

## CONSUMER RESPONSE TO KEYNOTE ADDRESS

by

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When Jarvis Cain asked me to discuss his paper, he said it would be concerned with looking at the food market place of tomorrow. What a surprise when I received his paper and found it to be mainly an analysis of the structure and organization of the entire food system, concluding with the general assumption that the inferred direction the system is headed is not good for society as a whole and therefore something should be done. But there Dr. Cain leaves us. He, like all others who have delved into the subject, does not have concrete solutions to a generally accepted problem.

My assignment is to discuss the consumer's stake in this market place of tomorrow. There is general agreement that there is no real spokesperson for the consumer. But, really, can any one person, or one group, speak for the consumer. Perhaps they can represent a small segment of consumers, but surely not all. All of us, as consumers, have different wants and needs; different demand schedules for different goods and services. This is pointed out in a recent USDA publication, Food Expenditure Patterns of Single-Person Households (12), as well as in any publication of which I know. The well-to-do, young singles spending pattern for food differs considerably from that of the older person with Social Security as the only source of income (5). Race also has an impact on spending patterns and on items

purchased (11). Income has a strong relationship with spending patterns for food away from home, but "family expenditures for food at home are remarkably similar regardless of family income level" (4). Spending increases with family size, and it varies by region and by whether families live in the suburbs or in central city or nonmetropolitan areas (4). More than half of all women between 18 and 64 are in the labor force (9), and their spending patterns also may differ from those who are not employed outside the home. I repeat: Can any one person, group or agency speak for such a heterogeneous group?

This is, as Dr. Cain points out, the problem that consumers face in their role as a part of the "big four" -- industry, labor, government and consumers. Consumers are not organized except for the "professional consumers," organized as the Consumer Federation for America, Consumer's Union and local and state Consumer Associations, to name just a few. These organizations are not new, the Cincinnati Consumer group having been a formal organization since the mid-1930's, holding monthly meetings through these many years. The other type of consumer-oriented organizations are those whose membership is made up of professionals who work with consumers. Probably the best known of these organizations is the American Council on Consumer Interests. Other organizations

crop up locally when there is a "hot" issue, such as rapidly rising food prices. Probably the outstanding example of these is the consumer boycott groups formed in 1966.

Again, are these groups representative of consumers? Friedman surveyed leaders of the 1966 boycotts and reports that they were young, married homemakers, had attended college one year or more, were either very old or very new residents of their communities, owned their homes, had small families, were of middle to upper-middle income, and tended to be joiners (3).

Probably the longest-lived national consumer organization is Consumer's Union, organized in 1936. Yet its membership is similar to that described above, and also to that of the group that influenced the consumer movement of the 1930's; that is, middle to upper-middle income and college graduates (6). While these consumer organization members are not representative of all consumers, their make-up does provide indication that as incomes and education increase, consumer concerns may also increase.

What are some of these consumer concerns? I would classify concerns into two categories - the first, those related to selection of a store in which to shop, and the second, the policy-related consumer issues.

Why does a food shopper select one store over another? With numerous stores from which to choose, different shoppers have different reasons for buying food for their household in a particular store. The food retailer who is aware of the factors important in this kind of choice making, and performs accordingly, will be more apt to enjoy a larger share of the market than might otherwise be possible. In addition, if more retail food stores would meet the criteria set forth by shoppers for store selection, competition could be increased, and more

firms would share in the total market than is sometimes the case when two or three firms dominate a market area.

Price is, and has been for many years, considered to be the major factor in food store selection. However, studies over the past decade or more have found other factors to be important. Among these are product selection, service, store location, family income, quality of product, physical and aesthetic features of the store, advertising and employee attitude. These factors appear as affecting store selection repeatedly (2, 7, 8, 13, 14, 15, 16). As long as different firms provide different mixes of these factors important in store selection, and thus a choice for consumers, then there is a competitive market situation. It may not be perfect competition, because it would be next to impossible in today's society for a buyer to have perfect knowledge with the proliferation of goods and services from which to choose, but the shopper does have the opportunity for knowledge of choice in stores. And there is choice - at least as indicated in a 1977 study we conducted in Columbus, Ohio among 2,000 randomly selected households. Twenty different firms were used by the 426 respondents for their major shopping. However, just two of these firms accounted for two-thirds of the major buying. Another two firms accounted for an additional 16 percent of purchasing. But one must not forget that the remaining 16 firms listed as major shopping stores do help meet the grocery needs of 18 percent of the respondents (7).

