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Do Consumers Matter?

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“Whatever color you want, as long as it is black.” You have probably heard that famous statement from Henry Ford about the Model “T” Ford. The Model T was immensely successful!!!!

Do you think a car manufacturer would be successful today with that attitude? Of course not! Today cars come in untold combinations of sizes, colors, trims, etc. What is the difference between the Model T and today?

The simple answer is that the Model T was produced in a producer-driven economy and today we are in a consumer-driven economy. This change occurred in the middle of the twentieth century. After the end of the Second World War, the producer-driven economy probably reached its peak. Consumers had money, and goods were scarce due to the demands of producing for the war effort. Whatever was produced was purchased.

Within a few years, however, consumers still had unprecedented levels of income, and as production caught up with demand, they started to exercise more choice. They began to “vote” with their pocketbooks. As the economy continued strong in the 1950s and 1960s, we moved more and more into a consumer-driven economy.

In the same period, Dr. W. Edwards Deming introduced Total Quality Management (TQM). Some have suggested that TQM was the single most important development of the twentieth century. TQM transformed how quality is managed, it led to the modern employee empowerment movement and it altered how the consumer is viewed.

The first two principles of TQM are that the consumer defines value and the producer adds value.

Let's look at how this impacts cars. Henry Ford looked at his Model T as simply a car. When he produced it at a very low price, almost everyone bought one. Today the automakers must look at a car through the eyes of the consumer; they look at attributes including price, status, fuel economy (including environmental perspectives), color, and comfort.

They are seeking to determine what the customer will pay for. The customer decides what they will purchase. The customer, therefore, determines value!!! Producing this value is then an opportunity for the automobile manufacturer. The profitability of automobile companies is determined by how successful they are in producing what the customer values, producing the attributes the customer will pay for.

Let's apply this same analysis to agricultural products. Using milk as an example, the equivalent of "whatever color you want as long as it is black" was "however you would like your milk as long as it has 3.5 percent butterfat." Just as cars have changed so have dairy products. We now have multiple fat levels, calcium added, flavored milk, yogurt, untold types of cheeses and much more.

How should the producer of milk, the dairy farmer, view milk? Again, it must be viewed as the customer views it -- by its attributes. What are those attributes? Certainly price is one attribute. Another is nutritional quality. The addition of various levels of fat content has been a reflection of this attribute. The customer has determined value and the dairy industry has responded. Another is convenience. Milk is the only beverage I know of that does not fit in the cup holder in a car.

You can similarly think of the attributes of the agricultural or horticultural products that you produce.

Increasingly, the important attributes of food products concern food safety. Consumers increasingly value food products and food product production and delivery systems that have real or perceived food safety advantages.

Recent events including terrorism, food-related disease outbreaks, new biotechnology products and food contamination have heightened interest in and concern about food safety. Farmers and everyone in the food system will continue to be faced with these issues. As you are faced with these issues, including proposals for traceback and animal identification, I encourage

you to think about the consumer's view. Look at your product through the "eyes" of the consumer. Just as with cars, if the consumer values the attribute, she or he will pay for it. Any attribute that consumers will pay for is an opportunity for producers.

"Smart Marketing" is a monthly marketing newsletter for extension publication in local newsletters and for placement in local media. It reviews the elements critical to successful marketing in the food and agricultural industry. Articles are written by faculty members in the Department of Applied Economics and Management at Cornell University

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