

MARKETING CENTER FOR A DJEZIREH  
COMMUNITY

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Marketing Center for a Djezireh Community

by

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PREFACE

This Thesis is prepared in partial fulfilment of the requirements for the B.Sc. Degree in Civil Engineering.

Part I contains the economic and sociological study on the present marketing system in Djezireh (Syria) and a proposal for a marketing system that will improve the prevailing conditions ( with an investigation of the cooperative system already in operation in other countries).

Part II contains the required architectural study and solution to satisfy the results of Part I.



CHAPTER ILiving Conditions And Improvements

The living conditions of the vast majority of Djezireh people are exceedingly depressed. There exists a gulf between their standards of living, of education and of health and those of Occidental peoples.

The very low productivity in agriculture is one of the main reasons for the low level of real income and of consumption. An enormous share of the peasant's income is claimed by the land-owner and by all kinds of middlemen at the various stages of production and distribution, and this factor, coupled with the rate of interest charged for rural debts, accounts for the smallness of the peasant's share. There is, further, the appalling state of health and hygiene in general. Finally, the intellectual capacities of the Djezireh people are vastly under-developed and in great need of improvement, both quantitatively and qualitatively. No progress is possible unless there is a change for the better in all these spheres.

Now it may well be that some of the worst sources of evil for the physical well-being of the Djezireh people could be eliminated by a bold and far flung hygiene and health policy, provided this is maintained in the face of disappointments and setbacks. It is further conceivable that the dissemination of elementary education and vocational training may ultimately lead to an improvement in methods of farming and a consequent rise in the income of the peasant. However, in view of an annual average income of about 100 L.L

per head of the rural population, these measures should not be overrated, as they will not be able to bring about any decisive change in the prevailing standard of living.

We are therefore driven towards a more radical policy such as would scarcely have been recommended by social reformers of earlier days. The introduction of a policy of this kind involves, however, a strong intervention on the part of Government, which in turn is contingent on far-reaching changes in economic-political conceptions and in the political structure of the countries concerned.

The following means are required to effect a definite improvement in the economic position of the Djezireh people.

First, a redistribution of the present national income through increased taxation, the latter to be used for expending state services and reducing the prevailing interest and rent charges. It is true that a redistribution of income is not in itself sufficient to induce any rise in the total income. Yet the fact remains that such a redistribution of income, which would include new state services for the benefit of the masses, induces a far better allocation of the social product.

The second means, which must exert a far more decisive effect towards material improvement, is that of an all-round and permanent increase in the real income per head of the working population. The rise in the real per capita income of a nation is virtually identical with an increase in the net output per head through expansion and intensification of agriculture, industrialisation, and the development of

transport services to decrease marketing costs. This would in no way render a redistribution of income superfluous; linked to it, moreover, it would constitute a powerful combination to effect definite progress towards the goal of a higher standards of living. As there is a natural limit to the capacity of consumption of the necessities of life (food, etc.), particular attention must be paid to industrialisation, consumption prospects in this sphere being practically unlimited for a long time to come. Machine production and intensified agriculture both lead to a marked increase in the national product available for sharing out, and when these are accompanied by adequate measures for equalising distribution, such as taxation with a view of expanding state services, reduction of rent and interest, modern wages policy, and reform of land tenure, important preconditions are fulfilled to achieve the objectives aspired to.

Another by no means irrelevant expedient would lie in the raising of the exchange value of primary (agricultural) products against secondary and tertiary ones. The present ratio, if expressed in terms of remuneration of agricultural and industrial workers for the same working time is about 1 : 3. i.e. the latter earns about three times more than the former. If the price of the agricultural produce rises, as it will do following shifting of workers from the primary to secondary and tertiary occupations as a result of industrialization, the agricultural producer will enjoy a higher purchasing power of his income, i.e. a higher real income than before.

Finally, as the real income per earner increase by the measures refered to above, a simultaneous demnd for tertiary products ( services, communications, administration, recreation etc. ) will grow rapidly, and numerous new sources of livelihood will spring up, absorbing a considerable part of the annual population increase at a fairly high standard of living.

Present Marketing System.Features Affecting Internal Trade

## A- AGRICULTURAL PURSUITS.

The internal trade of a country is not a legal entity. It is greatly conditioned by the salient aspects of the country's economy. In the case of Djezireh, Agricultural pursuits are the back-bone of the country's national economy and consequently trade in agricultural products forms a major item of Djezireh's internal trade, although not as great as might be expected. The rural sedentary population in Djezireh is well over half of the total, but most of this farm population still lives under a domestic economy. The peasant with his low standard of living is almost self-sufficient. He produces enough to meet most of his wants and buys very little from the market, with the result that market demand is greatly reduced. By meeting most of his needs from his own produce the peasant also tends to decrease the market supply. Undoubtedly this diminishes the importance of internal trade in Djezireh as compared with other countries where the rural population, enjoying a higher standard of living, is more specialized and consequently more dependent on the market.

The reasons for the prevailing low degree of market dependency of the native peasants are reflected in the medieval pre-war conditions which still influence the country's economy. In the first place, the limited purchasing power of the urban population and the undevel-

oped export facilities offered no outlet for the sale of agricultural products. Due to lack of important markets for their products the agriculturists became, and still are to a certain extent, accustomed to being self-sufficient, unmotivated by a desire for gain or acquisition. In the second place, the metayer system of tenancy whereby the tenant pays the landlord a share of the produce limits the amount of good marketed. The landlord satisfied the needs of his family through the produce delivered by the tenants, and what is left appears on the market. Finally, the methods of cultivation handed down from father to son tend to limit agricultural production and consequently limit the amount of goods appearing on the market.

Market activity in Djezireh bears a direct relation to the volume of agricultural production. In fat years, when production is good, internal trade receives a double impetus. The supply of agricultural products entering trade is augmented and the purchasing power of the farming population will be increased. The contrary holds true in lean years when the harvest is poor.

#### B- INDUSTRIAL PURSUITS

The study of the mutual relationship between the Djezireh's industry and the local market has a two fold importance: First, to find out to what extent the Djezireh market is supplied by local industrial products; second, to determine the extent to which the home market helps the development of local industry. Djezireh's industry is still in its infancy and is chiefly concerned with the

transformation of local agricultural raw materials into manufactured wares for local use. The country is thus obliged to import a great variety of manufactured articles. This dependency on foreign manufactured wares has in turn developed those agencies which carry on this form of trade. On the other hand Djezireh enjoys a limited home market. This naturally tends to check the development of foreign markets for its industrial goods, since a large home market is a prerequisite for an extensive export trade. The limited home market also forbids the establishment of large enterprises which are able to take advantage of large scale production in purchasing raw materials and selling finished products.

#### C- FOREIGN, TRANSIT AND RE-EXPORT TRADE.

For the last two or three decades Djezireh has imported nearly twice as much as she has exported. The effect of this great difference between imports and exports is noticeable in the agencies for carrying on the country's trade. Import merchants and commission agents interested in import trade are more numerous and their facilities better developed than those for export trade. Also the importation of standardized, well-advertised products has greatly influenced public demand. Native products of equal or better quality but not well known must be very low-priced in order to sell.

Djezireh's excellent geographic situation for transit and re-export trade is also reflected in the organizations that carry on the country's trade, since it is a favorable place to locate central agencies for the entire Near East.

### The Present Marketing Channels

The prominent feature of Djezireh's marketing channels is their diversity. As in the other phases of the country's economy, so in this, the primitive exists side by side with the modern. The most important primitive channels through which goods reach the ultimate consumer are the fairs and peddlers. Among the modern channels are the retailers, wholesalers, commission agents and brokers, general stores, department stores, specialty stores and manufacturer's agencies.

#### Direct Marketing

1- Fairs The primitive public fairs attract the rural population and constitute their major channel for the exchange of all sorts of articles that make up their needs - food and agricultural products including cereals of all varieties, pottery, manufactured goods, both native and foreign, skins and hides, live stock, vegetables and other things. Exchange at these fairs is largely by means of barter.

Whenever the urban population take part in the fairs, their interest centers around the agricultural produce. By this channel the greater part of the farmer's produce reaches the urban population whether consumers, assembly agents, exporters or commission agents. The urban merchants bring with them many varieties of manufactured articles required by rural population. These they sell to farmers and in exchange they buy agricultural produce.

2- Peddlers Peddling goods from house to house and to passers by on the streets of towns and villages in Djezireh



is a popular common practice. A large quantity of both products and manufactured goods reaches the consumer in this way. The peddler gets his goods from the local manufacturer in the case of home products, and from commission agents, wholesalers and even retailers when the articles are of foreign origin. He usually sells these products in small villages or in the suburbs of towns where shops handling manufactured articles do not exist.

