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IMPROVING FOOD INDUSTRY MANAGEMENT BY INCREASED UNDERSTANDING AND COORDINATION AMONG INDUSTRY SECTORS

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Introduction

The results of a three year continuous study on "The Food Marketing Process-Distribution Center to Supermarket" reveal that food industry efficiency can be increased by an improved management understanding of how the system operates. For example, the research indicated that management personnel of food processing--manufacturing firms do not have adequate comprehension of the informational needs and requirements of the food distribution center--supermarket decision makers nor of the role that each distribution center decision area plays in the success of manufacturer sponsored programs. The specific objectives of the research study were:

1. To identify the key distribution center--supermarket decision makers that influence the success of new product introductions and product promotions.
2. To determine the type of information from manufacturers and brokers that the identified decision makers find most important to their decision process.
3. To determine how food manufacturers and processors view the distribution center--supermarket decision process and to compare these viewpoints with the results obtained from objective #1.

4. To identify possible improvements in the food distribution process via more effective coordination of food processor--manufacturer marketing programs with the expressed needs of food distribution center-supermarket management.

5. To develop food industry management training programs for management and sales personnel of food processing-manufacturing and food broker firms that will yield increased understanding of the food marketing process and that will lead to the changes that are needed to more effectively work with the key marketing process decision makers.

Study Procedure

The study utilized extensive personal interviews with a sample of 52 food wholesaling and retailing firms in all regions of the United States and Canada. The sample of wholesaling-retailing firms by type of food distribution center is shown in Table 1. Table 2 details the management positions of these interviewed personnel which ranged from company presidents to supermarket managers.

Management and sales personnel of large U. S. food manufacturing firms were also interviewed. The management position of these interviewees ranged from vice-presidents of marketing and

Table 1. Food Distribution Centers
Interviewed by Type of Firm for
Food Marketing Process Study,
1974-77

Type of Food Distribution Center	Number of Firms
Chain	17
Voluntary	16
Cooperative	9
Independent	<u>10</u>
Total Firms	52

Table 2. Management Responsibility of
Food Distribution Center-
Supermarket Personnel Inter-
viewed for Food Marketing
Process Study, 1974-77

Management Position	Number of Personnel
Presidents -	
General Managers	27
Marketing (Sales)	
Managers	28
Head Buyers	41
Merchandising Managers	32
Advertising Managers	36
Warehouse Managers	15
Buyers	163
Store Supervisor-Counselors	54
Store Managers	<u>43</u>
Total Interviews	439

sales to assistant brand managers and creative personnel. A tabulation of the responsibility level of the food manufacturing interviewees is shown in Table 3.

Table 3. Management Personnel of Food
Processing-Manufacturing Firms
Interviewed for Food Marketing
Process Study by Responsibility
Area, 1974-77

Management Position	Number of Personnel
Marketing Vice Presidents	6
Sales Vice Presidents	4
Group Brand Managers	14
Sales Supervisors	15
Brand Managers	34
Assistant Brand Managers	43
Creative Personnel	12
Advertising Agency Personnel	<u>10</u>
Total Manufacturer Interviews	138

The personal interviews with the distribution center-supermarket personnel identified in Tables 1 and 2 were designed to identify the important decision makers that influence the success of manufacturer new product and promotional programs and to determine the degree to which the informational needs of the identified decision makers are satisfied. The interviews with management personnel of food processing-manufacturing firms (Table 3) were designed to determine their understanding of the food distribution center-supermarket decision structure that influences the success of their own product and promotional programs.

Study Results

The research identified seven key management decision points in the food distribution process that can have a significant impact upon the success of manufacturer new product and promotional

programs. These decision points include: (1) the buyer; (2) the buying committee; (3) the merchandising manager, (4) the advertising manager; (5) the advertising committee; (6) the store supervisor-retail counselor, and (7) the supermarket manager and other retail personnel. These decision points do not exist in all distribution center-supermarket firms as some organizations do not utilize committee and others combine the buying and merchandising responsibilities in one management position. Nevertheless, the identified decision points were prevalent enough that food manufacturers have a need to consider each of the seven areas if maximum effectiveness is to be achieved from their marketing programs.

