

## PROBLEMS OF PROMOTION IN THE CHANGING MARKET SITUATION

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What I have to say today was probably best summed up for me by Art Thompson, a Maine potato farmer, a few months back when I visited his farm next to the Canadian border in Aroostok County. Art Thompson said, "The time when the farmer's job ended when he sold his crop at the farm gate is long past. Today the farmer has to be concerned with the total problem of marketing right down to the consumer."

Whether we like it or not, this is the fact we as farmers have to face. The time is long past when the farmer grew the crop and sold it for what the market would bring when he needed money. The time is long past when a group of farmers who happened to produce the same crop got together and donated a sum of money to an advertising agency and said, "Advertise for us." The time is here when we as farmers must be interested in the total problem of marketing, all the way from our farm right down to the consumer.

I have been asked to speak to you today on the problems of promotion and advertising of Washington potatoes. In order to do this I must speak to you concerning the total problem of marketing, from your farm gate all the way to the consumer.

In any consideration of advertising, whether of an agricultural commodity or not, there are four principles that we must understand and use:

1. A commodity is considerably more difficult to advertise successfully than is a brand of a commodity.
2. A commodity with a favorable demand trend is considerably easier to advertise than one with an unfavorable demand trend.
3. It is essential that you have a differentiated product if advertising is to be successful.
4. The advertiser must have control of this marketing if his advertising is to be successful.

Of course, each of these points is related to all others, but let us discuss each one individually and see how it applies to the promotion and advertising of agricultural products.

### COMMODITY VS. BRAND ADVERTISING

One of the first facts of advertising that we must live with in agricultural advertising is that a commodity is considerably more difficult to advertise than a particular brand of a commodity. The reasons for this are varied but center around the fact that man is a creature of habit; he is accustomed to using so many units of a particular item according to the customs of the

society he lives in, his own personal likes and dislikes, and his economic conditions. It is an easy matter to convince him to use one brand of an item he is going to buy anyway, rather than another brand; but the task of convincing him to use more of any standard item is considerable more difficult. The relative difficulty of commodity vs. brand advertising can readily be seen by considering the tasks faced by a men's shirt manufacturer, an association of dress-shirt manufacturers and an association of all shirt manufacturers. The single firm can advertise effectively and increase its sales by convincing consumers that its brand of shirt is superior to all other brands and that the consumer should buy its brand when buying shirts. The majority of such increased sales can come from sales other manufacturers don't make. But, if the association of dress-shirt manufacturers advertises, it has to convince men to use more dress shirts, rather than merely to buy one brand of shirt instead of another. The results from this type of advertising can come from (1) making men more "dress-shirt conscious" so they will wear dress shirts rather than sport shirts or work shirts and (2) possible encouraging them to discard worn dress shirts sooner than they normally would. The difficulty of this is easily imagined because such factors as social custom, comfort, and cost may dictate what type shirt is worn rather than the advertisement. It would be difficult to convince a farmer, for example, to wear a dress shirt in the field as well as to church or out to dinner. The real magnitude of commodity advertising, however, can be imagined if there were an association of shirt manufacturers which advertised "wear more shirts" to an American population which normally wears a shirt of some kind at times when it is possible to wear shirts. The only results in terms of increased sales can be from men becoming more "shirt conscious" and discarding shirts sooner than normal. The results of a campaign to sell more shirts to men would be considerably lower, if not non-existent, than for the same amount of money invested in trying to convince men to buy one brand of shirt rather than another.

In advertising Washington potatoes, or Idaho potatoes, we are in a situation similar to that of the association of dress shirt manufacturers, we have to sell our type of potato, the russet burbank, over other types of potatoes on the market.

#### Favorable Demand

The second fact that we have to live with in advertising, and this applies to all advertising, not only agricultural advertising, is that a product with a favorable demand curve responds to advertising much more readily. The stronger the demand is the more effective advertising is. This only makes sense.

Think of it in terms of ourselves. How much advertising would be necessary to convince men today to wear collarless shirts with celluloid collars as against how much it would take to influence you to buy another regular soft collar shirt as we all are wearing? How much advertising would it take to convince your wife to buy high button shoes, such as were worn up until about 1920, with the hip-snug, knee-length shirts of today? Celluloid collars and high button shoes do not have a favorable demand; they will not respond effectively to advertising.

