

RESEARCH UPDATES

Farmers' Markets and Tourism: Some Information About These Customers at a Regional Farmers' Market

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Very little is known about tourists' visits to farmers' markets. Consequently, the Rural Mobility and Development Team, coordinated through the Kentucky Department of Agriculture, developed a questionnaire and coordinated surveys to gather information about tourists who visited these outlets during the summer of 1995. The Knox County (Tennessee) Regional Farmers' Market (KCRFM) was one of the facilities included in the survey. Results formed the basis for gaining insights about tourists as farmers' markets patrons and implications for marketing strategies are suggested.

This outlet is located at an exit on the Interstate Bypass around Knoxville and is a major route to tourist attractions such as Dollywood and the Great Smokey Mountains National Park. Tourists were defined as customers who traveled at least 50 miles to the outlet. The survey period was July-August, 1995. Of the 183 people interviewed, 20 percent were tourists, and 80 percent were shoppers from the local area. Among the tourists, 56 percent were in two person groups, 39 percent were in three or more person groups, and less than 5 percent were alone. The Kentucky sponsored survey did not gather this information from local patrons, but an unrelated 1993 survey at KCRFM found 25 percent of the shoppers were alone. The average purchase of tourists in the 1995 survey was \$15.24. For the 1993 survey the comparable average was \$11.94, but the difference was not significant, suggesting the average expenditures of tourists and other patrons are approximately equal.

Tourists and local shoppers in the 1995 survey indicated that fresh produce was the primary interest in stopping at the KCRFM. Local patrons were more likely than tourists to have indicated interest in garden/nursery and jams/jellies. With respect to sources of information about KCRFM,

the road sign was the most frequently cited source for both groups.

Marketing suggestions include the following. Tourists comprise a significant portion of the customers at this facility. These shoppers could become regular patrons to the extent they are on trips to/from vacation homes or recreation areas that they visit regularly. Signage is essential for attracting tourists. Attractive brochures, including maps, should be created. The brochures could be available at rest areas, information centers, and restaurants that cater to tourists.

Assessing the Extent and Causes of Supermarket Under-Capacity in Low-Income Rural Areas

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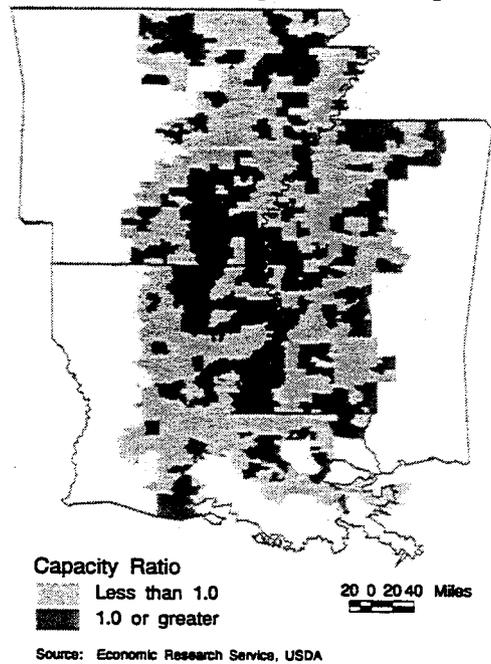
Low-income households may be distinctly disadvantaged in many rural areas as a result of inadequate supermarket capacity. Low-income households are less likely to own a car, and public transportation is often limited or non-existent. As a result, a greater share of the low-income household food budget may be spent in smaller grocery stores that are more accessible but lack the variety and lower prices compared with supermarkets. Nutritional deficiencies may also be apparent in areas lacking in supermarkets, due to the limited availability of perishables and other healthful foods often found in smaller grocery stores.

This research update reports on initial findings from a study of the Lower Mississippi Delta region, a predominately rural, high-poverty area. Spatial-interaction modeling techniques were used to define each zip code based accessible area for both grocery store sales (accessible supply), and household food expenditures (accessible demand). We then identified areas of supermarket over- and under-capacity by calculating the ratio of accessible food sales to accessible food expenditures for each zip code based area. Where the ratio is less than 1.0, a supermarket sales shortfall exists with respect to food expenditures.

It can be seen that households in a significant share of zip codes are experiencing supermarket under-capacity (fig. 1). These areas of unmet demand may represent opportunities for additional

stores, provided that sufficient sales volume can be attained. Additional analysis is planned to test hypotheses about determinants of store location in rural areas.