In small towns and villages, generally in proximity to farms, producers sell their farm products directly to consumers and save for themselves the commission usually paid to middlemen. In this case the farm products are peddled from house to house by the producer himself or his wife. In the main towns farm produce is usually peddled by men who buy goods at wholesale prices from commission merchants and sell it at a profit. Vegetables, fruits, some cereals and dairy products reach the consumer through peddlers who are sometimes the producers and sometimes not. In this way perishable articles often reach the consumer in a better condition, and the house wife can choose as she likes. The low prices usually demanded by such peddlers, are giving an impetus to this channel of marketing.

3- Road-side stands. Road-side stands are being established, as a result of better means of transportation, on the main highways leading out of towns. Fruit growers erect these stands during the fruit season to display their produce for sale. In summer, melons of different kinds are offered for sale, and also grapes and other fruits are displayed

for sale. The increased passenger traffic on the main highways is undoubtedly helping the spread of this channel of marketing.

#### CHANNEL MARKETING MIDDLEMEN

The important middlemen carrying on Djezireh's trade are commission houses, sales agents, branch officer, export and import houses, wholesalers and retailers. Their object is to make money and to conform their activities to special defined and limited fields. Consequently it is very difficult to draw lines of demarkation between these different middlemen in actual practice. Quite often a wholesaler may also be a retailer, a commission agent or a sales agent as well. This overlapping of activities is a common practice among middlemen in Djezireh.

#### 1- COMMISSION HOUSES

Commission houses may be divided into two classes, those handling foreign products mostly of an industrial nature, and those handling native products mostly perishable farm products.

a. Commission houses handling foreign goods. Comparatively few firms of Djezireh are large enough to maintain a separate import department or to send representatives abroad to buy goods. The geographical location of the county and enterprising spirit of its population which is prewar times made of Djezireh an Empire market, still attract, although to a smaller extent, merchants of neighboring countries who place orders with Djezireh firms. Consequently a considerable portion of trade in Djezireh is carried on through commission

houses. These may be divided into merchandise brokers and commission merchants.

1. Merchandise brokers Merchandise brokers must be distinguished from commission merchants or agents. "A commission merchant is one who receives for sale goods belonging to another, who has control of the goods, and who must account to the owner for the proceeds of sale." The great majority of the commission firms in Djezireh do not fulfill these functions but simply try to bring the buyer and the seller together for a single transaction. Their proper name is "merchandise brokers".

The number of merchandise brokers is large and varies from old established houses to ephemeral firms with little capital and less morality, inasmuch as the chief assets of a merchandise broker are his trade connections and salesmanship, and since the capital outlay needed is relatively small, many people are attracted to this means to become independent businessmen.

Merchandise brokers in Djezireh handle nearly every commodity, but each firm usually specializes in handling one line of goods. They are allowed a certain commission on their sales by the firms which supply them. Some of these large brokerage firms employ a type of a salesman known in this country as a "placier" whose job is to canvass the market, trying to locate customers willing to place their orders through them.

Orders are usually taken subject to the confirmation of the supplying firm to which the order with the terms of payment and other necessary details are sent. If the

terms are accepted the goods are shipped to the order of a known bank in Syria, which notifies the importing merchant and delivers the goods upon payment or acceptance. If the merchant fails to live up to his agreement, the bank informs the supplying firm and awaits further instruction regarding the goods, unless an arrangement has been made for such a contingency. However, in such a case the broker usually finances the importer, thus undertaking a function outside his regular field.

2- Commission merchants In a limited number of cases foreign firms take the initiative and ship goods to commission houses in Djezireh to be sold on consignment basis. This is especially true when a foreign firm wishes to introduce a new product to the native market, which it expects to have ordered in the usual way once it is established. Sometimes part of a surplus stock may be consigned by a foreign firm to known native firm. Also when goods are refused by a merchant who ordered them the bank may be instructed to sell them through a commission agent. The volume of foreign merchandise marketed in this way is relatively small and consequently no specialized commission houses exist for this purpose. Most of this business is handled by brokers and import merchants as a sideline in addition to their regular business. Only a few well-known firms receive goods consigned directly from foreign firms, although many local firms sell on consignment foreign goods sent them by an import merchant in Djezireh.

b. Commission houses handling native products Commission houses handling native products may be divided into two classes, those dealing in export trade. The former class

may be subdivided into commission merchants dealing in perishable products who are called MUALLIMUN and commission merchants dealing in less perishable products, who are usually money-lending merchants.

1- MUALLIMIN Practically all perishable agricultural products consumed in towns pass through the hands of this type of middleman and are sold on commission basis, due to the fact that marketing methods for these products are crude and undeveloped. Transportation is slow and inadequate and the products are often poorly packed and of varying quality. Thus dealers are unwilling to assume the risk of buying products themselves except at very low prices. The producer consequently prefers to bear the risk himself in order to obtain a higher price through consignment.

These commission merchants normally act for the farmers in terminal markets and neither buy nor sell on their account. They are usually clustered in one district of a town in small shops not equipped with any adequate storage facilities. They are noted for being very energetic and shrewd, but they are also unscrupulous.

These commission men receive goods directly from the country, packed by the producer to reach the terminal market in the early morning when market activity is at its highest. There the commission man takes complete charge of the shipment and acts as representative of the seller selling to retailers and large consumers at a price determined by market conditions and the quality of the goods. Sales in such perishable products are always for cash and a sales account showing the gross proceeds less expenses and commission is mailed to the producer after the disposal of each shipment. When the

proceeds accumulate to an appreciable sum the producer collects or the money is sent to him. Sometimes commission merchants advance money to producers to make sure that they will consign goods to them. When producers themselves deliver their products, they collect on the consign spot.

2- Export commission houses After the war (II world war) and until the beginning of the depression export commission business was very active in Djezireh. Djezireh merchants in foreign countries especially in North and South American sent regular orders for native goods especially foods, embroideries, and rugs, to be supplied on commission basis by relative merchants in Djezireh. This relationship between the merchants abroad and at home tended to limit the development of export commission houses as such and to make the filling of orders for commission a sideline for native merchants. However, this business has greatly decreased during the past few years as orders from abroad have declined during the depression.

### 3- Branch offices

Very few foreign companies have established branch offices in Djezireh. Petroleum companies have been the most important ones. The local branch, in addition to undertaking distribution itself, employs a wide network of local native agents.

### 4- Import merchants

This class of middlemen carries on a large share of the country's trade in imported goods, sometimes through

merchandise brokers, but usually in direct connection with the source of supply without the intervention of a third party. They often deal with consumers and retailers and to a limited extent with wholesalers, being wholesalers themselves. They usually do not work on a commission basis but buy outright and sell, thus profiting or losing on their own account.

In most cases import merchants have the exclusive right of distribution, over a certain area, for the goods they handle, especially when these require a private sales organization. Under such circumstances they are referred to as import merchants with an agency operating on their own account. There is practically no difference between the general import merchant and the one with agency except that the latter is usually in closer touch with the supplying firm and exercises a wider control over the product he represents.

Import merchants handle practically all kinds of commodities, but those with agency are usually interested in goods that require demonstration as well as service after purchase. Automobiles, radios, factory and farm machinery, and similar articles fall into this group. When his product warrants it, the import merchant with agency usually has his private sales organization. He might also hold some other agencies but these are secondary. When the article does not warrant an independent sales organization, the import merchant usually holds the agency for a list of firms producing articles in a certain line of goods, although it is not unusual to find some import merchants representing dissimilar lines.

The burden of financing imported commodities varies

with the nature of the goods and the exporter. For automobiles, radios, electrical appliances and the like, which are mostly American made, the burden falls on the importer or his Bank. The importer either instructs the supplier to ship goods against payment of drafts drawn in his own name, or the importer arranges with his bank to open documentary credit in favor of the exporter permitting the latter to draw drafts on the issuing bank itself or its correspondent abroad. Imports of staple products and food stuffs such as rice, sugar, flour, coffee and the like are financed in practically the same way.

Imports of textiles and similar products coming mostly from Europe and America are financed by the exporter or his bank. The goods are usually shipped against acceptance and rarely on open book-account. The keen competition of the suppliers has manifested itself many a time in an over extension of credit with harmful results to both the import merchant and the supplying firm.

