

MARKETING BOARDS AND SOCIETAL MARKETING

by

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The trend toward greater centralization in marketing is one of the focal issues discussed in marketing literature [4;3;9]. It is surprising, therefore, that the marketing board, an integrated and centralized marketing institution, has received so little attention from marketing students. Most research in this field to date has been the work of agricultural economists [8;7;12].

In this study marketing boards are analyzed in terms of their sectorial orientation, showing their relationship to other marketing institutions. The study of marketing boards raises some interesting problems concerning the application of marketing theories when the scope of horizontal and vertical competition are curtailed.

A marketing board is a central marketing authority for a specified industry designed to achieve more efficient and orderly marketing. It is commonly defined as a producer-influenced (or controlled) compulsory organization sanctioned by the authorities to intervene in various phases of marketing [6]. While most boards deal in the marketing of farm products, a few specialize in processed farm products such as canned fruit and vegetables.

This paper is based on a research study conducted in Israel on the organizational and marketing aspects of marketing boards.

Functional Classification of Marketing Boards

The term marketing board covers diverse types of organizations. The classification most frequently used in the literature distinguishes between boards according to the number and types of functions they perform. This classification includes six types [1;10;11] which, according to Abbott, form a scale of "successively greater acceptance of

responsibility, administrative capacity, marketing skill and application of capital" [2].

A. *Non-Trading Boards*

1. *Advisory and Promotional Boards* conduct market research, carry out sales promotion activities and promote product development. Some of them conduct quality analyses and arbitrate disputes among participating groups.

2. *Regulatory Boards* determine and control quality and size standards of products and packaging, as well as design programs to implement standardization.

3. *Price Stabilization Boards* stabilize prices by means of direct quantity regulation and/or by financial means such as fixed prices and deficiency payment schemes as well as by negotiating prices with large processors or middlemen.

B. *Trading Boards*

4. *Price Stabilization Boards with Trading Powers* stabilize prices in the domestic market by maintaining buffer stocks. In order to protect producers, these boards step in and buy up some of the produce. They also sell from the buffer stock and even import when supply is short, and thus also protect consumers.

5. *Export Monopoly Boards* have exclusive rights to export the commodities under their jurisdiction. They are not necessarily the sole buyers or sellers of these products. Instead, they may appoint buying agents locally or selling agents abroad. In many cases such boards do not buy the products, but sell them abroad on a commission basis on behalf of the producers-owners.

6. *Domestic Monopoly Boards* may be given complete monopoly to trade and process their commodities. These boards are designed to stabilize the domestic supply for domestic consumption. In order to supplement local supply by import in case of shortage, or dispose of surpluses by export, such boards are frequently granted monopoly powers for both import and export.

Sectorial Orientation of Marketing Boards

A second basis for classifying marketing boards is by their sectorial orientation: that is, in terms of the sector whose interests are given priority when decisions are made. The board's orientation reflects its interest and influences its structure. Theoretically, a board may have

one or more of the following orientations: Producer orientation, government orientation, intermediary orientation and/or consumer orientation. The orientation of a board can be determined by determining the identity of the sponsoring body, the controlling body of the board's policy and activities, the financial sponsors of the board and the prime beneficiaries of the board's activities. In making its marketing decisions, a board takes more than one sector into consideration and in that sense its orientation is multi-directional. Every board, however, has one dominant orientation — that is, one prime beneficiary of its operation.

A review of the literature reveals that in any country the historical development of a board and its orientation are closely linked to the problems it was designed to resolve. These in turn are closely associated with the stage of economic development and the economic structure of the society.

Most marketing boards in developed countries are heavily producer-oriented. The first marketing boards were initiated by Canadian and Australian farmers in the late 1920's and early 1930's. They evolved from unsatisfactory attempts by farmers' cooperatives to increase their bargaining power vis-a-vis intermediaries [2, pp. 2-3]. Many small farmers located far from marketing centers increasingly employed modern technology resulting in over-production. This made them extremely reliant on intermediaries, who frequently exploited their monopolistic power.

While marketing cooperatives increased their bargaining power, the cooperatives were constrained by their voluntary nature. Maintaining member loyalty was a problem since many farmers did not join the cooperative; as they were able to benefit from its price stabilization and sales promotion activities without having to share in the costs.

Producer cooperatives turned to government, requesting that they be granted statutory board powers compelling all farmers to participate in the central marketing organization [5].

