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CONSUMERISM AND MARKETING: WHAT IS EXPECTED OF AGRICULTURE?

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Abstract

Consumer awareness world wide, is on the increase. Agriculture should therefore pro-actively address the needs of consumers in order to plan future marketing strategies. This paper describes some of the key issues South African consumers are currently facing, such as rising food prices, lack of product information, need for stringently enforced health standards and an efficient grading system for fresh produce. As consumers become hard pressed to make ends meet they will become more sensitive of their rights and critical of the free market system. Agriculture can help consumers by making surpluses available to the poor, assisting educational and counselling programmes and promoting the free market system by selling directly to the informal sector. The challenge for agriculture lies in redressing marketing problems of the past in order to ensure that current and future business practices are beyond reproach.

Uittreksel

Verbruikersdruk en bemaking. Wat word van die landbou verwag?

Verbruikersbewustheid is wêreldwyd aan die toeneem. Landbou behoort daarom proaktief navraag te doen na die behoeftes van verbruikers ten einde toekomstige markstrategieë te beplan. Hierdie artikel beskryf sommige van die sleutelvraagstukke waarmee Suid-Afrikaanse verbruikers tans te kampe het, soos stygende voedselpryse, gebrekkige produkinligting, behoefte aan streng toegepaste gesondheidsstandaarde en 'n doeltreffende graderingstelsel vir vars produkte. Namate verbruikers meer onder druk kom om die mas op te kom, sal hul meer sensitief word oor hul regte en meer krities t.o.v. die vryemarkstelsel. Die landbou kan verbruikers behulpsaam wees deur surplusse beskikbaar te stel aan armes, deur te help met opvoeding en voorligtingsprogramme en deur die vryemarkstelsel te bevorder deur direk aan die informele sektor te verkoop. Die uitdaging vir die landbou is om bemakingsprobleme van die verlede aan te spreek ten einde te verseker dat huidige en toekomstige sakepraktyke onkreukbaar is.

1. Introduction

Consumer awareness or consumerism has recently been described as the voicing of consumer discontent and the furtherance of corrective action. It is also viewed as a social movement, seeking to augment the rights and power of buyers versus those of sellers (Maynes 1990:6). Consumer rights include the right to be informed, the right to choose from alternatives, the right to be heard (i.e. to redress), the right to safety and health in the consumption of products and the right to a clean environment (Du Plessis 1990:229-301). Consumer awareness world wide is on the increase. Six hundred delegates from seventy countries attended the International Organization of Consumer Unions' Conference held in Hong Kong during July of this year (Cronje 1991:41-42).

In South Africa the consumer movement is gaining momentum due to the unacceptable rise in the consumer price index for food, the high inflation rate, poor economic growth rate and mounting unemployment. In many instances the consumer movement has been politicized in the form of consumer boycotts and Trade Union Actions i.e. regarding the introduction of VAT. Complaint rates dealt with by the Consumer Council is also on the increase. On the other hand, many low income consumers are unsophisticated in the market place and unaware of their rights and responsibilities. How important is consumer awareness for agriculture and what strategies should be followed in dealing with consumer issues? These are relevant questions to be addressed by the agricultural sector in preparing itself for the future South Africa.

2. Consumer expectations

What do consumers expect from agriculture? One can simply state that the consumer expects agricultural products to be fresh and readily available at reasonable prices. The implementation of such an answer however is not that apparent. Peter Drucker (1971:58-65) states "It is the customer who determines what a business is. For it is the customer, and he alone, who through being willing to pay for goods and services,

converts economic resources into wealth, things into goods. Thus, there is only one valid definition of business purpose: to create a customer". William Stanton (1987:9-10) writes in Fundamentals of Marketing: "We can recall that one of the foundation stones of the marketing concept is customer orientation - the view that business should look at the world from the buyers end, find out what he wants and then try to satisfy those wants in a profitable manner". Enquiring about consumer needs is therefore an important input for agriculture in a changing environment.

Consumers world wide recognise the important role of agricultural products in the economic food chain of any country. At the 13th World Congress of the Organization of Consumer Unions, consumers took note of the fact that more than a billion of the world population live in absolute poverty; 1,5 billion people are deprived of primary health care; 1,75 billion people have no access to a safe source of water; 14 million children die each year before reaching their 5th birthday; 1/6th of the people of the third world go hungry every day; 150 million children under five (one in every three) suffer from serious malnutrition (Human Development Report of the United Nations 1990:49). At this international consumer congress a pledge was made for a world wide free economic market system to stabilize food distribution internationally.