Import merchants usually carry a stock of their goods and sell to retailers or directly to consumers when the article is rather expensive and requires service or demonstration after purchase. To include all the country in their sales organization they often appoint sub-agents in the various towns. When their product is not a familiar one, or when it is expensive and has a slow turnover, the import merchants usually send consignments to their sub-agents to be sold on a commission basis. When the product is well known and the turnover is rapid, the sub-agents or other local merchants usually buy it outright. Even in this case the burden of financing the sale falls on the import merchant for he



usually takes promissory notes from the purchases. Thus from the nature of their functions import merchants can be classified as wholesalers.

Some enterprising import merchants, especially those with agency, attempt to fix prices for their sub-agents and purchasers to prevent cut-throat competition, and often push their sales through advertising, travelling salesmen and other methods. These extra expenses for pushing sales are partially or totally refunded by some of the foreign firms.

#### 5- Wholesalers

Besides import wholesalers there is another class of middlemen who carry on wholesale business in locally-produced goods, chiefly agricultural products. Their trade in local manufactured goods is very limited, because Djeziren is not developed industrially. The few well-developed factories in existence are well known and the native market is sufficiently small and limited, so that direct relations between retailers & factory can exist. Most of the locally manufactured articles are not uniform in either variety or quality, so that few middlemen are willing to risk buying large stocks and reselling to retailers, except at very low prices. The manufacturers in most cases wanting higher prices, consign their goods to reliable middlemen to be sold on commission.

The wholesalers of agricultural products are in most cases money-lending traders (bawayikas). They undertake both the financing and distribution of a large part of the non-perishable agricultural produce, especially cereals.

They are located in agricultural towns having close connections with terminal markets and mills where they dispose of a large part of their supply. Any remaining part is either exported or sold for local consumption.

Money-lending traders receive a large part of their stock from large peasant cultivators or land-lords who are usually indebted to them and bound to pay them in kind or sell through them. The remainder of their stock comes from village traders who collect their debts from the small peasants in produce. The billage trader ships collected agricultural produce to nearby towns where money-lending traders often pay cash for it. Some farmers who are not bound to sell to any individual prefer to sell their products on a commission basis through town traders.

6- Retailers Retail trade institutions in Djezireh must be divided into general stores and specialty stores. The general store is found in villages or towns. It is more common than the specialty store as might be expected and carries a wide variety of merchandise, ranging from groceries to medicines and agricultural implements.

In the agricultural villages and small towns the big retailers, called Jarrads enter into trade connections with the money-lending merchant of their districts. This merchant stocks the retailer on credit for an average of six months, and when the goods needed by the village retailer are not sold by the supplying merchant he even acts as a commission agent and buys the goods from other merchants. The retailer practically always sells to the

farmer on credit with an agreement to payment in kind in the crop season. When payment is made the village retailer sends the crops to a city merchant to be sold on commission or bought outright as agreed.

7- Export Merchants. The export merchant and the export commission house handle the export trade of the country. They carry on similar activities, the former for profit on his own account, the latter on commission. These organizations are less numerous and less developed than those interested in handling import trade, as the smaller proportion of export trade would indicate.

Export merchants are chiefly interested in cereals, fruits and leguminous plants. The exportation of cereals and some other nonperishable farm products is handled by the previously discussed money-lending traders. Fruits, vegetables and similar perishable products are usually exported by partnership organizations of either large producers or dealers in such products. Perishable products are generally consigned to commission merchants in the importing country to be sold on the exporter's account or sometimes as a joint enterprise of exporter and importer.

### MARKETING OF CHIEF PRODUCTS

#### A- Marketing of Imported products

Foreign goods imported into Djézireh for local consumption are usually handled by more middlemen than locally produced goods. There are many possible channels with little uniformity even in the distribution of the same article. A study of the more common channels through which some representative imported goods pass after reaching the

country shows this variety.

1- Automobiles and automatic machines, which require service after purchase, are handled by an import merchant who often has an exclusive agency and maintains a special sales organization for their distribution in the center where he is located. These import merchants cannot cover the whole country with their own private sales force and often appoint sub-agents in the other commercial centers. In this case the products pass through the hands of a sub-agent before reaching the consumer.

2- The greater part of the imported sugar and similar staple products comes first to the import merchant, who orders his goods through a brokerage firm and sells to different retailers who in turn sell to consumers. In a few cases import merchants sell to wholesalers who in turn sell to retailers. This is particularly true of sales to outside towns.

3- Women's clothing usually are imported by the retailer through a broker. In a few cases foreign factories, especially those manufacturing novelty articles, consign products to reliable commission men. These commission men then sell or re-consign to native retailers.

#### B- Marketing of Local products

The marketing channels through which locally produced articles reach the consumer may be illustrated by a few typically handled manufactured articles and farm products.

1- Soap A soap producer who wishes to dispose of his product informs commission agents in various centers asking for bids or quotations from them. He delivers his soap on consignment to that agent who offers the best price. The retailers come to the agent to negotiate the final price and buy. If credit

is extended the agent usually acts as a delcredere agent. After payment he prepares a sales statement, deducts his commission plus other expenses incurred and forwards the balance to the producer. When the commission merchant wishes to buy the goods out-right he quotes both a commission price and a purchase price, in which case the producer may sell the goods directly to the commission agent. In this case the agent acts as a wholesaler.

Very often village shopkeepers establish, usually paying in cash. Muleteers often buy soap directly from the factory for cash and peddle it from house to house delivering it to customers in scattered agricultural villages, in many instances receiving payment in agricultural products which they carry back to their villages to sell. Many Djexirian families, especially those living in villages and towns, buy and store a year's supply purchased directly from factories or local small producers.

2- Grapes Grapes are marketed in various ways. A large portion of the crop is carried to the consumer by the peddler, who usually is the producer himself.

Another portion is sold by the grower to the retailer. Growers located near the ultimate market, usually supply regular retail traders,. Local hotels, restaurants and similar large consumers are also supplied by the growers. However, most of the country's grapes are sent by the producers to commission merchants (mu'allimin) in the important centers from time to time during the crop season when and where the price happens to be highest. The commission merchant in turn sells to retailers or large consumers in one terminal market. In many cases when the producers are small or when

they do not wish to consign their products to commission merchants, country shippers buy the product outright and send it to the terminal market to be sold through commission merchants. These country shippers very often buy the crop while it is still on the vines.

Grapes which are exported from Djezireh are bought up by the export merchant receives them and ships them to foreign middlemen. The export agent's commission usually 5%. Sometimes export merchants buy the produce from a commission merchant in the central market.

Grapes used in manufacturing wine are usually sold directly from producer to factory. Usually the producers haul their product to that local factory and sell at the prevailing market price. Such sales to factories are often arranged before the harvest, and the selling price agreed upon.

3- Wheat Flour With the importation of Australian and other foreign flour in years of poor harvest, the majority of the people in towns have come to purchase flour instead of wheat. To meet this demand mills have been established in some of the towns and terminal markets. The amount of wheat purchased by the public in the form of grain and in the form of flour is practically the same. It is still the custom in small towns and villages for each family to buy all its wheat after harvest, clean it, store it and grind it as needed.

Flour mills buy practically all their wheat from money-lending merchants who assemble the product in terminal markets. The flour mills rarely buy grain directly from the producer. After manufacturing the flour may be sold in several possible ways.

The most common practice in centers where mills are located is for a salesman from the factory to visit the different grain and flour merchants in town and take orders from them. He also takes orders from bakeries. The salesman is a regular employee of the mill receiving a salary and not a commission on his sales.

In localities farther from the mill, flour is usually consigned by the mill to well known commission merchants in the various centers. They usually charge a commission on their sales, and when they act as del credere agents guaranteeing debts they charge a higher commission. Some mills prefer not to sell on a commission basis and in this case they sell directly to grain and flour wholesalers who sell to retailers to large consumers.

4- Woolen Cloth The retail stores sell the major part of the factory's output and in addition it often fills special orders for other merchants,. To avoid any competition between the factory's retail stores and other merchants it does not supply the same pattern to both.

#### MARKETING MECHANISM

##### A- ASSEMBLING

The importance of the assembling function in the internal trade of a country varies directly with the extent of the division of labor, with size and location of factories, and with the distribution of its population. Farming, which is the backbone of Djezireh's economy, is primarily a way to produce what is needed for one's own family rather than an industry raising products for the market. The farmer is in

The farmer is in most cases self-sufficient, buying little and selling little. The local factories are also generally small, drawing their raw materials from nearby districts and producing for a limited market. Thickly populated centers are very few. As a result of all these factors the assembling function in Djezireh is not so important as in other more developed countries. A discussion of the actual assembling of some products will illustrate the assembling function as performed in Djezireh.