When we think of other industries such as this, we can sometimes more clearly see our own problems.

Do farm products face favorable or unfavorable demands? It all depends on the products. Such things as TV dinners, cake mixes, frozen french fries face a very favorable, increasing demand trend. But items such as kale, Kohlrabi, and yellow turnips, vegetables that were all very familiar to us only a few years ago, face a very unfavorable, fast-decreasing demand...and will quickly be discarded as have cellulose collars and high button shoes.

In fact, fresh fruits and vegetables face a decreasing, unfavorable, demand trend. This is true of fresh fruits and vegetables as a whole--they are quickly being replaced with processed foods--but in some isolated instances, isolated commodities are facing an increasing demand---such as, I imagine, avocados, head lettuce and fresh pineapple. It would be comparably easier to promote these isolated commodities and be effective than it would be to promote kale or yellow turnips.

What about the demand for potatoes? As a whole, potatoes face an unfavorable, decreasing demand situation. From 1900 to about 1956 or 1957, per capita consumption of potatoes decreased by half...from about 200 pounds per person to about 100 pounds per person. While the per capita consumption decreased, however, there were more people to eat potatoes and the total consumption remained about equal. Since then per capita consumption has remained about the same, or has increased slightly. At best we can say we have a static demand trend now; it would be impossible to say that we have a favorable demand trend. We can't overlook that fact, too, that much of the seemingly increased potato consumption has coincided with an increase in processed potato consumption. It may be that processing potatoes has halted the downward demand trend. There seems to be no question, though, that at best the consumption of fresh potatoes faces a stationary demand...or even a still-decreasing demand.

However, there is a bright spot here, too. Even though the demand for all potatoes is not favorable, the demand for certain types of fresh potatoes is favorable.

In fresh potatoes the market for certain types of potatoes, such as the russet burbank, the traditional "Idaho" potato, is favorable compared with others... so it is very possible that certain types of potatoes and certainly processed potato products, face a favorable demand situation. This would mean that they would respond to advertising more than other potatoes.

### Differentiation

A third fact of advertising we must live with is that the advertised product must be easily and visually differentiated from other similar products in order for advertising to be effective. The differentiation must be an actual one or a synthetic one, such as a label, but the visual differentiation must be there for advertising to be effective.

If the differentiation of an advertised product is a synthetic one, such as a label on a can of peas, then the product must have hidden qualities which can be promoted. One can of peas looks just like another can of peas, and no one can tell what's inside the can...unless the processor puts his label on it and vouches to the buyer just what is in that can that makes it different

from other cans. This is the reason for labels on products which cannot be visually differentiated.

Let us take tires as another example. Say that you saw an ad for Firestone tires in today's paper...you needed tires... and you were convinced that you want to buy the Firestone "500" that you saw advertised. When you go to the gas station to buy tires all you see are a rack full of tires..you can't tell which have nylon in them, and which have cotton...which are cold rubber and which are natural rubber...unless there is a brand stamped into the tire to tell you that this is a Firestone tire, and further, that it is a Firestone tire that you saw advertised. You must be able to differentiate this tire visually from all other tires if the advertising is to be effective.

The same thing holds true for all other branded products. The labels on the can, the trademark embossed in metal, the trade name put on with decals... all these are methods of differentiating the product visually for the consumer.

Not all products can be effectively branded, or, even if branded, can be sold on the basis of brand. An obvious example of this is the used car. Not one of us will buy a used car because it is a Ford, or because it is a Cadillac, or because it is sold by a particular dealer. We must visually inspect the car...we kick the tires, slam the doors, raise the hood, and go through the other motions of inspection to satisfy ourselves that this particular car, regardless of the brand that's on it, is the type of car we want. The same holds true in produce and meats. Efforts to brand fresh meat and produce have mostly fallen far short of success because these items are purchased by visual inspection. The quality is apparent in the appearance of the product and the housewife makes her selection on the way the lettuce or the steak looks rather than on the basis of the brand that's on it.

Let's look more closely at produce. Some produce items can be differentiated by appearance. The California orange, for example, has a characteristic skin texture that makes it easily differentiated from other types of oranges. Its appearance does the differentiation for it.