In South Africa consumers understand the problems facing agriculture and they appreciate the role of agriculture producers which have to operate under difficult conditions. At the moment the country has approximately 100 million hectare agriculture land available, of which 12 million is suitable for cultivation and only 4 million hectare, regarded as high potential soil. Consumers are also aware of the country's inconsistent climatic conditions with 50 percent of the land receiving less than 500 mm rain annually, a country extremely vulnerable to droughts. Despite these given circumstances, consumers fail to comprehend the large gap which has developed between the producer and consumer prices of agricultural produce. At the Consumer Council great concern prevails regarding the food price index which rose during the first six months of 1991 by 5,2

percent and which were 2,3 percentage points above the consumer price index for all goods and services in May. Tables 1, 2 and 3 which is self explanatory, portrays the current situation regarding the food price inflation. Presently 23 percent of an average household's expenditure is on food. Due to food inflation the cost of a food basket which was R1 000 in January this year, has risen to more than R1 052,00. Consumers can not help to crack down on inflation as long as food prices are continuing to rise. Most consumers are already spending more on food than on other purchases. They feel that they can still manage without certain articles, but food is vital to life and survival.

Table 1: Food prices in the retail trade. Percentage change over the same month in the previous year for consumer price and food price indices

Month	CPI (all items)	Index of food prices at retail trade
Nov. 1990	15,3	16,5
Dec. 1990	14,6	15,3
Jan. 1991	14,3	15,4
Feb. 1991	15,0	15,7
March 1991	14,1	15,9
April 1991	14,6	16,6
May 1991	15,2	17,5

Source: Finansies en Tegniek, 1991:19

Table 2: Percentage price increases for selected food items for the year ending May 1991

Item	Price increase (%)
Wheat products	18,8
Meat	11,6
Fish and other sea foods	17,0
Milk, cheese and eggs	18,6
Fat and oils	16,2
Fruit and nuts	40,5
Vegetables	14,8
Sugar	17,1
Other food stuffs	25,9

Source: Landbouweekblad 12 July 1991:14

Table 3: Important components in price increases for May 1991

Item	Weight of the inflation rate	Contribution (%)
Food	22,72	0,4
Clothing and footwear	5,98	0,2
Current household Costs	3,77	0,1
Transport	17,23	0,5
Other	6,77	0,2

Source: Landbouweekblad 12 July 1991:14

3. Causes of food inflation

According to producers, manufacturers and retailers, rises in food prices are caused by input costs, excessive wage increases due to strikes, production delays, backlogs and losses which have to be transformed into profits. These problems are not unknown to the consumer, but when he considers the following

some of these statements may be questioned: Workers do not go on strike daily or ask for higher wages every day. Production costs do not rise on a monthly basis. How much of these costs are organizations willing to absorb or do they simply pass on every price increase to the consumer? Everybody needs to buy food and therefore it is easy to raise the price of products which consumers need daily. Whenever the price of petrol increases, food prices rise drastically, even for those products on supermarket shelves. However, a decrease in the petrol price does not result in the lowering of food prices as it is argued that petrol is not a major factor, but only one of many in the distribution chain.

The Consumer Council receives approximately 60 000 complaints annually of which a substantial amount relates to increases in food prices, especially with regards to dairy products, meat and fresh produce (vegetables and fruit). These complaints are mainly by telephone. Sometimes the Council receives up to 500 telephone enquiries per day of which a substantial number (54%) are from the black community.

The Consumer Council welcomes the investigation by the Board of Trade and Industry into the unacceptable high food prices. The Council wishes to see that all the partners involved in the food industry should negotiate and enter into dialogue. Agriculture should ask itself where it stands in its relationship to the consumer. It becomes a fruitless exercise when consumers start blaming producers and producers blame the middleman, who in turn blames the retailer and food chains and they pass the buck on to the agricultural boards who blames the drought. We should find each other and listen to one another around a table. In South Africa we have a free market system which is a good system and is supported by the Consumer Council. For the producer a free market system means easy access and exit from the system, deregulation (of agricultural boards), more competition etc. For the consumer it means a bigger choice, competitive pricing, better quality, safety and equity. A recent study by the Human Sciences Research Council (Miller & Hirschowitz 1990:179) showed that marketing boards do indeed play a useful role in fresh produce marketing. However in the opinion of the respondents the efforts of members of these boards should be directed towards supplying information and giving advice to producers and promoting the demand for specific products both locally and abroad, rather than on control and regulation.