Raw hides and skins are assembled to be processed in tanneries in a variety of ways. The most common method is to have wholesalers contract with slaughter houses to buy all skins and hides produced by them, and in turn to sell them to tanneries, or have them tanned. Small tanneries usually contract to buy directly from slaughter houses. This simplifies the assembling function since tanneries are usually operated near the centers of hide and skin production. In villages or districts where there are no organized slaughter houses the tanners or the wholesalers appoint local agents who assemble the raw skins and hides and ship them to the tanneries.

The method of assembling cereals often follows a definite plan. It is greatly conditioned by the method through which their distribution is financed. The large cereal producers are usually indebted to a town money-lending trader and are bound either to repay him in kind or sell through him. Consequently after harvest these indebted landlords ship their produce to terminal markets where the money-lending traders are located. The small peasant cultivators also are often



indebted to the village trader and usually pay him in kind after harvest, a one village trader, who in turn is usually financed by the town money-lending trader, sends the produce to the latter.

In those few cases where the cultivators and village traders are not bound to sell to any particular town trader, they usually ship the produce to a terminal market where they either sell it to a town trader have it sold through him. Sometimes town traders appoint local agents at centers of production to buy up produce and ship it to them. A great portion of the cereal production is assembled by the town-lending traders in the terminal markets.

#### B- GRADING AND STANDARIZATION

The practice of having buyers personally examine each article to be purchased and assume the full responsibility for passing judgment as to its quality and value still prevails. The sellers' slogan is in most cases "let the buyer beware" and accordingly the buyer must always be on guard. This practice which can be accounted for only by the lack of grading and standardization has adversely affected the marketing of home products both locally and abroad. In the internal market it has been responsible for the encouragement and spread of commission dealings which are equally condemned by intelligent producers and middlemen. In the foreign markets it has considerably hindered the sale of home products.

In the few limited cases where standardization and grading is undertaken, it is usually done in a rather crude manner. It is not possible for a buyer to order according

to definite uniform specifications. Goods seldom confirm with samples previously presented or standards previously set. To realize better the many short-comings committed in performing this marketing function it is worth while to discuss a few of the important products and find out what is actually done with them along this line.

1- Soap. None of the soap factories, with the exception of one modern enterprise recently established, observe any standards. They produce only one kind of soap, but it varies considerably because the chemical ingredients are not accurately measured. The soap cakes of an inconvenient cube shape are marketed unwrapped, usually without any definite trade mark. In most cases they are simply stamped with a geometric star, or marked with the name of the city or village where they are produced.

2- Olives and olive oil Olives destined to be pressed into oil are rarely sold according to any standards but are a mixture of all grades. Olives for preservation are graded into two major classes according to their ripness, there are green olives which are still rather unripe and black or ripe olives. No specific standards exist to distinguish the different qualities in these major categories.

3- Olive oil Practically no standards for the sale of olive oil exist. Local middlemen and consumers buy after a personal examination of the taste, color, smell and source of the product. Recently, grading according to acidity is becoming more popular especially of oil destined to be sold to foreigners, since they buy according to definite standards.

The citrus fruits that are marketed locally are not graded according to uniform standards, the producers in

most cases place the choicer fruit on top of the container to deceive the seller. Usually the retailer after purchasing the product grades it into different standards and sells each at a different price.

5- Wheat and flour Wheat grain is usually graded according to the district in which it is raised and this is often taken to denote the starch content. This does not fulfill the true purpose of grading since it does not take into consideration different grades of grain grown in the same district or different degrees of cleanliness. An examination of the product is still necessary.

The grading of flour is much better developed. More or less uniform standards of fineness and starch content are adhered to by all flour mills. Sales are concluded according to these standards ordinarily without any examination of the product.

### C. STORAGE

The inadequate facilities for storage react unfavorably upon consumers, producers and market development. Consumers still, especially in villages and small towns, must assume the burden of risk and cost of storage in order to protect themselves against the rise in prices which frequently occurs after the crop season.

They must estimate their needs in advance and store the required supplies. The lack of storage facilities makes it impossible for producers to hold their supply over temporarily to feed the market evenly. The entire stock is forced into the market within a relatively short period with a resulting wide seasonal fluctuation of prices, which

for some vegetables and fruits drop so low that they do not compensate for the cost of transportation. The effects of this lack of storage facilities on market conditions can be illustrated by some typical products.

1- CEREALS

Farmers do not usually store their cereal crop for several seasons. The farmer is often in debt to the money-lending trader to whom he is bound to sell after harvest, when such debts mature. There are no agencies which finance the poor farmer while he holds his crop for better prices, so he is compelled to sell his produce when it is ready at low prices. Since there are no grain elevators or warehouses where cereals may be stored for a long period without danger of spoilage, the farmer is afraid to keep his crop lest he loses everything.

2- FRUITS, VEGETABLES AND OTHER PERISHABLE PRODUCTS

Neither the producer nor the city merchant has proper storage facilities for fruits, vegetables and other perishable products. Refrigeration with one exception is practically unknown; transportation facilities are in some cases inadequate and it is not uncommon to have a large share of a fruit or vegetable crop spoil on the farm. Grapes, apricots, tomatoes and similar perishable products are found on the market in large quantities and at very low prices during the crop season after which they become scarce and are sold at considerably higher prices. Cold storage has practically never been tried as a means of carrying a crop two or three months after the final picking in order to feed the market more evenly.

#### D- PACKING

Inefficient packing is another weak point in the chain of Djezireh's marketing practices. For example, the common container in which fruit is packed is a petroleum box. The bottom of the box is covered with leaves from the fruit trees and the fruit is packed in layers with leaves between. The box is shaken back and forth in order to leave no vacant space, and when it is full boards are nailed on top and it is ready for shipment. This method of packing has caused much complaint, as the fruit does not carry so well. Some enterprising producers and export merchants are now using wide baskets made of the stalks of oak leaves or willow, with tissue paper to separate the layers. Fruit packed in this way bring higher prices which more than compensate for the extra packing charges incurred.

#### E- FINANCING

Financing the distribution of agricultural products falls mostly on individual money-lenders who are also crop traders. These money-lenders, who are practically the only source of credit for the poor ignorant farmers, usually take advantage of the peasants' deplorable conditions and lend them money only at usurious rates. The method of financing the distribution of manufactured and semimanufactured goods varies.

#### F- ACCOUNTS

The system of accounts used by the Djezireh merchants and business men depends upon the kind of business they carry on and the size and importance of the firm. In single entry book-keeping is most widely used although financial

statements are seldom taken at the end of the fiscal period. Even when the double entry system is used, the firm does not go beyond a trial balance. Many stores simply use a cash book to record cash sales and a credit book for account receivable. Some large concerns use double-entry books and issue statements semi-annually or annually. The lack of proper accounting in Djezireh merchandizing agencies is a great handicap in determining cost and selling prices, and in eliminating waste.

#### G- SELLING METHODS

The practice of offering definite terms of sales is commonly ignored in Djezireh. The one-price or fixed-price plan, although advertised in big letters in most retail shops, is seldom adhered to. Buying is a matter of bargaining over price, and the relative bargaining ability and perseverance of the buyer and seller influence the price actually paid at the end.

Advertising does not play an important role in selling merchandise in Djezireh. Only very recently attempt have been made to promote sales by advertising campaigns. Among the various reasons for this slow development is the custom of personal solicitation in business which has prevailed in this part of the world for centuries. The limited circulation of newspapers and magazines is also responsible for the slow spread of advertising.

Newspapers are at present regarded as the best local medium for general advertising purposes. Other media which are used to a more limited extent are magazines, posters, painted signs and electric signs. The goods advertised are mostly

foreign, and the advertising campaign is often financed by the foreign firm concerned. Local goods are rarely advertised as they are not sufficiently standardised to bear trade marks. Most of advertising of foreign products has a rational appeal while the emotional appeal to patriotism embodied in the slogan "buy home products" is prominent in advertising local products.

#### H- WEIGHTS AND MEASURES

The only system of weights and measures legally recognized in Djezireh is the decimal system based on the gram, liter and meter which was instituted in 1869 throughout the Turkish Empire. Though the decimal system is gradually growing more popular, the old weights and measures are still adhered to throughout the interior. The units of weights and measures vary in almost every town and district, making transactions very confusing and troublesome. The tendency at present is to use the metric system for imported goods and the local weights and measures for native products.

The unit of weight is the dirham which is equivalent to 3.21 grams.