Regarding the informational needs of the food distribution center-supermarket decision makers, interviewees were queried about the adequacy of the information received. The results of this question are summarized in Table 4. These data indicate that advertising managers are the most satisfied with the information that they receive from food manufacturers regarding their new product and promotional programs while store supervisors-retail counselors are least satisfied.

The data reveal that about one-half of the distribution center buyers view the information received as being less than adequate. Management personnel perceiving the information received from food manufacturers as less than adequate are 40 percent, 17 percent, 82 percent and 66 percent respectively for merchandising managers, advertising managers, store supervisors, and store managers. These data rather dramatically quantify the extent to which information presented by food manufacturers is viewed as having significant shortcomings.

Food distribution center-supermarket management personnel identified many specific shortcomings of the information received from food manufacturers-processors. The five most frequently identified informational faults in descending order of importance were:

1. Information received too late providing insufficient time for proper program coordination between retailer and manufacturer programs.
2. Organization of personal presentations and printed materials is inadequate for effective use by distribution center-supermarket management.
3. Much presented and printed information is not important nor significant for management decision and therefore, clouds access to the important information.
4. Incomplete information is often presented and not available on printed materials.
5. Sales personnel often do not know significant informational facts that are important to the distribution center-supermarket decision process.

Each management personnel from the interviewed food processor-manufacturer firms was asked to identify the distribution center-supermarket decision makers that significantly influence the success of their marketing programs. From these results in Table 5, one can obtain insights into how personnel in food manufacturing firms perceive the distribution center-supermarket decision process.

These data provide conclusive evidence that management personnel of food manufacturing firms which have the responsibility for designing and implementing

Table 4. Perceived Adequacy of Information Received from Food Manufacturers by Distribution Center-Supermarket Decision Makers by Management Position, 1974-77

Management Position	Information Adequacy Level				Total
	Very Adequate	Somewhat Adequate	Somewhat Inadequate	Very Inadequate	
	- Percent -				
Buyers	8	41	39	12	100
Merchandising Managers	15	45	24	16	100
Advertising Managers	32	51	10	7	100
Store Supervisors	--	18	38	44	100
Store Managers	5	23	51	15	100

Table 5. Percent of Food Manufacturing-Processor Management Personnel Identifying Distribution Center-Supermarket Decision Makers by Management Position, 1974-77

Management Position	Percent Identifying				
	All Decision Makers	Six Decision Makers	Five Decision Makers	Four Decision Makers	Less Than Four
	- Percent -				
Marketing Vice President	--	17	67	17	--
Sales Vice Presidents	25	25	50	--	--
Group Brand Managers	--	--	43	50	7
Sales Supervisors	33	33	33	--	--
Brand Managers	--	3	32	32	32
Assistant Brand Managers	--	--	9	49	42
Creative Personnel	--	--	--	25	75
Advertising Agency Personnel	--	--	30	40	30

marketing programs with the food distribution trade have at best a sketchy understanding of the various decision makers that are influential within the system. For example none of the group

brand managers could identify as many as six of the decision makers in the process, while nearly one-third of the brand managers identified less than four of them.

In addition to pinpointing a lack of knowledge by food manufacturing management personnel regarding the important decision makers in the distribution center-supermarket process, the interviews also found that:

1. Most food manufacturing personnel view their role as preparing information only for final consumers, distribution center buyers, and store managers.
2. Practically all management personnel of food manufacturing firms fail to differentiate among the informational needs of the seven major distribution center-supermarket decision makers.
3. Most of these management personnel do not realize the significant information that is lost between presentations to buyers and presentations to buying committees.

Industry Implications

This preliminary report only summarizes some of the results of a continuous study on the food distribution management process, distribution center to supermarket, that focuses upon how food manufacturers might more effectively work with the system to increase program effectiveness. Significant wasteful

management practices at both the food manufacturer and distribution center were identified via personal interviews with management personnel. A lack of overall food industry program effectiveness was especially apparent because of ineffective program coordination between food manufacturers and distribution centers. Coordination problems among the buying, merchandising, and advertising functions of some food distribution centers was also evident in the study.

The research results identified a basic training void and need for most food manufacturing-processing firms. This involves a management need to more fully understand the decision process at the distribution center-supermarket level which influences the success of manufacturer marketing programs. Case problem oriented training programs that utilize video tape situations which permit participants to "live" the roles of the food distribution center-supermarket decision makers have been developed to help fill this identified management training void.