4. Consumer research

In the survey referred to in the previous section which was carried out amongst a cross-cultural sample of 2462 respondents (whites, blacks, Coloureds and Asians) freshness, price, quality and appearance were the main criteria for purchasing of fresh vegetables and fruit. For the black household price was the most important factor. Choice of store depended on price and freshness. More than half (52,8%) of the white respondents purchased fifty percent or more of their fresh produce at hypermarkets and chain stores. In the metropolitan areas of the RSA, 45,9% of white respondents, 52,9% of Asian respondents and 20% of black and Coloured respondents wishes to be better informed on the cultivation and treatment of fresh produce as far as it involve health risks (De Villiers and Van Deventer 1990: 1-20). Aspects such as price formation, the price of the final product, quality, nutritional value and health qualities of food are becoming increasingly important to consumers and they wish to be informed on these matters (Clever (1991:4)).

In another survey carried out by the Meat Board during 1990 regarding criteria relevant in the selection of red meat, the rank order of importance amongst white and black respondents was similar. Nutrition and health were ranked first by both groups followed by value for money, non-fattening, ease of preparation, protein content, low cholesterol and taste, in order of importance. The survey showed that the positive features of red meat for consumers outweighs the negative features (Claasen 1991:26-27).

At the University of Port Elizabeth an investigation carried out to identify criteria of consumer awareness amongst a cross-cultural sample of 440 consumers revealed that price awareness and bargain-hunting were two of the main characteristics that distinguishes consumer aware clients from consumer unaware persons. The emphasis on bargain hunting and price consciousness by many respondents highlights the poor economic conditions in which many South African consumers live today. Attempts to save more through price comparisons seems to be the consumers' only weapon against the inflation spiral. The study showed that consumers are increasingly becoming more aware of their rights and responsibilities (Rousseau 1991:1-18). Many black consumers however, are still unsophisticated in the market place and are subject to exploitation by traders, especially in the rural areas. Their needs are for basic foodstuffs and provisions. Many do not know how or where to complain and they struggle to make ends meet.

The question arises as to what agriculture can do to help these black consumers. The following issues may be considered. Make surplusses available to the poor instead of exporting at a loss, especially dairy products. Assist with information and education programmes. Promote the free market system by introducing an open market where consumers can buy directly from the producer, i.e. the old market-day system. Promote the informal sector by supporting and supplying directly to vendors and street hawkers.

5. Health standards and grading system

Regarding health standards the Consumer Council feels that the prescribed health regulations as determined by the Department of Health and proclaimed in municipal regulations, should be maintained. This applies to abattoirs, butchers, supermarkets and cafés. The problem lies with the supervision at these institutions. Regular inspection should be carried out to ensure that prescribed standards are adhered to i.e. breaking of the cold chain in the cases of milk and frozen foods by e.g. refrigerators which goes off due to power failure, causing its content to defrost and then being frozen again. Certain products tend to defreeze at a low degree i.e. chicken, fish. Expire dates on perishables should also be clearly marked on packages so that the shelf life of products could be estimated easily.

The consumer supports the grading system, especially on red meat, fresh vegetables, fruit and potatoes, as it provides him with a yardstick for evaluating the product. Such a criteria of quality is often the consumer's only defence against poor quality for instance when a product has to be returned because it is not up to standard. A grading system also provides the consumer with additional product information so that he knows what he is paying for. Problems with the grading system however sometimes occur, especially during repackaging of food produce. This is caused by little control being exercised over the quality and grading of repackaged goods. The Consumer Council has been advocating the introduction of a standardized grading system for all products to overcome this supervisory problem.

6. Conclusion

In conclusion it may be said that the informed consumer is aware of conditions in agriculture. Input costs for agriculture are rising out of proportion such as fertilizer, implements, tractors, combines and petrol. Investigators should look at a) suppliers of these products to farmers b) the middle-man in the production chain if we want to penetrate the core reason for high food prices in S.A. As far as the consumer is concerned - he expects of agriculture reasonable and stable prices, healthy, tasty food and unbiased meaningful information, so that he will understand why price increases occur. As far as agriculture is concerned it should in future be prepared to invest much more in consumer education and counselling.

The credibility of the free market system will in future come under stricter scrutiny by the black community. The impression already exists that certain businesses are primarily geared at exploiting consumers. If one takes into account the excessive price increases which have occurred prior to the introduction of VAT, then one can understand consumers' perceptions of being misled. One can assume that in time greater sensitivity will develop regarding the rights and protection of consumers, especially on government level. This trend already emerged in Bophuthatswana, where according to a recent press report, the government allocates R3 million per year more to its Consumer Council than what the SA Coordinating Consumer Council receives as subsidy, who has to further and protect the interests of 35 million people.

Advocate Christo Wiese (1991:6) recently made a comment at the AHI Congress that it can be expected that a new government would act strongly against monopolies and exploitation. While we still have time, agriculture should therefore get its house in order by ensuring that business practices are beyond reproach. Furthermore agriculture should accept the challenge of guiding and counselling consumers so that they will be convinced of the merits and advantages of the free market system.

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