CHAPTER IIIMarketing ImprovementsA- Marketing Improvement through Private Initiative :

People and organization engaged in marketing will have ideas how some marketing operation can be performed at lower cost, or so as to increase volume of sales. The individuals or marketing organizations originating these ideas are striving to improve their competitive positions and generally will try out the ideas in actual commercial operations. If the ideas works, the resulting rewards will encourage others to adopt improved practice. Thus, gradually, the improved methods will spread through the marketing system.

This "hunch and try" way of effecting improvements, however, is likely to be slow, and it will not readily bring improvements of certain types which depend on more than individual action. As in agricultural and industrial production, we need a more orderly and aggressive way of effecting improvements, which we may call the " scientific approach".

B- Scientific approach :-

The first step in the scientific approach is to study and describe the marketing system, so that everyone concerned will know what it is we are dealing with and will not waste time running down blind alleys. The knowledge of marketing system so obtained also serves as the basis for stimulating ideas about possible improvements. We do not have many fruitful ideas about things we do not understand.

In trying to improve marketing it is desirable to know the "life cycle" of an agricultural commodity as it pass



down the sometimes complicated path from farmer to ultimate consumer. What happens to the original product, such as wheat, as it changes form, location, and possession? What types of marketing agencies, costs, and margins are involved? What competitive and monopolistic situations affects prices in the different marketing transactions? These and many other facts about marketing are needed as the basis for any scientific approach to marketing improvement.

In the second place, the scientific description of marketing give a picture of the relation ships between different segments of the marketing system. This frequently is lacking in the intensive practical knowledge about some single phase of marketing possessed by those engaged in the business.

And in the third place, we need careful descriptions of the marketing system as a short cut in educating marketing workers of all kinds. Just as a statement of assets and liabilities and an operating, or profit-and-loss, statement for a particular business can reveal more about the financial condition of that business than might be obtained by working in the plant for month or years, so a concise, scientific description of the marketing system, or any part of it, may give the reader as much information as would be obtained by years of work in some practical capacity in the industry. These short cuts in training persons for work with marketing agencies, for professional work in marketing, or to use their knowledge of marketing in order to be better farmers and citizens are valuable contributions in themselves.

Advantages in approaching the problem scientifically :-

a) The scientist has the advantage of having studied

the marketing system, or that part of it with which he is concerned, in more detail from more view points than has the practical businessman. Furthermore, he is trained to have an inquiring critical mind, not to accept traditional practices merely because " things have always been done that way" .

b) The scientific approach makes it possible to test the hypothetical improvement more accurately and expeditiously.

c) The scientific approach opens up a whole field of possible improvements in marketing which would rarely if ever occur to the practical marketing business man.

C- Marketing Improvements which May Increase Returns to Producers :-

I- Increasing consumer expenditures :-

A- Expanding consumer demand

1) Developing new products

a) Consumer products

b) Industrial products

2) Developing new uses for established products

3) Expansion of demand for established products

in existing uses :-

a) Quality improvement

b) Better merchandising (packaging, promotion etc.)

c) Consumer education

d) Subsidizing consumption (relief feeding etc.)

B- Orderly marketing (maximization of returns from a given level of demand).

1) Finding best available markets.

a) Better geographical distribution

b) Improving market information

- 2) Distributing supplies over time
  - a) Improved storage facilities
  - b) More flexible credit
- 3) Adjusting flow into different uses :-
  - a) Marketing agreements and orders
  - b) Diversion programs
  - c) Relative market prorates
- 4) Maximizing returns from different consumer groups.
  - a) Different pricing
  - b) product differentiation
- 5) Limiting quantity sold
  - a) Quality limitations
  - b) Absolute market prorates

II- Reducing market charges ( increasing farmer's share of consumers' expenditures.)

A- Reducing expenses of marketing agencies

1- Reducing the need for mark-up

- a) Reducing market risks
- b) Sounder financing

2- Reducing causes of price increase

- a) Modifying conditions of unfair competition
- b) Eliminating trade barriers
- c) Regulatory activities
- d) Improving the pricing mechanism

B- Reducing marketing costs

1) Increasing the efficiency of existing marketing agencies.

- a) Better economic organization of the market-

ing business.

- b) Improved operational management
  - c) Improved transportation
  - d) Improved storage
- 2) Changing marketing system
- a) Vertical and horizontal integration
  - b) New types of agencies
  - c) Altering marketing channels
- 3) Reducing services rendered in marketing
- a) Eliminating unnecessary services
  - b) Shifting responsibility for services

D- Government Action to Improve Marketing :-

The most important government activities in marketing are :-

1) Providing needed auxiliary marketing services, such as official grading, standardization, inspection, and market news. These services by their very nature cannot and will not be cared for adequately by private agencies. They are designed to complement, not replace, private marketing business.

2) Policing of the marketing system. This provides what in effect an enforceable code of ethics for the protection of shippers and buyers and prevents monopoly and restraint of trade against the public interest. (Laws for unfair competition, advertising etc.)

3) Assistance to producer groups desiring to take collective action to improve marketing conditions. This includes assistance to cooperatives, laws, tax-free income, and to farmers by means of marketing agreements and orders, designed to help effectuate the principles of orderly marketing.

- 4) Research to discover new ways of improving marketing
- 5) Extension activities designed to acquaint farmers, consumers, and marketing agencies with the effect of alternative marketing policies and practices.
- 6) Programs designed to expand the consumption of food by individual consumers, to expand distribution, and to open up new uses and outlets.
- 7) Direct action to support prices of agricultural commodities.

Getting Improvements Adopted :-

1) This task may take the form of educating those concerned with the need for government legislative or administrative action, so that those having the power may take the necessary action.

2) One of the tasks of those interested in improving marketing is to educate farmers, consumers, and businessmen etc. etc., so that any type of marketing improvement will be supported by the general public.

3) By far the greater task of education for marketing improvement, however, is persuading farmers, middlemen, or consumers to adopt various improved practices themselves. Just as research to discover ways of improving farm production would never become effective without agricultural extension and other informational activities, so marketing research cannot pay dividends until farmers, marketing businessmen, and consumers are persuaded to do whatever is necessary to put the tested ideas into actual use.

4) On top of this, there are numerous public-service activities in marketing, such as grading, seed testing, market news, and

regulations of the grain exchanges, which are essential to certain types of marketing improvement.

CHAPTER IVCooperative Marketing

Cooperative marketing has played a prominent part in the history of efforts to improve agricultural marketing. Many thousands of cooperative associations and millions of farmer members have blazed the cooperative trail to better marketing or another trail to failure and disappointment.

As a result of all this experience, extending over more than a century of time and a great variety of marketing conditions, probably no phase of marketing is more clearly defined than cooperation. Principles of cooperative marketing formulated many years ago are as sound and applicable today as they were then. Aside from technical methods of operation, which change continually with progress in marketing technology and practices, cooperative marketing has settled down into an established pattern. No longer can cooperation among farmers be looked upon as an experiment.

Most of the difficulties encountered by cooperatives stem simply from failure to be guided by this vast experience. Farmers frequently are urged to "experiment" with some impractical cooperative panacea which is no more an experiment than would be an attempt by the Army to use the bow and arrow as a "new" weapon. On the other hand, opponents of cooperative marketing belittle its usefulness with ignorant disregard of its long record of substantial accomplishment. Cooperative organizations continue to make mistakes of organization and operation which have been made by others many times in the past.

The Lessons of Cooperative History :-

A century of experience with cooperative marketing offers many valuable lessons to those who will take the trouble to examine it.

For one thing, it shows rather plainly that cooperative marketing should be looked upon as a business, not a religion. The cooperatives which have been organized in a highly emotional way, with high-powered propaganda, spectacular membership "drives" appeals to farmers' prejudice against middlemen or other features of marketing, and windy promises of great benefits, have almost always come to grief. Where the approach has been on a sober business basis, success more frequently has attended the efforts. Although some rural sociologists might disagree, experience points to the conclusion that cooperation merely for the sake of cooperation is not likely to succeed. If a cooperative cannot be expected to do a distinctly better job of the business of marketing, it had better not be formed in the first place.

A second and even more positive conclusion is that cooperative-marketing efforts designed to alleviate rural distress arising out of a low level of commodity prices or farm income, or other conditions having their origins outside the marketing system, are likely to fail. Cooperative marketing cannot avoid or overcome the adverse effects on commodity prices of business depressions, monetary maladjustments, or commodity surpluses. The surest road to cooperative failure is to build up hopes that such achievements are possible. The subsequent disappointment causes members to overlook the less spectacular but worth-while benefits to be



derived from cooperation and leads to dissention among and desertions by members. Desperate measures taken in the attempt to make good or rash promises are likely to lead to large financial losses and subsequent failure.