The rationale underlying government readiness to grant statutory board status was twofold:

1. To decrease the trend away from farming by increasing the power, the security and profits of the producers.
2. Marketing centralization, through compulsory membership in the cooperative, may have social advantages. It enables planning and performance of marketing functions on a rational, economic and efficient basis. However, it may lead to inefficiencies due to reduced

competition and the formation of cartels which may exploit other sectors — intermediaries and consumers. While the social advantages accrued from promotional, regulatory and export boards seem to outweigh the dangers of inefficiencies and lack of initiative, this is not the case with regard to monopoly power in the home market. Much of the criticism of marketing boards is based on the dangers of cartelization associated with producer-oriented boards. To meet this problem (as well as for other reasons), producers' power has been limited by instituting government representation on the board. It is the government representatives' role to see that all sectors benefit from the board's activities. In some cases, the other sectors are also represented on the board, but their authority and influence are rather limited.

Marketing boards in developing countries are by and large government-oriented. Most were initiated by government and are controlled by them either directly or through a government agency, usually to advance economic needs as defined by government [4]. Representatives of other sectors are appointed to the board, often only to assure their commitment to implement board policies and decisions made by the government. Participation on such boards may serve as a stimulus for representatives to play a more active role in the decision-making process, at a later stage.

It is questionable whether all organizations called "marketing boards" in the developing countries are in fact marketing boards as defined in this paper.

"Marketing boards" which are exclusively government-controlled, often serve as tax collecting or export-currency control bodies and fill no marketing function. Even when the organizations are financed by levies on produce and producers are beneficiaries but do not share in the control — they cannot properly be called marketing boards, and their objectives could probably be achieved just as effectively or more so through a government department.

Socio-economic conditions in some of these countries are not conducive to the development of producer-oriented boards. Two major types of producers predominate: the large powerful (foreign-owned) company and the small farmer producing little surplus. The first do not need marketing boards, while the latter lack the necessary preconditions for cooperative marketing. It is frequently the role of government-oriented boards to create these preconditions — by helping farmers increase production, by stimulating consumer demand and introducing improved technology.

Intermediary Orientation

Cooperative marketing activity is quite common among intermediaries: buying groups and combines, retailers' cooperatives, voluntary chains, and franchising organizations are all institutions aimed at cooperative action in marketing within this sector. These were designed to achieve efficiencies and economies of scale on one hand, and competitive power on the other. Similar to agricultural producers, they experience the constraints stemming from a voluntary organization. However it is uncommon for intermediaries to seek government legislation leading to compulsory cooperation. Most prefer independence, and are apprehensive of government interference in their business. They don't usually need much help since they can pass on increased costs to the consumers. When facing strong intra-sectorial competition or inter-sectorial pressures, they may resort to political pressure for protective legislation. Thus we do not find marketing boards with an intermediary orientation.

Consumer Orientation

While most marketing boards claim to protect the customer, in most cases the board's orientation is not toward them. Customers' interests are given only secondary consideration relative to those of other sectors. One exception may occur when industrial customers such as textile mills in Cotton Marketing Board are organized, since these have the power to achieve representation and exert influence on the board.

Consumer cooperatives tend to act more as intermediaries than as representatives of consumers' interests. Furthermore, consumer associations to date have not proven strong enough to change the orientation of marketing boards.

A Conceptual Model of the Co-Marketing Process

In this section we present a conceptual model which analyzes the relationship between marketing boards and other agricultural marketing institutions. The latter are viewed as falling along a continuum of joint action characterized by the widening scope of marketing orientation, greater inclusiveness and the narrowing autonomy of participating units (Figure 1).

At point (1) on the continuum we find independent producers, each marketing his own goods and making his own marketing decisions. Each has full authority to select among the alternatives available to