Forty different firms were listed as meeting customer's needs for secondary shopping. Even more firms were patronized for most of the respondents' purchases of meat, fresh fruit and vegetables and bakery - delicatessen items. The choice today is even greater, as it is in many communities, as the stores vacated by A&P, Acme, Food Fair to name

only a few, are recycled and opened by independent operators. Some are affiliated and some are not, but at any rate it would be my judgment that Dr. Cain would find somewhat different figures than cited in his paper on numbers of chains, affiliated independents and independent independents, with an increase in the latter two.

A second area of consumer concern I put in the category of food policy-related issues. These are the kinds of issues discussed in the National Public Policy Education Committee's publication, Your Food (1). Questions such as, Will there be enough food? Who will get it? How will it be shared? Will it be good and good for you? and Who will control it? are very real questions to most consumers. Dr. Cain has addressed the control question, but I would maintain that the other questions rank much higher in the minds of consumers.

Government, the "professional" consumers, and industry have discussed the food safety and quality question since the late 1890's, and have continued to do so since that time. There is no question but that a safe food supply must be provided, and that adequate regulations relative to quality can be questioned when it comes to the cost-benefit relationship. That any regulation adds to the cost of food, either directly or indirectly, cannot be questioned. However, not all government regulations have the same impact on cost (10), nor do they provide similar benefits. I doubt that government represents the consumer in these issues. Rather, aren't they - the issues - the compilation of concerns of government officials - appointed and elected - and "professional" consumers, not necessarily those of the average Suzie and John Public. As mentioned earlier, with increased education levels and incomes, these concerns regarding concentration, and quality - as nutrition labeling - may become more important, but my crystal ball doesn't see that oc-

curing for some time to come. Of greater concern is whether there will be enough food, who will get it and how much will it cost?

There is a third area of concern that Dr. Cain alludes to, but does not discuss, and those are ones that may well effect the direction the food industry takes in the near years to come, and perhaps many years ahead. These concerns are inflation, energy, income and employment. With inflation at a present annual rate of 13 percent, one of the highest since World War II, real incomes declining, energy costs to the consumer up about 50 percent over a year ago, and the unemployment rate increasing slightly, households are concerned. How do they pay for heating oil, how do they pay for transportation to and from work, how do they meet higher housing costs, will there be anything left for food. These are today's consumer's questions.

Since the energy concern is likely to be with us for some time to come, resulting in many related concerns, I would ask, are industry, labor and government ready to help consumers accept, adjust to and cope with a change in life style necessitated by the energy situation? Finding enough money to purchase food after meeting other household expenses may well be a problem facing families who have not experienced such a situation before. Having to plan ahead rather than go to the grocery on the spur of the moment may prove very stressful to many homemakers. Eating at home rather than going out to eat may well change future plans of many in the food service industry. Fewer shopping trips by the consumer means less opportunity for impulse sales by the retailer. Less customer traffic may mean less need for labor or at least more careful scheduling. With a smaller share of the family income available for food, there will be more households returning to the basics, and less opportunity for product

proliferation. Are the food industry, labor and government considering these and other possible effects in their plans for the future?

As the saying goes, "necessity is the key to all invention." Consumers will adapt to the situation that lies ahead whatever that may be. They may not adapt in the way in which industry, labor, or government think they should, but why should they? Consumers will adapt, and participate in the market place, be it a perfectly competitive one, an oligopoly, or a monopoly, in a manner which best suits their needs, not someone else's idea of what their needs should be. Without the interference of these various interest groups, the market place will function. I'm not nearly as concerned about "this immensely complex and deep rooted problem" as is Dr. Cain. Consumers, given a chance, will solve it, in a simplistic fashion, as they function in their role in the market economy.

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## UNIVERSITY RESPONSE TO KEYNOTE ADDRESS

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I admire my friend Jarvis for his willingness to address difficult global issues. This paper is no exception. In examining the growth and distribution of power in the U.S. food system, Jarvis has taken on one of the major issues confronting our society in the years ahead. The issue is not confined to the food system, but if we understand and learn to deal with power in the food system, we may also be able to deal with power in the energy, motor vehicle, and other sectors. Thus, I give him a high grade for selecting a major issue and honoring his Cainsian philosophy of "Worry not about venturing into areas where others fear to tread."

How successful was he in accomplishing the task? Here I must confess some disappointment. Although it is a mammoth task, I believe the subject can be

addressed in a more rigorous and enlightening manner. The major deficiencies of the paper are:

1. A strong tendency to generalize without adequate documentation. A more careful analysis of the facts would have revealed where there are problems of power and where there are not, and added much to our understanding of power in the food systems.
2. A heavy reliance on concentration as an indicator of power and an implicit assumption that increasing concentration--at any level--affects the distribution of power. Product differentiation, an important source of market power in food manufacturing, is ignored. In addition, the distinctions between market power, conglomer-