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**CHALLENGES FOR INTERNATIONAL MARKETING  
IN THE COMING DECADE**

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Thank you, Jim. I am pleased to be here with y'all today to talk about the challenges for international marketing in the coming decade. As Jim said, I am Barbara Hutchison of the Food Marketing Institute, located here in Washington, D.C. For those of you who are not familiar with us, FMI has been a leader in the supermarket industry for over 60 years. We are very often known only for our industry trade show that we host every year in May in Chicago. However, our main function is to serve and represent our members--food retailers and wholesalers across the United States and throughout the world.

Our retail membership is composed of large multi-store chains, small regional firms and independent supermarkets. Our domestic member companies operate approximately 21,000 retail food stores with a combined annual sales volume of \$220 billion dollars--which is more than half of all grocery sales in the United States. Our international membership includes 200 members from over 60 countries.

The underlying theme to keep in mind when looking at the challenges of marketing in the world arena is keeping pace with change. Emerging trends in international retailing are all responses to change. The key areas to focus on are competition, technology and human resources.

*Challenges*

Competition in the supermarket industry has become more complex and diverse. Every year we survey supermarket C.E.O.s around the world. Competition has been ranked as the number one issue for the past four years. I believe competition can be defined as anything or anybody who is taking away your business, customers or market share. It can come from within the same industry or from outside. It is becoming increasingly more difficult to define who exactly is our competition.

Drugstores, discount stores, club stores, supercenters and even restaurants are all chasing the same consumer that supermarkets are. The lines are blurring as everyone battles for a share of the consumer's stomach. Throughout the world, supermarkets are hoping to regain food sales lost to quick-stop convenience stores by countering with some convenience of their own, such as selling gasoline. This one-stop-shopping trend is seen in Australia, the United

Kingdom and even here in the U.S.

Supermarkets are now competing with restaurants in light of a new consumer trend that we see here within the U.S. but is equally applicable around the world. It's a trend we call meal solutions or home meal replacement. American society has changed--more than 50 percent of women are working outside the home full-time. Thirty years ago this would have been unthinkable. Society is changing. We see more women in the workplace with less time to cook. More people are eating out of the home and eating fast food.

Twenty years ago the supermarket industry made a mistake. We didn't respond to the fast food trend. We didn't define restaurants as competition. We thought people were eating out just because it was fun. However, total spending on food-at-home by families and individuals is now 6.7 percent of disposable income, declining from approximately 12 percent in 1965. Total spending on food-away-from-home has increased from approximately 3 percent to 4.3 percent of disposable income. The grocery industry is now trying to make sure that when the consumer asks the question "What's for dinner?" that supermarkets are one of the answers.

When we surveyed our membership as to whom they saw as their top competitors, here is what we heard: Seventy percent said that existing supermarkets were their top competitors while 53 percent responded with new supermarkets. A third of respondents said it was supercenters; 20 percent replied that it was restaurants, which is interesting because five years ago we didn't even have them on the radar screen. And finally, 8 percent answered category killers. (Actually, I believe the politically correct terminology would be category enhancers. These are retailing concepts, such as PetSmart and Starbucks, where a whole store is built around a single category. The original term came from the concept that when a store of this nature opened near a supermarket, it would kill the sales in that category for the grocery store; hence the term category killer.)

The impossible happens! One-seventh of the American population goes to McDonald's every day. We now see co-location of McDonald's with or in grocery stores. The impossible happens! Wal-Mart is ranked within the U.S. top 10 leading supermarket and grocery chains, with retail grocery sales approximating \$8 billion annually. Fifteen years ago, supercenters weren't on the radar screen either.

There are challenges and opportunities when marketing internationally. The key to marketing, globally or otherwise, is serving the consumer--knowing the shoppers, what they want, what is important to them; giving them excitement and value. A French magazine called *LSA* published a study several months ago that looked at what attracted people when buying foreign foods. They found that the purchase of foreign foods gave purchasers a sense of discovery. In addition, it gave them the opportunity to experience pleasure and new taste sensations. For the retailers, stocking these items showed an action step, a move toward nonconformity and a means of building or retaining their current customer base. It also gave those retailers a competitive advantage by making the store and the product stand out. Retailers also viewed it as a value added service plus an opportunity for mark up.

As economies become global and the world begins to become more homogenous, it is still good to keep in mind the phrase "Think globally, market locally." This same French study

looked at issues to examine when marketing foods in other countries. Issues to consider include how appropriate or relevant the product is to the local consumers. This could be in terms of taste, such as sweet or salty; in terms of diet, such as lactose-adverse; in terms of culture, customs or religion, such as selling beef in India, or in terms of appropriateness, such as after dinner mints in Bangladesh. Other issues to consider include educating consumers on how to use the product, developing packaging and instructions that they will understand, and the availability of recipes.