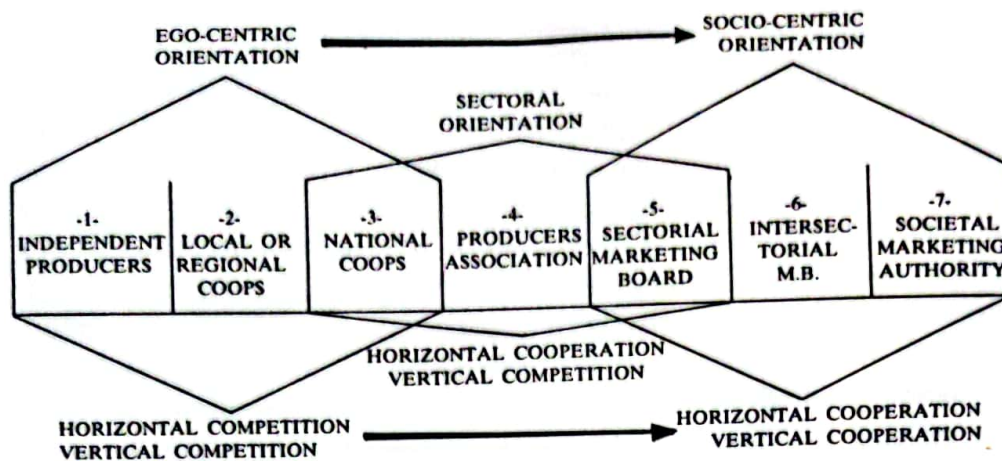


Figure 1: Conceptual Model of Organizations in Agricultural Marketing

him. While his authority over his domain is extensive, his power in relation to the environment is narrow. His alternatives are limited because of his limited resources and because he is constrained by horizontal and vertical competition. His orientation is strictly ego-centric and his major concern is with maximizing his position in relation to all others.

At successive points (2)–(4), an increasing number of farmers cooperate for the purpose of increasing their power in relation to non-member producers [points (2) and (3)] and in relation to vertical competition. For this purpose formalized links among members are established on a voluntary cooperative basis. Each relinquishes a measure of his autonomy and areas of joint action are created within which it is agreed that the decision of the inclusive unit prevails over that of any individual member. The independence of each producer is thus curtailed. Horizontal competition is reduced while the vertical competitive position is considerably strengthened. As the institutions become more inclusive, their respective orientations widen to incorporate the interests and welfare of all member producers. The battle of one against all [point (1)], is modified and becomes the battle of producers against other sectors [point (4)]. Cooperatives which sponsor their own wholesale services also reduce vertical competition.

The continuum moves towards greater inclusiveness as formal institutionalized links are established between producers and other sectors in the market, first with government [point (5)] — then with intermediaries, processors and consumers. This statutory recognition granted by government invests great powers in the marketing board.

Among the criticisms voiced against such boards, however, is that they abuse this power and exploit other sectors, particularly consumers. In most cases the government institutes some formal control to constrain producer boards, but these are not always sufficient or effective.

The inter-sectorial marketing board [point (6)] remedies — to some extent — the danger inherent in the sectorial orientation of the producer marketing board. Representatives from other sectors are included, occasionally as active observers, but more often as policy and decision makers. While the inter-sectorial marketing board safeguards the interests of those it represents, it may do so at the expense of weaker sectors, namely consumers and society at large. At the socio-centric orientation end of the continuum [point (7)] the government role shifts: top priority is now focussed on national welfare.

This was the approach adopted and legislated in Israel, with regard to marketing boards, specifically the recently revised acts concerning eggs and poultry, vegetable, and fruit industries. A compulsory fruit industries marketing institution was created whose goals and functions are to protect the interests of all the sectors involved, as well as to promote the respective industry for the benefit of meeting national goals. When consumers form an organized pressure group they can play an influential role in orienting the marketing board to consider the welfare of society as a whole.

Three Dimensions of Agricultural Marketing Organizations

From the analysis presented in the previous section, we may distinguish three dimensions in terms of which marketing institutions can be compared (Figure 2).

1. Inclusion Dimension: ATOMISTIC ————— INCLUSIVE
2. Authority Dimension: CENTRALIZED ————— DECENTRALIZED
3. Orientation Dimension: EGO-CENTRIC ————— SOCIO-CENTRIC

Figure 2: Dimensions of Co-Marketing

1. Degree of inclusion defines the number or proportion of organizational units with formalized links that make up the 'membership' of the organization or over which it has jurisdiction. The inclusion dimension ranges along a continuum from atomistic structure — where each producer is an independent autonomous unit — to inclusive structure, where all producers cooperate or where producers have

formal institutional ties with other sectors as in a marketing board. Every marketing organization can be located at some point along the inclusion continuum. While marketing boards are concentrated at the inclusive pole of the continuum, individual marketing board organizations vary in the range of their inclusiveness.

