By Daryll E. Ray

Promotion and sales efforts did not guarantee Edsel's success

If a good promotion and sales team were all it took to guarantee success, then Ford Motor Company's Edsel would still be on the road today. With their theme of the "car designed around you," Edsel did not suffer from want of promotion and salesmanship. As a part of a $2.5 billion expansion program, Ford Motor Company spent $250 million on the development of the Edsel including market research by Columbia University's Bureau of Applied Social Research. And yet within two and one-half years of its introduction, the Edsel was proclaimed a flop and was withdrawn from the market. It often takes more than promotion and sales skills to guarantee success in the commercial market place. One of a number of factors surrounding the failure of the Edsel was the fact that the market for mid-priced cars was saturated and there was not sufficient consumer demand to support an additional competitor.

As we consider the issue of the promotion and sales of U.S. corn, wheat and soybeans, we need to remember the importance of effective demand. Without effective demand, even top salesperson Zig Ziglar and deal closer Donald Trump would not be able to achieve their goals. Following up on last week's look at stimulating additional demand from existing customers, this week we will look at the strategies of cultivating new customers and luring customers away from our competitors.

Cultivate new customers

Discovering that stimulating additional demand from our existing customers is a tough sell we could, instead, send Zig and The Donald out to try to sell more grain and seeds to countries who presently have some trade barriers that make imported grain more expensive than locally produced commodities. In general, countries establish trade barriers on food items for one or more of at least four reasons: 1) they wish to protect local agriculture and employment; 2) they see food as a national security issue; 3) they lack the cash to purchase agricultural products on a sustained basis; and 4) they wish to control the outflow of scarce hard currency. I doubt that salesmanship will make an immediate difference on any of these issues. Agricultural development may be seen by some countries as the first step in their economic development and they want to protect that first step. A century ago the U.S. sought to expand its economic base via an agricultural development program that included land distribution, investing in infrastructure, education, research, and protective tariffs. Once again, we need to remember that the desire for food security is an internal political issue little effected by the enthusiasm of a Zig Ziglar. Another group of potential customers are in countries like Somalia that have a high incidence of malnutrition. The only problem is that they have no money with which to purchase food, especially on a sustained basis. They only way they will be able provide a demand source for U.S. surplus grain is for the U.S., the United Nations Food and Agricultural Organization or a charitable organization to provide it for them free or at significantly reduced prices. That would help work down inventories and raise prices but it is not the "market solution" that I think most have in mind.

Lure customers away from competitors

So far our analysis has not turned up any hot prospects that we can turn our super sales team loose on. That leaves the one tried and true tactic: take customers away from our competitors. After all we know that these prospects are buyers and they have money. The present call to eliminate food embargoes against Cuba and Iraq is one part of the strategy to take customers away from our competitors because presently these embargoed countries are importing food from someone, just not the U.S. Likewise we could send out our sales team to meet with our competitors' major customers. With some persuasion we might even gain some additional sales from these countries. If we could do that we would be making major strides, right? Well maybe, maybe not.

We need to recognize the dynamics of the markets, especially in corn and soybeans. The truth is that our competitors, Argentina and Brazil, sell out virtually all of their surplus production over domestic demand in the year it is produced. They have followed this pattern year in and year out for more than thirty years. We may not fully understand why this happens, but we must face the reality. Given this dynamic, I expect that if we displaced them in one market, they would displace some of our sales in another market so that end of the year they would have cleared their markets and U.S. carryover levels would be little different than they otherwise would have been.

In the end, it seems clear that even if we had Zig Ziglar serving as Undersecretary of Agricultural for Trade Promotion, price and income problems would likely remain for crop agriculture. On this issue of promotion, we need to separate out storable commodities (grains, seeds, and cotton) from perishable commodities like fruits, vegetables and meats. Promotion may work well for the perishables and even some of the grains where we are a minor producer. But, in the case of corn, wheat and soybean complex, the data suggest that we are the residual supplier of these commodities. If that is true, our sales are likely to be affected relatively little by promotion activities.

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