary product which he delivers complies with these, or he will find his market shrinking.

The agricultural marketer cannot detach himself from his product's final target market. He must know who his competitors are and what they are doing. He must know how changes to his pricing policy will influence the consumption of the product - not only in respect of the producer but particularly the consumer. He must ensure that there are no snags in the distribution system - the product must be in the right place at the right time. He must take care that his product's positioning in the market has the best chance of making his consumers happy and improving the product's acceptability. Another sphere in which the agricultural marketer must be strong is product development, in which all aspects from packaging to the improvement of existing products and particularly the development of new products must receive constant attention.

Lastly, the agricultural marketer needs a well-planned, well thought-out and fully integrated promotion programme in which he makes use of advertisements, sales promotion and publicity in the media to reach the target market.

This being said, it appears that the set of marketing principles applying to end products also apply to agriculture, but in this case are considerably more difficult to put into practice because the agricultural marketer is removed one or more stages in the processing pipeline from the end product and does not have direct control over it. He can exert only indirect influence on it.

Examination of the way in which individual boards operate their schemes makes it clear that some boards show fine achievements as marketers. Others, by contrast, are very clearly production-orientated, give the impression that they do not concern themselves much with satisfying their consumers and indeed upset them through poor presentation of measures which might well be necessary, but which are not generally popular.

Unfortunately it sometimes appears that controlled marketing is its own worst enemy. The good work done is completely overshadowed by sweeping decisions which are indefensible even to informed observers, which are exposed by the press and which give the board the image of a bureaucratic and insensitive ogre.

The boards' activities are watched with eagle eyes and it is the entrenched right of the press and public to criticise. It is particularly in respect of pricing policy and control measures over the registration of traders that criticism is voiced. When a motor manufacturer raises his prices at a time of surplus production, there is not the same level of criticism as when a board does so. The reason for

this is that there are a number of other manufacturers who at such a time will maintain their prices or reduce them, so that a number of alternative choices remain. In the case of a board, a price increase affects all consumers of the product and the only choice is to pay more or consume less of it.

Regarding the Government's share in controlled marketing, there are a few matters which appear strange and which can be set right in order to put the boards in a better position to act as fully-fledged marketers.

First, the question is rightly asked why there is no marketing expert on the Marketing Council. One of the Marketing Council's most important functions is to advise the Minister of Agriculture — and advice on the application of marketing principles and marketing management is every bit as necessary as advice on the administrative control and application of the Marketing Act.

Secondly, the question is asked why the boards are denied the right to exert a direct influence on production. The product cannot be divorced from its marketing. Indeed, it is an integral part of it. In the good old days when the Marketing Act was drafted, production and marketing were separated from each other. Today, however, the production process cannot rightly be expected to yield products at great cost which have only limited saleability, while the same inputs could be used to produce a product of much higher value to the producer and the consumer. The marketer should be enabled by the legislature to influence changes at the production level directly to make production more market-orientated. The price mechanism alone is insufficient.

Lastly, there is a strong feeling that there are too many boards. The Commission of Inquiry into the Marketing Act found in 1976 that there was little scope for the fusion of boards and mentioned only a few possible examples. There is, however, scope for further rationalisation and, although the possible savings in costs would not be quite as dramatic, this would lead to the more effective utilisation of manpower and management and to more effective decision-making.

MARKETING PLANNING

There are three types of companies.
Those who make things happen.
Those who watch things happen.
Those who wonder what happened.

(Anon.)

Why is it that control boards do not always perform as might be desired and that the popular press sometimes describes boards as ineffective and inept, says they have no interest in the consumer and makes other unflattering remarks about them?

Drucker⁴ says the critics usually advance one of, or a combination of, three main reasons why the performance of a service organisation such as a board is not satisfactory.

First, the general premise is advanced that an organisation's performance will improve if it is run like a business. When a service organisation says it has a business approach, this usually means that only the costs are controlled. "But the basic problem of a service institution is not high cost but lack of effectiveness. They may be very efficient - some are, but they tend not to do the right things."

Secondly, it is said that service organisations will function better if better people are appointed to management positions. He says there is no reason to believe that the people who occupy management positions in service organisations are less qualified, or less honest, or less hardworking than managers of commercial businesses. There is therefore no reason to believe that business managers who are put in control of service organisations will fare any better than the existing incumbents. Indeed, experience has shown in a country such as France, where use is often made of business managers to take control of Government-instituted boards, that no better performance is achieved.

The reverse is also true, namely that where business undertakings fill management posts from the Public Service or a board, this is done with great success. Where a service organisation does not perform as desired the fault therefore generally does not lie in the quality of the available management.

The third reason advanced for service organisations not performing to order is that the aims of the organisation are too wide, too vague and not quantifiable. In many business undertakings the overall aim is equally wide, but in every case it can be broken down into smaller aims, most of which are quantifiable. Precisely the same holds good in the case of an organisation such as a control board. For example, if the main aim is described as

"the achievement of economic stability for the industry through the optimisation of producers' net incomes and the provision of consumer satisfaction",

the next step will be to break this down into a number of strategies and sub-aims, of which most will indeed be quantifiable. The emphasis should however fall on the aims being *achievable* and the point of departure is that the organisation should institute specific and defined actions to achieve these aims.

As in a commercial business, it is necessary for the management of an organisation such as a control board first to think about "what is our business and what ought it to be". For any business, there are various alternatives, sometimes divergent. Eventually there must be clarity on *what* the business is, *where* it stands and *where* it wishes to go.