Fig. 1. Accessible Supermarket Capacity



Food-System Quality Control and Stage of Distribution

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Let θ denote the level of quality inherent in a food product that is delivered to some terminal market. This paper characterizes allocations over θ and provides an economic rationale for regulating safety and quality standards in the food system. Zusman and Bockstael investigate the theoretical foundations for imposing standards and stress the importance of providing a tractable conceptual foundation. Despite a wealth of contributions that are mainly empirical (for reviews of these works see, respectively, Caswell and Antle), there have been relatively few attempts to model formally the linkages between farm and food markets when food quality and consumer safety are at issue. This paper attempts to provide such a frame work. It builds on key contributions in the theoretical literature and links them in a simple model of quality determination in a vertically related marketing channel. The food-

marketing model is due to Gardner. Spence provides a foundation for Pareto-improving intervention in a deterministic model of quality provision and Leland, building on the classic paper by Akerlof, investigates licensing and minimum standards when the information structure is incomplete. Linking these ideas in a satisfactory model of the food markets is the main objective of the paper. Section two presents notation and the components of three alternative models that are developed more fully later in the paper. Section three presents a simple model of exogenous quality dependence and motivates techniques used throughout the paper. Section four characterizes the market allocation of quality and considers its relationship to the one determined by egalitarian social planning. Uncertainty is introduced in section five. There we consider the fundamental basis for minimum quality standards and, in section six, apply the concepts to a familiar model of price determination in a vertical marketing channel. Section seven concludes.

A Research Proposal: An Investigation of Quality Strategies Followed by Past Winners of the Malcolm Baldrige National Quality Award and Their Application to the Food Industry

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Since the inception of the Malcolm Baldrige National Quality Award in 1988 there have been 28 winners. This award was created by public law in 1987 and its purpose is to promote an understanding of quality excellence, greater awareness of quality as a crucial competitive weapon, and the sharing of information and successful strategies. The three categories in which companies compete are manufacturing, service and small business. It is the intent of this research effort to determine the corporate quality strategies followed by these Baldrige winners and communicate these findings to the food industry through appropriate publications and proceedings.

The research methodology will be to conduct a literature search and collect articles of interest. Quality executives at each of the companies will be contacted by telephone and a request will be made to have the literature that they were re-

quired to make available at the time of their winning the award sent to us. This literature should describe and discuss their quality journey. Particular interest will focus on obtaining a summary of their Baldrige application where it is available. Follow-up calls will be made (mail and telephone) where further information and/or clarification is needed.

The data will be compiled and analyzed utilizing a cross classification format that compares the frequency with which companies identify activities that reflect the core values of total quality management:

- Customer-driven quality
- Effective senior leadership
- Continuous improvement
- Employee participation and development
- Long-range outlook
- Management by fact
- Partnership development
- Corporate responsibility

The 28 winners that will be surveyed are:

1. ADAC Laboratories
2. Ames Rubber Corp.
3. Armstrong World Industries Building Production Operation
4. AT&T Communications Services
5. AT&T Network Systems Group Transmission Systems
6. AT&T Universal Card Services
7. Cadillac Motor Car Co.
8. Corning Telecommunications Products Division
9. Custom Research, Inc.
10. Dana Commercial Credit Corp.
11. Eastman Chemical Co.
12. Federal Express Corp.
13. Globe Metallurgical Inc.
14. Granite Rock
15. GTE Directories Corp.
16. IBM Rochester, Center for Excellence
17. Marlow Industries
18. Milliken & Co.
19. Motorola, Inc.
20. The Ritz-Carlton Hotel Co.
21. Solectron Corp.
22. Texas Instruments, Inc.
23. Trident Precision Manufacturing, Inc.
24. Wainwright Industries, Inc.
25. Wallace co.

26. Westinghouse Electric Corp., Commercial Nuclear Fuel Div.
27. Xerox Corp. Business Products & Systems
28. Zytec Corp.

Specialty Foods Shops Count Customers (Current and Defections)

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Loyal customers have a positive impact on the cash flow and profitability of a specialty foods retailer. Reducing customer defections by only five percentage points can double the profits in some industries, including the specialty foods retailing sector. Unearthing the reasons for defections can be a powerful marketing tool in setting priorities, and giving customers the reason to maintain loyalty should be key to the corporate strategic plan. So why do customers become defectors or non-users? Customer surveys in suburban Georgia communities indicate too expensive of prices and non-availability of desired food products are the primary culprits for defections, whereas long lines at check-out, inadequate facilities or parking, and satisfaction not realized were of least concern to the consumers.

Introduction

Customers provide a wealth of information to influence the economic success of a specialty foods store, such as a bakery, a deli or a butcher. Loyal customers have a positive impact on the cash flow as well as the profits of a foods business. Over the life span of doing business with a loyal customer, a company reaps enormous profits. Research has shown that by reducing customer defections by only five percentage points, a marketer can double the profits in some industries (Reichheld). The specialty foods retailing sector is among the businesses where this has become evident.

Customer defections are really a loss in value in the food retailing business, and food retailers are in the business of creating value. Unearthing the reasons for defections can be a powerful marketing tool in setting priorities, and giving customers the reason to maintain loyalty should be key to the corporate strategic plan.

Methodology

Using a customer survey designed to determine the primary causes for customer defections and/or why non-users do not buy from the specialty foods store in question, customers of selected retail specialty foods businesses were personally, face-to-face asked questions about their shopping habits. Customers totaling 450 representing 20 specialty foods retail establishments were invited to respond to the survey, of which 420 surveys were completed. The 20 firms represented businesses from each of four focus groups: delicatessens, baked goods and bakeries, butchers and meat products, and party tray caterers. These businesses were located in the contiguous metropolitan areas representing Atlanta, Augusta and Savannah, Georgia.