Other products can be differentiated by marketing season. Idaho fresh prunes are a good example of this. When they are on the market they are practically the only prunes on the market, so the benefits of advertising prunes during this period by the Idaho growers would accrue to them because they are the only ones selling prunes at that time.

In potatoes we have a mixed situation. The russet burbank potato which is traditionally known as the "Idaho" potato, is easily differentiated by sight. Its characteristic long shape with netted skin is easily told from other potatoes. This is one of the reasons for the success of Idaho's advertising..the product advertised could be easily differentiated from other potatoes. That is, the product could be differentiated as long as Idaho produced the vast majority of russet burbanks...but, when this differentiation, along with better cooking and eating qualities, put Idaho russets in a strong competitive position with potatoes from other areas, these other areas jumped on the band wagon and began producing our potato in order to cash in on the market that Idaho had built.

At the present time with nearly a dozen states producing the russet burbank potato Idaho producers have a difficult time in continuing to differentiate their product...because states like Washington are sending potatoes to market so similar to the traditional "Idaho" potato that it's nearly impossible to differentiate the product any more.

Because it's impossible to differentiate the Idaho potato naturally anymore, you know the efforts that are being conducted to differentiate it synthetically, by branding, either the potato or the bag.

But for advertising to be effective the advertiser must be able to differentiate his product from all other similar products.

#### Advertiser Must Have Control Over Marketing

A fourth hard fact of advertising is that the advertiser must have control over his marketing system for advertising to be most effective. This control, in agricultural products, is most important in standardization and availability of product.

These points, again, are common sense if we analyze them.

When General Electric advertises a refrigerator in a national magazine it has to be sure that all its outlets have this refrigerator in stock in order for this advertising to be effective. If you, as a consumer, were convinced by this advertising, and went to your local GE dealer and could not get the model that was advertised, because it wasn't available east of the Mississippi, then the GE advertising would not be effective. In order for national advertising to be effective the products advertised must be standardized to meet the specifications as the advertisement says.

The Firestone Tire example points up this same thing. If the Firestone Tire ad convinced you to buy, this means that you were convinced in your own mind that the tire you buy in Bangor, Maine, is the same tire available in Moscow, Idaho, and anywhere else in the country. The effectiveness of advertising is considerably diminished if the product is not standardized.

I will not answer the question, but will ask the question, "How well standardized are the pack of potatoes that we send out? How well do they live up to the promises that our advertising makes for them?"

The product must be available in order for advertising to be effective...if it isn't available, the ad can have no effect. An ad for Rhinegold beer in the NEW YORKER can convince me to buy Rhinegold, but as there is no Rhinegold available in Moscow, Idaho, the ad has done Rhinegold no good as far as I'm concerned. I can't buy the product.

Availability of the product necessitates a dealer organization that is truly interested in pushing your product, not just any product he can buy cheaply. Without this, advertising will not be as effective as it might be.

Another aspect of availability is time, as well as geographic area. If we want to build customers for our potatoes we must see that they are available as long as possible in the season. If the customers go to the store with the

idea of buying Maine potatoes, or Idaho potatoes, and finds that they are not available, we have cut down on the effectiveness of our advertising...not because it hasn't been convincing, but because she can't buy the product at the time she wants it. Holding supplies off the market for any reason cuts down the effectiveness of our investment in the advertising.

To get the most from this investment we, the producers, should make the effort to see that the product we are investing our dollars in is standardized to the satisfaction of customers and is available at the time and the place where customers are.

However, I'm afraid that in the potato business the control of the marketing system has passed out of the hands of the producer, and he, therefore, has cut down the possible effectiveness of his investment in advertising.

What are the indications that the potato producer has lost control of his marketing? In the first place, in the retail store, except with few exceptions, there is no way of telling where potatoes come from, or what kind they are. The consumer has no way of knowing whether she is buying potatoes if she wants them; she more often than not has no way of knowing whether the russet bur-banks she is buying come from Idaho, Washington, or whether they come from some other producing area. There is no labeling law that covers potatoes in the retail store. Without such control over the marketing system our advertising of potatoes can't be effective as the consumer has no way of buying the potatoes our advertising has convinced her she should buy.