Possibilities and Limitations :-

The benefits to be derived from cooperative marketing may be grouped under five headings :-

1- Services not provided by private marketing agencies.

There have been many instances where private agencies were not providing marketing services needed by farmers. For example, farmers in a local area might start production of some fruit, vegetable, or other product for which no local marketing facilities of any kind were available. Cooperatives formed to meet such a need have in general been the most successful. As production of the commodity expanded in the area, the business of the cooperative grew with it. By providing a service absolutely necessary to their members, the cooperatives became established on a solid footing and could not easily be dislodged by subsequent competition from private agencies. This has been the history of many local cheese factories, creameries, and fruit-and vegetable-shipping associations.

Even cooperatives in competition with other marketing agencies have been able in many instances to offer services, such as grading and payment by grade, which private agencies were unwilling or unable to furnish because of the competitive conditions. Being more interested in the general level of returns to farmers in the community than are private agencies concerned mostly with obtaining the largest possible share of

the available volume, cooperatives are more likely to inaugurate marketing services designed to achieve this objective.

## 2- Profits :-

When operated as efficiently as private marketing agencies, cooperative associations retain for their members the profits which otherwise would go to investors in the private agencies. These profits are not as large as most farmers have been led to expect. Even when the profits per pound invested are fairly large, they generally amount to much less per pound of business transacted by members, which is the basis on which they are distributed. Experience shows, however, that even small patronage dividend checks are much appreciated by farmer members, as tangible evidence that their cooperative is successful.

Both members and managements of cooperatives tend to overemphasize the importance of profits. This sometimes seriously interferes with rendering the best service to members. For example, cooperatives handling feeds have a choice between trying to sell their members high-priced, high-profit branded mixed feeds, or helping them to buy and mix their own feeds according to their individual needs and at minimum cost. Too much emphasis on profits may result in the loss of other, more important benefits of cooperation.

## 3- Saving from Reductions in Marketing Costs :-

In addition to obtaining the ordinary profits of private marketing agencies, some cooperatives are able to make additional savings by reducing the costs of marketing below those of private competitors. This may be accomplished by one or more of the

following means :-

- a) Eliminating unnecessary services
- b) Handling a larger volume of business, made possible by the support of a large and loyal membership.
- c) Integration of marketing steps, as through by-passing local handlers.
- d) Superior management.

Many farmers who form or join cooperatives, however, expect much greater reductions in marketing costs than can be achieved by such means. With vague notions about "enormous wastes" in marketing, they believe that all that is necessary in order greatly to reduce marketing charges is to eliminate the middleman, by marketing through a cooperative. However, the middleman is not "eliminated" but merely replaced by the cooperative, which automatically assumes responsibility for all or most of the services and costs of the private agency. Moreover, the cooperative seldom carries the product more than one or two steps from the producer to consumer and usually does not replace the retailers and wholesalers in the consuming markets, who account for most of the total marketing charge. It is quite unreasonable and futile, therefore, to expect cooperatives to reduce substantially the price spread between the producer and the consumer or to be able largely to increase returns to members as a result of reductions in marketing cost.

#### 4- Higher Prices :-

Millions of farmers have joined cooperative in the belief or hope that they could thereby obtain "cost of production plus a reasonable profit." This was to be done by "controlling the

marketing of the product" thus "giving farmers something to say about the price, instead of meekly accepting whatever price the middleman offers." But prices cannot be "controlled" merely by controlling the flow to market of a product; it must be possible actually to control the total quantity marketed. Cooperatives, by merely assuming ownership or direction of the commodity on its way to consuming markets, do not obtain the power to "fix prices" since they control neither consumer demand nor the total supply market.

"Ironbound" contracts between producers and a cooperative, giving the latter legal control over the marketing of the products, do not alter this condition, even if "85% of the producers" or any other proportion sign up; for such contracts do not control over production, the determining factor. Thus if the cooperative attempts to hold the price above the supply-and-demand level, all of the product cannot be sold at the artificially high price. This may break the attempt directly; or if part of the output is stored, many members seeking to avoid their share of the costs and risks of such an undertaking will attempt to sell outright to private agencies. This breaks the market, and other members rush to sell before it is too late. Thus, the attempt at price fixing comes to a quick and unhappy end. This has been the experience with every such attempt in the past; yet cooperative schemes of this nature continue to be advanced, with all of the old fallacies trotted out on the stage for another "farewell" performance.

Established cooperatives do not depend upon such devices in their successful efforts to obtain higher prices for their members. They do not attempt to control the basic price level

for the commodity but instead try to obtain premium or above-average prices for their own members. This is done by taking the steps necessary to produce and market a product of superior quality and by doing a good job of merchandising the premium products. In addition, large cooperatives sometimes may be able to increase returns by means of discriminatory marketing. Another way by which cooperatives may bring higher prices to their members is by introducing more effective competition into local situations where partial marketing monopolies previously existed as in the case of cotton gins & local grain elevators.

None of these methods results in the spectacular price enhancement anticipated by poorly informed farmers, but they furnish a lasting basis for cooperative service to members.

#### 5- Nonmarketing benefits :-

In some cases the most important benefits derived from cooperative marketing are of an intangible and nonmarketing nature. These benefits may be sensed by visiting many communities where successful cooperatives have been long established. Rural leadership and the cooperative community spirit, fostered by the cooperative, show up in many ways. Farm-production methods appear to be more advanced than in the general run of rural communities, reflecting cooperation between the marketing associations and agricultural educational institutions.

#### Factors Affecting Success or Failure :-

Many statistics of failures among private and cooperative business firms have been cited to prove that cooperative marketing is more or is less successful than private marketing enterprises, but the available figures do not appear sufficiently comparable for this purpose. Moreover, certain types of coopera-

tive marketing, exemplified by attempted price fixing, have been almost uniformly unsuccessful, whereas other types have enviable records of accomplishment.

Of one thing there can be no doubt : the number of failures has been large, both absolutely and in proportion to the number started. Many or most of these failures could have been avoided by following the principles of successful cooperation based upon the experience of many similar efforts in the past. In fact, so carefully worked out and factually supported are these principles that the success of any cooperative organized and managed in full accordance with them is practically assured.

The factors contributing to the success or failure of cooperative marketing may be classified under four heads:-

- I- Preorganization conditions.
- II- Economic form of organization
- III- Legal form of organization
- IV- Plan of operation
- V- Membership support
- VI- Management

At one time or another, form of organization, cooperative contracts, pooling, and other features of cooperation have held the center of attention in cooperative circles. This tendency to "follow fads" is to be deplored. Undue attention to and arguments over any one feature of cooperation tend to detract attention from others which also are important.

It is now fashionable to say that "The success of cooperative marketing is nine-tenths good management". This is no more correct than former claims that success depended upon having an "ironbound" contract or the right form of organization.

I- Conditions Preceding Organization :-

The success or failure of many cooperatives has been determined before a constitution and by-laws have been adopted and the initial capital paid in. Under some conditions, even cooperatives with the most desirable plan of organizations and operation, good membership relations, and efficient management have no chance of survival; under other circumstances, a loosely organized and poorly managed association can hardly fail. The seed of cooperation can grow only in fertile soil.

There are at least five important prerequisites for successful cooperation.

First is sufficient volume of business. Perhaps more local cooperatives have failed for lack of this condition than for any other reason. Hundreds of local cooperative creameries and cheese factories organized in areas with sparse dairy-cattle population and poor local transportation facilities, have dropped by the wayside. Similar histories of failure have been written by egg-, livestock-, fruit-and vegetable-, and other commodity marketing associations.

Potential volume of business should be considered from three angles: the number of prospective patrons in the territory, the volume of production per patron, and the proportion of the total volume likely to be obtained by the cooperative in view of competition to be encountered from private agencies. Of these, the volume per patron ordinarily is the most important, because it affects costs of handling as well as the total volume obtained. Before final steps are taken to organize any cooperative, a thorough and realistic study should be made of prospective volume, using both available statistics and

surveys of prospective patron participation. Speeches and promises at early organization meetings sometimes give very misleading indications of future volume.

A second prerequisite for success is that the character of the business must be suited to cooperation. Some kinds of marketing businesses are better adapted to cooperative endeavor than others. For example, cooperative meat - packing plants in some countries rarely have been successful.