2. Marketing institutions also differ with regard to centralization of decision making. The authority dimension defines the location of authority to make operational decisions. It forms a continuum ranging from decentralized to centralized authority. Individual marketing organizations can be located along this continuum.

3. The orientation of a marketing organization reflects the dominant and determining interests resulting in organizational decisions. Orientations vary from ego-centric — where the interests of only one producer are taken into account — to socio-centric where the welfare of society as a whole is given priority.

The widening scope of the producers' orientation in the marketing board, from ego-centric toward socio-centric, is not merely the outcome of a growing concern with social values. It is a consequence of the more inclusive structure which serves as a forum where various interest groups can impose or negotiate a better deal for themselves. Marketing decisions reflect a bargained transaction among pressure groups with varying interests. The extent of a marketing board's socio-centric orientation is in large measure a reflection of its power position as well as the interest of the government and other public bodies concerned with social welfare.

The co-marketing continuum is thus characterized by the following processes: (1) Increasing integration and narrowing range of unit member autonomy; (2) Increasing control over the marketing process and narrowing scope of market competition; and (3) Widening orientation in decision-making process.

Implications of Marketing Boards for Marketing Mix Variables

The centralized authority and inclusiveness of marketing boards have implications for marketing decision-making. Table 1 presents an attempt to identify some of the different factors which affect decision-making between firms operating in imperfect competition and marketing boards.

Table 1 points to important differences between joint, inter-sectorial and competitive, firm-oriented marketing decision-making. Most com-

TABLE 1: DIFFERENCES IN FACTORS AFFECTING MARKETING DECISION-MAKING BETWEEN A FIRM OPERATING IN IMPERFECT COMPETITION AND A MARKETING BOARD

Marketing mix variable	Firm operating in imperfect competition	Marketing boards
Price Determination	Direct and Indirect Response of Competition	Response of Indirect Competitors Only
Marketing Channels	Dependence and Interaction With Marketing Channels	Possibility for Control of all Marketing Channels
Advertising and Promotion	Advertising for an Increase of Total Market as well as Market Share	Possibility for Non-Brand Advertising to Regulate and/or Increase Consumption
Product Development	Development of Totally New Products as well as Differentiated Products	Possibility for Cooperative Effort And Concentration in Products for Increased Consumption
Product Policy	Product Line Planning Limited to Firm Products	Product Line Planning Based on Industry Products
Marketing Information System	Information Confidential And Primarily by Brand	Possibility for Centralized Data Bank for Industry

pany brand managers devote considerable effort to assessing expected moves of direct competitors in the areas of pricing, advertising and new product marketing. They usually know that they cannot control other firms' marketing channels, nor their ability to influence public consumption. Thus the competitive environment sets limits to cooperation between similar firms in all areas, and this is particularly so in the development of information systems.

The opportunity provided by the marketing board for cooperative efforts in non-brand advertising to increase — thus regulating, in part, consumption and product line planning based on industry considerations — changes the nature of the marketing manager's role. His role shifts from that of a strategist competing against adversaries to that of a marketing manager primarily concerned with the development of a whole market, working with a centralized data bank and affected only

by indirect competition. Unlike his traditional counterpart, the marketing manager in a marketing board is responsible for an entire branch rather than one firm in a competitive environment. Obviously, this role provides new opportunities and new challenges.

A central activity of the marketing manager in a marketing board is the coordination of the diverse goals and points of view of different sectors. Instead of facing competitive pressures outside the firm, he must deal with more diversified demands inside his own organization. The marketing manager must help his 'clients' reach agreement on a unified marketing program before he can concentrate on outside opportunities and challenges.

Research into marketing mix decision making in a marketing board can help develop the tools the marketing manager requires to meet the challenges of his new role.

Directions for Research

In this paper we present marketing boards as an important object for study by students of marketing. By applying a functional classification to Israel's marketing boards, we revealed that more research into the analysis of over-all product characteristics is needed, especially in relation to market requirements and how these influence marketing board functions.

The inclusion of horizontal and vertical sectors in marketing boards tends to broaden orientation in decision-making. However, the customer is frequently not a prime beneficiary. More research into the factors contributing to increased socio-centric orientation and to greater benefits for the consumer is needed.

An attempt was made to explore the implications of marketing boards for marketing and decision-making. A better understanding of the factors affecting marketing board decision-making and the role of the marketing manager is an important avenue for future research.

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