Secondly, our present grade label laws are ineffective in assuring the consumer of the grade of potatoes that she wants or thinks she's buying. The situation is the same for you as in Idaho. A repacker will buy U.S. No. 1 potatoes and run them over his grading table, selecting out the premium sized and shaped potatoes; these he puts in special bags or tray packs at a very high price. What is left on the grading table is not a U.S. No. 1 pack anymore, but because these potatoes came originally out of a U.S. No. 1 bag, they are put into a consumer bag labeled "U.S. No. 1." The repacker is getting the advantage of the premium pack that the producer and shipper are putting up because the producer has lost control over his marketing system, and thereby he has cut down the efficiency of his advertising investment.

A third point: every potato producing area in the country is at the mercy of brokers and handlers of one kind or another at the receiving end. You in Washington, and we in Idaho, have no way of assuring ourselves that our commodity is going to be on the market for the full season so that we can take full advantage of our advertising. Both of these states producing winter potatoes have to wait till local potatoes are cleared out of most marketing areas before we can move in with our winter crop. We do not have full representation in the markets for the full marketing season that we would have if we as producers took the steps necessary to gain control over our marketing system. All too often it is the broker, or buying organization buyer, who has control over what will go on the market in front of consumers rather than even what the consumers want.

We as producers of a commodity, have to evaluate the entire marketing system, and any changes that take place in the system in terms of how it will reflect back to us. For example, the bulk shipping of potatoes, as described by

Dr. Weaver a few hours ago, and which we are experimenting with in Idaho-- only we are using standard refrigerator cars with special unloading equipment rather than special cars -- is an innovation in the marketing system which we all should try to analyze in terms of what it will reflect back to the grower. If we, as growers, think that a savings in the transportation of potatoes is going to mean we automatically get higher prices, we are not thinking right; it could mean a higher price to us, if we had control of our marketing system, but no grower in the potato industry has this control. For example, if bulk shipping of potatoes becomes common, and if it does save money, then, any firm that receives in bulk in the terminal markets will have an advantage over those who still have to receive in burlap; it won't take long for the firms that receive the bulk to undersell those that don't, and push them out of the market. Bulk shipping could very well result in fewer handlers of potatoes, fewer customers to sell to, fewer packing houses, because each operation must be considerably larger to make bulk shipping efficient. If we had control over the marketing system then the savings of bulk shipping might be passed back to the farmer...without the control, they won't.

#### Factors Controlling Advertising Effectiveness

These are the main factors, then, that contribute to the success or failure of advertising; there are others, of course, but these are the principle ones:

1. A commodity is considerably more difficult to promote than a brand.
2. The commodity must have a favorable demand trend.
3. It must be visually and easily differentiated, either naturally or by synthetic means.
4. The advertiser must have control over his marketing system.

In terms of potato advertising, we have more negative points here than positive. In addition to this theoretical consideration of the factors influencing advertising there is one other thing we must understand in advertising produce, that is the changes that have taken place in our food distribution system and the food industry. These can be summed up as (1) the chain store system and (2) consumer preferences.

#### Today's Food Retailing

The chain store system, and this includes the voluntary chains as well as the corporate chains, which characterizes today's retailing, is based on cutting costs by eliminating unnecessary steps in the marketing channel, making the remaining steps more efficient and moving a large volume of lower costs per unit. The chain store system changed the transporting of groceries...it changed buying practices by eliminating salesmen, it changes warehousing, it changed the size of store and services offered, among other things. Produce was among one of the last things to be changed.

In the early growth period of the corporate chain competition was based on cutting the price on staples by more efficient methods. The chains were interested in selling large volumes of staple items; many of them only handled produce and meats as a service to customers. This has changed, however. As the whole grocery distribution system changed, those stores that remained in

business had to adopt the chain store method of distribution for dry groceries, until, at the present time, there is very little price competition on staple items. Any store of any volume sells staples just as cheaply as its competitors.

At the present time, rather than competition being based on dry groceries, competition is more based on produce and meats--on perishables--and more consideration is given to quality in quality-vs.-price relationships. Supermarkets have found that the variety, quality and price of produce and meats is a considerable factor in influencing where today's consumer will buy her staples.