In cooperating with the management of these retail businesses, (1) respective customers were divided into key groups by the marketer--loyal customer, occasional customer, and known prior customer (defector); (2) conditions were analyzed which could either bring customers back or cause them to defect; and (3) purchases of key customers and their levels and types of expenditures were tracked so that strategic market planning could be implemented (Sullivan). Consumer-characteristic segmentation of a sociological and psychological nature is common among marketers; market segmentation of customers can therefore be done demographically or psychographically (Freiman and Fallon).

Results and Discussion

Why do defectors not buy from a particular specialty foods store? Multiple responses were encouraged, if appropriate, so percentage totals exceed 100-percent.

Why non-users do not buy from specialty food stores? Using the generic customer survey across all types of retail specialty food stores allowed for the observation of customers shopping at a particular type of specialty food store, but not at other food outlets. When such customers were identified, the customer was invited to categorize himself/herself as to either being an up market customer, a health-conscious customer, a meat and potatoes customer, or an adventurous customer when it came to purchasing food items, and

then assess the reasons as to why they did not buy from specialty foods stores for all of their purchases. Again, multiple responses were solicited, if appropriate, from the survey respondent, so that the percentage totals exceed 100-percent. The total number of observations noted in each consumer category was statistically insignificant, and are not reported here.

<i>Reason for Defection</i>	<i>% of Responses</i>	<i>Ranking</i>
Shopping at specialty food store no longer appeals to me.	47	1
Too expensive.	39	2
Doesn't offer foods I like.	25	3
Product or service specification not met.	23	4
Food does not look appetizing.	20	5
Inconvenient retail location.	19	6
Employees either not knowledgeable or not customer-oriented.	17	7
Never thought about it.	16	8
Not available where I shop.	15	9
Long lines at the counter.	12	10
Facilities or parking inadequate.	9	11
Food products returned because satisfaction not realized.	5	12

<i>Issue</i>	<i>Percentage of Responses by Customer Group</i>			
	<i>Up-Market</i>	<i>Health-Conscious</i>	<i>Meat & Potatoes</i>	<i>Adventurous</i>
Too expensive;	17	24	46	38
Doesn't offer foods I like;	21	29	45	43
Food does not look appetizing;				
Specifications not met;	34	41	43	18
Long lines at the counter;	14	13	14	12
Inconvenient location;				
Not available in shopping locale;				
Facilities/parking inadequate;	15	17	11	10
Employees not customer-oriented;	23	26	31	27
Never thought about it;	5	7	10	8

Of the primary causes cited for either defection or non-usage, none of the issues obtained a majority response when the 420 surveys from the

customers were analyzed. The most commonly cited concerns for defection related to lack of shopping appeal or too expensive an experience. Although a reasonable hypothesis would suggest returned merchandise to lead to defection, only five-percent reported it as a major influence in the decision to shop elsewhere. These observations were collected from the stratification of customers by the management as to frequent customer, occasional customer, or defector.

When the customers were asked to psychologically portray themselves, and then respond to the concerns for not shopping at other specialty foods stores, there is a divergence in opinion among the four consumer categories of up-market, health-conscious, meat and potatoes, and adventurous food shoppers. The relative concerns are similar to the results noted for the defectors.

Implications

The long run success of a company is built on customer loyalty, especially if profits can be nearly doubled by reducing customer defections by only five percentage points. Marketing managers of retail specialty foods shops should not ignore customers who defect; instead learn from them. Improving service and products by learning from mistakes and from less-than-loyal customers will surely build toward profitability and monetary success. The intent of the lessons learned should be incorporated into the strategic marketing plan and bench marking for the specialty foods retailer.

Literature Cited

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Development of a Produce Inventory System for Small Food Retailers: A Case Study

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Introduction and Justification

Small independent food retailers do not always have the skills to fully utilize the data base generated in their market(s). Especially now that scanner data is available even for the small independents. This study attempts to show how scanner data could be utilized and linked together for inventory control, physical distribution and demand analysis. Retailers could make use of the elasticities to determine their delivery scheduling and inventory control program, space allocation, and develop sales management models to control physical distribution.

Objectives

The overall objective is to fresh produce delivery scheduling, consumer buying patterns and inventory control procedures utilizing data obtained through scanners in selected markets in Delaware. Specific objectives are as follows:

1. Determine consumer buying patterns of selected produce items and assess the impact of prices and delivery scheduling.
2. Determine the use of available data sets such scanner data for decision making regarding delivery schedules and inventory control.
3. Develop a program and manual to be utilized by small food retailers.

Procedures

We are utilizing Microsoft - Excel 5.0 program as a base for our model and we have tested on a limited scale and seems to be successful. Further testing is necessary and will be done in the next two months. We are using scanner data from one sample store in Delaware. We have been unable to get more store managers to give us the necessary data. We are presently writing the manual that will go with the program to be utilized by the produce manager.