Other things being equal, cooperatives have the best chance for success if by their operations are comparatively simple and easily understood by members. In the last analysis, the individual member is responsible for operation of the association. Another desirable characteristic of the cooperative business is that important interests of the members be involved, since otherwise they will not give proper attention to the problems of the organization. This has been, for example a difficulty encountered by some wool-marketing cooperatives in localities where sheep are unimportant. A corollary of this principle is that the financial benefits to be derived from the substitution of cooperative for private operation of the marketing facility should be large enough to be attractive. Farmers will not support quality-improvement and other programs of cooperatives if the benefits are not sufficient to warrant the trouble involved. Thus, if private competitors already are doing a good job, the savings to be realized from cooperative marketing may be too small to elicit continuing support of members. In the third place, the character of the prospective cooperators should be adapted to cooperation. Some farmers are very much in the class of "rugged individualists," who are not likely to pull together as



a team. One reason why cooperation has been so successful in Denmark and some other European countries may be that farmers there are accustomed to living and working together and look upon small savings as more important than they are to some American farmers. Communities in which harmony and unity of interests among farmers prevail are more likely to support cooperatives than those in which there are several warring cliques or factions. The presence in the community of one or more natural leaders of farmers, able and willing to work hard to keep the ball rolling, also is important.

Still another condition helping to mold successful cooperation is the existence of definite objectives. Cooperation is not an end in itself, but a means to an end. If those contemplating formation of a cooperative merely have a vague feeling that cooperation might "help" them or are led into the effort by organizers who denounce middlemen and preach the general virtues of cooperation without any definite ideas about what a cooperative might do to improve their conditions failure is invited. This has been a very common failing of cooperatives in the past. Cooperatives are more likely to succeed where a definite, specific need for better marketing facilities or methods is felt and specific plans are directed toward meeting this need.

And finally, sufficient capital should be available to get the cooperative well started on its journey. Lack of adequate capital, making the organization vulnerable to adverse economic conditions and preventing purchase of efficient equipment, has resulted in failure for many cooperative as well as private marketing businesses. The financially weak association finds itself handicapped in many ways and facing a continuous

struggle to keep its head above water. Directors sometimes are asked to endorse notes as individuals, which is unfair and usually leads to trouble in the end.

## II- Economic Forms of Organization

In the past, tremendous controversy raged in cooperative circles over the economic forms of organization thought to be desirable. Advocates of the single-commodity type of organization thought that any "variety," or multicommodity, organization was bound to fail. Similarly, proponents of the "federated" type of organization criticized the "centralized" form.

A more modern view, proved reasonable by experience, is that cooperatives of various types can be successful, provided that other conditions are right. Each type or feature of organization has advantages and disadvantages, and the important thing is to adopt, as far as practicable, those which are best suited to the given circumstances.

Thus, the association handling only one product or a closely related group of commodities may be best under most conditions; but in an area marked by extremely diversified farming only a variety organization may be able to command sufficient volume of business to keep down overhead costs or to maintain the interests of members. The vertically integrated organizations also may require a variety of products in order to minimize per-unit handling and selling costs.

Advantages claimed for the federated type of organization are as follows: 1) there is a logical development and use of locals already in existence when the central organization is set up; 2) questions of a strictly local nature do not have to be handled by the central organization ; 3) the farmers in each

community retain control of their own local association; 4) disruption of or dissension in any local unit has less effect on the organization as a whole and does not spread to other locals so easily; 5) selection of managers and officials is made step by step, by those most competent to make such decisions.

On the other hand, under the centralized form of overhead management has a greater degree of control over the policies and operations of locals. If the top management is good, it may do a better job in directing the locals than would local boards of directors comprised of farmers. The centralized tupe also is more easily and quickly started; buck-passing is minimized.

The advantages of neither form appear to be sufficiently marked to warrant the great stress placed upon thier differences in the past.

### III- Legal Forms of Organization :-

It is desirable that all cooperatiges, even small local associations, be incorporated. The members of unincorporated organizations are individually liable for any debts contracted by the association or for damages resulting from accidents. Incorporation limits the liability of members to their investment in the association. The corporation is legal entity and can sue and be sued in its own name, facilitating the collection of claims and other business transactions. Incorporation also tends to make the association a more permanent and closely knit unit.

Notwithstanding these advantages, a considerable proportion of local cooperative associations continue unincorporated. Sometimes members seem to think that incórpóration puts the

organization in the class of private business. This is indicated by the statement of one cooperative official who was asked why the organization did not incorporate and replied, "We can do as well or better cooperatively":

In most states cooperative associations can be incorporated under either two general plans: the capital-stock form and the nonstock, non-profit form. As in the case of the federated and centralized economic forms of organization, proponents and opponents of these two legal forms of incorporation have made much to-do over them. Actually, the association under ordinary conditions may be expected to do about as well under one form as another; each has advantages and disadvantages.

The objective of any legal and financial form of organization for cooperatives should be to ensure control which will 1) remain in the hands of the cooperators, not gradually shift into the hands of a few individuals; 2) distribute the bulk of the profits on a cooperative basis; 3) bring about the greatest efficiency in operation; 4) avoid jealousy and other membership troubles.

Under the regular incorporation laws these objectives can be attained by having special provisions in the constitution and by-laws, but frequently have not been. Stockholders other than farmers or a few well-to-do farmers sometimes have got control of the stock and hence of the votes, using the organization more for the good of the stockholders than of the patrons. Nonmember patrons may be given the same advantages as members, except as to division of profits.

As a result of such instances, certain principles founded on the old English "Rochdale system" of consumer cooperation

became popular among cooperative leaders in this country.

These principles were:

- 1) Membership unlimited among patrons and limited to patrons
- 2) Democratic control, on the basis of one man-one vote
- 3) Capital stock limited to members and in amount per member
- 4) Interest on capital limited
- 5) Profits distributed according to the amount of business transacted.

Although these principles have proved sound in practice, it may be difficult sometimes to raise the necessary capital and to "sign up" producers if financial contributors or members with a large volume have no more control over the operations of the association than those who risk little or no money and transact little business with the organization.

"An Act to authorize association of producers of agricultural products," otherwise known as the Capper-Volstead Act, was passed by the Congress in 1922, authorizing and defining cooperative-marketing associations and extending to them certain advantages. This Act incorporates, in general, the Rochdale principles of what constitutes true cooperation from the standpoint of legal and financial controls.

#### IV- General Plan of Operation

One of the most important factors affecting the success of cooperatives is the general plan of operation, which frequently must be determined even before organizational activities are begun or the board of directors is elected. Usually this plan grows out of the preorganizational conferences of a few leaders who promote the organization, supplemented by technical assistance of marketing specialists. Some idealists have fostered the

theory that cooperatives should not be promoted but should grow spontaneously out of a need felt by the bulk of the farmers in a community or the growers of a commodity in an area. In practice, such cooperative autocombustion is rarely encountered, somebody has a plan, interests others in the idea, and builds up promotion until a general plan of operations is placed before potential members. The organizational effort stands or falls on the acceptance or rejection of this general plan. Usually it is not expedient to change the plan radically, once an organization is well under way, even in the unlikely event that the original promoters should change their minds. Once the plan is generally set, even the eventually elected board of directors or the hired manager would have great difficulty in changing it in major respects.

Many aspects of this general plan are similar to the phase of operation of any business, private as well as cooperative, which the promoters, or "entrepreneurs," must decide in advance. Other aspects are peculiar to the operation of cooperatives, such as the method of apportioning returns from the sale of products to patrons of the organization.

Among the more important phase of operation to be covered by this general plan of operation are the following:

1- What products or lines are to be handled? For example, a local elevator may handle grain alone or seed, farm supplies, machinery, eggs, cream, and other farm products. A vegetable marketing cooperative might handle only one product or a number of different vegetables. Dairy-manufacturing cooperatives may confine themselves to one product, such as butter, or may put out a full line of manufactured products. In some cases the products to be handled are definitely limited by the

general nature of the cooperative.

2- What are the operating objectives of the proposed cooperative ?

Which of the potential benefits previously discussed are expected to be achieved by this organization, and by what means ? To form a cooperative without adequate consideration of such question is almost sure to lead to disappointment and trouble.

3- What type of business is to be conducted ?