For this reason chain-type distributors have gone about changing distribution patterns to meet their needs. This follows the last point in my earlier discussion, that producers of potatoes have lost control over their marketing system. Because there was no strong producer group interested in the potato producer and his marketing problems, others have stepped in and changed the marketing system to meet their own needs, and for their own economic advantage. Others have changed the historical marketing pattern for potatoes to meet today's retailing situation and this change has not been in favor of the producer. In the course of the last few minutes I believe I presented enough examples of how this is worked out in detail and I won't repeat them here. If the potato producer is interested in his own welfare, and if he wants to make his advertising investment more fruitful, he must take the steps that are necessary to use today's marketing system to his own advantage... and if he is going to do that he must regain control of his markets.

Another consideration in retailing today is that a certain amount of rigidity has crept into it. Retail organizations would rather not make changes in anything, including the day-to-day price of products. I think this is particularly true in potatoes. Retailers have learned that they will sell approximately the same amount of potatoes no matter what the price is, so they tend to keep their price constant, even though the f.o.b. and grower price varies widely. Price variation on the buying market is taken as an extra profit by the retailer. One chain store, for example, last season only changed its price on Idaho potatoes three times during the entire season. I think growers can take a page from this book. If the retailer can exert enough price-making power on his customers, who are many, many times more numerous than the growers' customers are, it may just be possible to use these same tactics to level out the price fluctuations between shipper and retailer as it has been leveled out between retailer and consumer. In this connection let's not forget that the retailer is not as concerned with the absolute price of an item as he is of the relative price. Sure, if anyone has potatoes any cheaper than he has them, of course he's unhappy. But, on the other hand, if the general level of price to consumers is 10¢ a pound he's happier than if it's only 2¢ a pound because he operates his store on a percentage margin and he's making more money at 10¢ than 20¢.

In planning advertising we can't overlook the tremendous importance of the chain store system that we must operate through in order to get our product to the consumer.

Now let's consider the consumer, because, after all, once we have gotten our product all the way to the retail store, we still must convince her to buy.



We have to know how her mind works, how she makes decisions, what she is looking for, if we are going to get her back. She is looking for convenience foods...for nearly-prepared foods. I'm referring, of course to processed potatoes. In the earlier history of processed potatoes--five years ago--there was evidence that home use of processed potatoes was "plus" consumption ...these people were using potatoes in processed form at times when they would not normally be eating potatoes. But it looks as though that time were past. The processed potato is now in direct competition with the fresh potato. In fact, in many stores processed potatoes are displayed in the produce department right next to fresh potatoes. Let's face it...the retailer would have fewer headaches and make more money if all the potatoes he sold were processed, so we can't expect retailers to do a job for us on fresh potatoes. We as producers, if we are interested in remaining in the fresh potato business, must take the necessary steps to see that our fresh potatoes remain competitive with processed potatoes. We, the producers, are the only ones who are interested in this and the only ones who can do the job. The problem of processed vs. fresh potatoes is a multiple one, but here are some of the important considerations. Processors can use culls and lower grade potatoes in competition with the highest quality fresh potatoes. Processed potatoes usually have a more standardized quality...they do not fluctuate as much as fresh potato quality. Processed potatoes take less storage room in the home and are easier to prepare. These are some of the factors we have to consider in our advertising program for fresh potatoes.

#### Advertising Methods

I would like to just comment here--I don't have time to go into this point in detail--that our advertising methods of fresh produce, potatoes in particular, could be vastly improved by adapting a page from other successful advertisers of food. Let me give you just one instance. A margarine manufacturer in California is attaching a 16-penny nail, cadmium coated, or coated with something so it will not rust, to two packages of margarine taped together; this "premium", which costs only a fraction of a cent, is to be used in baking potatoes in the oven. Pushing the nail through the potato punctures the skin so steam can escape without exploding the potato and the metal conducts heat to the interior of the potato so it cooks faster. A margarine manufacturer does this to help his sales...could potato growers use this to help sell more baking potatoes? Maybe we in the potato industry, acting as a group in getting our markets under control, and acting as a group in merchandising and promoting our products can work out promotional schemes like this that are necessary in today's marketing system.

I personally feel that much can be done along this line.

#### Summation

I hope that what I have presented to you today will be helpful in getting you, as producers investing their money in advertising their products, to think more specifically on the problems of promoting and advertising; if I have only succeeded in getting you to realize that your advertising dollars will be considerably more effective if you consider the total problem of marketing and what is necessary for advertising to be effective, I will feel rewarded. If I have succeeded in getting you to realize and take steps toward getting your marketing back under your control so your advertising dollars will be more effective, I will be happy.