There are constant reminders of marketing gone bad. What about the time Chevy marketed the Nova in Latin America? Once they found out that "Nova" in Spanish means "doesn't go", they understood why it wasn't selling. Or what about Kentucky Fried Chicken translating their slogan "Finger Lickin' Good" into Chinese which literally meant "to eat your fingers off"? There was also the company that produces baby foods. When they began selling their product in Africa, they used the same packaging that was used in the United States. Their label featured a picture of a sweet, smiling Caucasian baby. They later learned that most people can't read English in this country, so companies routinely put pictures on the label of what's inside.

We could go on, but the bottom line is that the real cultural differences lie in the way people think and this is what we must tap into. Competition--it's complex, it's diverse and it's changing. And sometimes, this is as good as it gets.

The second key area of change is technology. This is an international trend and it is changing the way everybody does everything. For example, in Costa Rica, cellular phones are extremely popular. When asked about this proliferation, people explain that land lines are unreliable, expensive and there is a long waiting period for installation. In comparison, cellular technology is convenient, relatively inexpensive and easily accessible. This technology has changed the way this country communicates and has made their lives easier.

People around the world are looking at how technologies can be used to simplify their lives. In response to this, we see grocery retailers are beginning to utilize technology as a marketing tool as well as a means of customer feedback. We see traditional retailers offering home shopping and home delivery via the Internet; many of our member companies now have websites. Global food retailing is a highly complex logistical business. Advances in technology affords more efficient ways to move food from farm to table. Technology brings the world together.

Again, the underlying theme is change. Look at technology. Does everyone remember the days of 45-r.p.m. records and that little yellow disk that went in the middle? If you didn't have that little plastic thing, you couldn't play the record. That in its day was high tech. Just think about these markers of change: personal computers, VCRs, cell phones and the Net.

Here again the impossible happens. Amazon.com, the largest bookstore in the world, doesn't exist except in cyberspace. Electronic payment is not just the wave of the future; it's here now. When was the last time that you actually held your pay check in your hand? I can't remember; my pay goes electronically from my employer, FMI, to my bank account. When was

the last time that you used a real bank teller person rather than the ATM or other electronic means? In fact, some businesses charge extra if you want to work with a real live person.

The final area has to do with human resources. The grocery industry is a service industry and is therefore a very labor-intensive business. We began as a highly personalized business where each customer's order was hand selected and have progressed to a self-service environment with very little interaction with our customers.

Now, we're striving for a happy middle ground. Human resources as a marketing tool is not doing so well in our industry. We need to find ways of training people in the art of selling and in the art of customer service. One of the best means of marketing is front line personnel. These are the people who are in constant contact with customers, so having employees who are knowledgeable and friendly will give consumers a happy, enjoyable shopping experience--one that they want to come back to.

The supermarket business is an extremely local, neighborhood business. Eighty-five per cent of FMI's members are independent operators, which means they operate 10 stores or less. However, it is also becoming a global business which we can't ignore. We see multinational companies operating throughout the world. An example of this, in our own backyard, is Giant Food, which is owned, in part, by Sainsbury's--out of the UK. Another example is Carrefour, out of France, who is on the verge of opening a second store in Singapore. These companies have the ability to see trends across countries and across continents.

Retailing has expanded beyond country borders and products now flow around the globe. Consumers are becoming more worldly. The example our CEO always gives is teenagers; they are the consumers of the future. No matter what part of the world you are in, teenagers are plugged into the Internet, consume MTV, wear Nikes and often behave the same. Tastes will shift and become more global. Shopping by the Internet will become more commonplace. Virtual retailing will expand to the extent that many shopping malls will be created that, in reality, never existed except on the Internet, much like Amazon.com.

Selling solutions and new partnerships go hand in hand. International competition will see companies from different industries, different countries and different continents teaming up together to create global economies, buying leverage and solutions. International marketing in the future, as it is now, will be a matter of serving the consumer, keeping up with change, thinking globally and marketing locally.

I have to tell you, I don't have a clue who Elbert Hubbard is or whether he really said this or not, but I thought this was a great quote: "The world is moving so fast these days that the man who says it can't be done is generally interrupted by someone doing it." It sums up the challenges of international marketing and what we can expect for the future--and that is change. I appreciate your time and thank you for joining me today.