From this, clear aims are identified. The next step is to decide on the priorities to be given to specific aims, targets and actions, to establish minimum acceptable results and to determine when specific actions must be completed and who is to be responsible for them.

It is also essential that results be measured on an ongoing basis and that from time to time a formal audit of targets and results should take place, so that targets which have already been met or which

are unachievable can be scrapped or amended. This will put the organisation in a position to identify and jettison or amend activities which are not cost effective or which are unsatisfactory or which have served their purpose.

It is clear that the planning process is an ongoing affair in which all aims, activities and results undergo continuous critical evaluation and adjustment. It can therefore never be static. This enables us to plan our activities and actions and thereby get away from "putting out fires" or keep on doing things the way they have always been done simply because they are tried and trusted and known to work.

The same principles as those described above apply to the compilation of a marketing plan. Within going into details, this consists of the following steps:

- An analysis of the present situation, including estimates of market changes under normal circumstances and of opportunities and threats and strong and weak points.
- The establishment of achievable targets.
- The formulation of strategies to achieve the targets.
- The preparation of a plan of action setting out the various activities required.
- The preparation of a budget reflecting the income and expenditure implications of the strategies and actions.
- Controls.

THE FUTURE

The coming 10 to 15 years will see considerable changes in marketing conditions. The developed countries are already experiencing little or no population increase, which means that the percentage of older people will become steadily greater. Economic growth rates will probably remain low. Consumer preferences are already changing. As free time increases and the demand for basic needs such as housing, furniture, food and so on levels off, new needs arise to which consumers attach great value, such as recreation, vacations, entertainment, travel, knowledge, investment services and advice on employment opportunities. Consumers will not necessarily receive higher salaries and will therefore have to choose between goods and services and services will probably offer the more rapid growth. Market segments based purely on income are becoming less defined, while those based on lifestyles are already more strongly definable. The retail distribution pattern will also change drastically. Consumerism will increase as marketers fail to take consumer wishes into account.

Most of these changes will take place in South Africa as well, but only in respect of certain market segments. As the population increases, an ever greater market segment which has totally different needs is developing.

The Human Sciences Research Council estimates that by 1995 the total population will have reached 40,6 million, of whom 30,8 million will be

black. Almost 40 per cent of the black population will fall into the under-15 age group, whereas almost 9 per cent of the white population will be 65 and older.

By the year 2000, an estimated 20 million blacks will live in cities, compared with 9 million in 1980.

According to estimates by the University of Stellenbosch, the disposable income of blacks in 2000 (at 1980 prices) will be in total almost as much as that of the white population, and it will have more than doubled per capita.

What does this mean? That the basic demand for housing, food, clothing and education will increase at an unprecedented rate. By 2000 an additional six cities the size of Soweto will have had to be built to make provision for urban blacks. The annual demand for clothing is estimated to increase from 140 million kg to 390 million kg. Within 17 years an additional 16 million people will have to be fed.

What role will the agricultural marketer have to play in the next few years? It is clear that a changed consumption pattern for food will arise. Because a large proportion of the population will still be relatively poor, there will be a big demand for palatable staple foods enriched or supplemented with proteins and available at reasonable prices. There will be greater scope for product differentiation to meet the tastes of much larger and more numerous market segments than are now present. The agricultural marketer will have to become more involved in product development and food technology and devote more funds to them.

Promotion and advertising will be more cost effective than now, because the mass media will reach a much larger number of consumers and may be focused on specific market segments because a greater number of specialist media will arise. Advertising will have to be coupled to end products to underwrite their properties and value and it will be worthwhile entering into joint promotion campaigns with large distributors.

Over the next few years retail distribution and sales will also undergo drastic changes. The role of supermarkets, hypermarkets, and large chainstore groups will become even greater than it is now and their bargaining power as buyers of goods will increase commensurately.

Two of the most advanced techniques which will change the retail trade pattern drastically are being evaluated at present and by the mid-1990's will already have been applied in the developed countries.

These techniques are:

- Direct debiting by means of programmed credit cards
- Interactive video sales

Direct debiting

This is a much more sophisticated credit card system than we know today. The prerequisite for it is the institution by the main banks of a central computer for settlements. On presentation of the

card the consumer's creditworthiness is established and the computer is instructed to debit the consumer's account and simultaneously credit the dealer's account. This sort of credit card will be much more sought after by consumers and dealers than those of today, with the result that there will be a still greater range of dealers and goods from which to choose. It is easy to predict that a climate will be created in which impulse purchases are encouraged.

Interactive video

This technique involves the use of cable television, in which a subscriber has a control panel enabling him to select and order goods shown on the TV screen by pressing the necessary buttons.

The system has already been technically proved in the USA and will probably be brought into operation first by department stores and large chain store groups. However, it will also lead to the development of new types of dealers geared to make the fullest possible use of the new technique. It will promote the rapid sale of a large volume of goods, which in turn will place great demands on the ability of dealers and suppliers to anticipate and meet consumers' expectations and demands. Only the biggest and most efficient dealers will really be able to make use of the technique.

Because of the volume of goods involved, there will also be a big demand for truly effective market research to determine consumer needs. Because this sort of research is expensive and must be done regularly, dealers can be expected to seek financial contributions from the processors and manufacturers of the products to help pay for it.

CONCLUSION

The future holds great challenges for the agricultural marketer in South Africa. The demand for food will grow rapidly, market segments will become bigger and more differentiated and will not be segmented only along demographic lines, but also according to lifestyle and new products will be demanded, calling for adjustments in production.

The challenges will be met only if fully-integrated marketing plans are developed and used.

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