A cooperative may conduct a business of buying and selling products, like a private marketing agency, on a competitive basis, returning patronage dividends to members. Or it may act as shipping agent, or in a bargaining capacity in determining prices and other conditions of sale of the members products to private marketing concerns, or as an agency to promulgate conditions under which shipments can be made by agencies marketing the products of the members, or as a sales agency for local cooperatives, etc. The particular type of business to be conducted is determined by the marketing objectives of the association, the marketing conditions related to the products handled, and many other conditions. All of these are highly technical questions and should be thoroughly thrashed out with specialist in marketing and cooperation before the plan of operation is set. Too frequently, the plan is fixed without sufficient reference to the past experience of other cooperative or private businesses which have tried the proposed type of operation. No more important decision will face the cooperative, and it should be made only after careful investigation and consideration.

4- What are the capital requirements for the type of business conducted, and how are they to be financed ?

It is a common failing to underestimate the amount of capital required for any business, private or cooperative, and the difficulties involved in financing. Here, again, the guidance of marketing and business specialists is essential.

5- What kinds of buildings and equipment will be needed ?

All too frequently, marketing businesses are established with inadequate or the wrong kinds of equipment. Final decisions on these matters will be postponed until organizations has been completed and a board of directors and possibly a manager have been selected, but some preliminary planning is necessary in order to determine financial requirements, location, and other details.

6- What are prospective volume of business, income and EXPENSES ?

Before organizational activities have progressed very far, a business budget, covering a period of several years' operations, should be carefully prepared with the assistance of experts. This budget should be as realistic as possible, some experience shows that actual result seldom are as favorable as optimistic expectations. Organization should not continue if the budget so prepared indicates doubtful financial success of the cooperative business.

7- What method of making returns to producers for products HANDLED WILL BE FILLED ?

This is a problem peculiar to cooperatives, and an important one. At least, alternative plans for making returns should be drawn up prior to organization, so that they can be discussed with prospective members before final steps are taken. The various methods of paying members for products



are treated in a subsequent section of this chapter.

Unless these various business problems of operation are dealt with fully and frankly before organization has preceeded very far, the cooperative may start operation with the initial handicap of an unsound plan of operation with the initial handicap of an unsound plan of operation which will result in failure regardless of the efficiency of management.

V- Management Efficiency :- Practically everyone interested in cooperative marketing emphasizes the importance of good management, but there is frequent support of policies which result in poor management. This inconsistent attitude is most plainly evident in connection with the salaries of managers. A board of directors composed of farmers having cash incomes lower than salaries commanded by competent business executives is understandably reluctant to pay a salary high enough to obtain a good man. Any saving made, by paying a low salary, of course, may be far more than offset by the mistakes made by an inexperienced or incompetent manager.

One of the most important steps to be taken after organization of a cooperative is selection of a board of directors and a manager. The board probably will include some members selected for their popularity or because they represent certain localities or factions among the members. The members will be well advised, however, to elect to the board some men who are experienced in business dealings aside from farming and who have demonstrated the capacity to formulate successful business policies. Personalities, although important, should receive less consideration than is commonly the case. Too frequently, the qualities which make a man

popular among farmers are not those which make for good direction of the business activities of a cooperative.

A common mistake made in selecting a manager is the employment of relatives or friends of influential members without sufficient regard to business ability. Small associations unable to afford an adequate salary are limited in their choice of a manager, and frequently they employ retired farmers, small merchants, country schoolteachers, and others who have been unable to make a financial success of their own lives and can hardly be expected to do any better with a cooperative business. One reason why adequate initial volume of business is so important is that it makes possible a salary large enough to attract good management.

In the absence of conditions making possible employment of a fully qualified manager, it may be possible and desirable to send the person selected to take special short courses in bookkeeping and other phases of management. Some agricultural colleges give short courses designed specifically to train cooperative managers, and at least advantage can be taken of correspondence courses available from various public and private educational institutions.

One of the outstanding management weaknesses of small cooperatives has been improperly kept books. Good accounting is necessary both as a means of keeping the board of directors and memberships informed and as a tool in efficient management. For some types of cooperatives, such as local grain elevators, standard systems of bookkeeping have been devised and published by public and private institutions. These can aid in simplifying and improving the accounting of many small cooperatives.

But it is one thing to keep good records, and another to know how to use them. Efficient managements will make use of devices such as accounting ratios to aid them in finding and correcting weak spots in the business operations. Some state colleges have made such procedures more useful by computing and publishing such ratios for a considerable number of associations of a given type, making it possible for the cooperative's management to compare its operations with others. For example, a local grain elevator may compare its ratio of feed sales to total grain sales with similar ratios for other elevators to determine whether or not its feed business is contributing as much as reasonably could be expected. Such ratios and other accounting measures can be very helpful to cooperative boards of directors in checking up on the efficiency of the manager.

A common complaint applying to cooperatives is dissension among officials, directors, and members of the organizations. Influential members attempt to dictate to the manager; half-baked ideas are advocated by poorly informed directors; personal differences are brought into the business affairs of the cooperative. Such occurrences will be minimized and cooperative management improved if the manager, directors, and members carry their own respective responsibilities without trying to interfere in the rights or duties of others. Directors should not interfere in the day-to-day decisions of the manager but should keep thoroughly informed about the business affairs of the association and not leave broad management policies to be decided solely by the manager. Directors too frequently view their election to the board merely as recognition of their standing in the community and fail to assume the necessary responsibility for determining

broad management policies. This abdication may lead to establishment of the manager as a little dictator in the organization, without desirable checks and balances. Members even more frequently fail to keep informed on the operational problems and results of the association and elect directors on the basis of personal popularity rather than demonstrated ability to handle the job.

Good management usually cannot be attained merely by hiring the best possible manager and then forgetting about the matter until trouble develops. It calls for constant teamwork effort, and conscientious decisions on the part of everyone from members to manager.

#### VI- Holding the Cooperative Membership :-

In one state, former officers of 53 defunct cooperative associations reported on the cause of failure. In over half of the cases, disloyalty of members was given as a leading reason for failure. We may suspect, however, that the members of most of these organizations were about as loyal as those of the cooperatives that succeeded. Apparent "lack of loyalty" really may reflect unsatisfactory results due to poor management or other factors. Or it may reflect failure on the part of the boards of directors and managers to keep the membership informed about the problems of the association and to take other steps conducive to good membership relations.

Some associations deal with their members as if they were merely customers of a private business enterprise. Frequently, a small group of men try to run the organization like an autocracy. Under such circumstance, the membership can hardly be expected to stand by the association when it experiences

even temporary difficulties. Everyone who has studied the history of cooperation seems to agree that cooperatives should be organized and operated as far as possible "from the bottom up" rather than "from the top down." This does not mean, of course, that strong leadership is not desirable. It means leading rather than driving. The aim should be an intelligent and loyal interest and activity on the part of members. Cooperative organizations promoted with whirlwind drives and high-pressure selling methods almost invariably meet with trouble when things have cooled down. Such methods are not conducive to lasting loyalty from members who have "bought into" something they really do not understand.

Contracts with members have been found useful by some cooperatives in "holding members in line," although they are no substitute for satisfactory membership relations. Contracts have three principle advantages: 1) they help to anticipate the volume of business to be handled after the organization is ready for business; 2) the morale of the membership may be strengthened, since some vacillating members will hesitate to leave the cooperative and sell through a private organization if they have signed contracts which other members are observing; 3) they help to avoid misunderstanding, as in any important business transaction. A complete understanding of the association's and the member's mutual undertakings is best obtained when they are set down in black and white and not left a matter for individual interpretation.

Experience has definitely demonstrated, however, that contracts cannot hold together an association which otherwise would fail to receive the support of the greater part of its members. The contract may be perfectly legal in court, yet

actually unenforceable because it is utterly impracticable to prosecute any considerable number of violators. If only a few members wish to withdraw, their business is insufficient to warrant prosecution even if they have "signed up" and any attempt at enforcement must result in undesirable publicity for the association. A contract as an instrument of force is inconsistent with the very idea of "cooperation." A cooperative contract is worth no more than the conscience and conviction of the members behind it.

The best method of holding the cooperative membership is continuous and effective educational activity, dealing with the facts regarding the association's activities, rather than with the abstract merits of cooperation in general. Frequently issued and easily understood financial statements, fair and frank discussion of the organization's problems and its mistakes as well as successes, and efforts to secure attendance of members at board meetings as well as at annual membership conventions have been found most effective.

#### Methods of Paying for Products :-

There are three general methods which may be used by cooperative marketing associations in returning to patrons the proceeds from the sale of their products.

Some cooperatives buy the products outright at specified prices, which usually are competitive with those of private agencies operating in the same locality. This method is frequently followed by grain elevators, cooperatives handling poultry products, and those selling farm supplies or services to members, such as cotton gins. Fruit and vegetable and dairy cooperatives less generally use this method, principally because of the risks and heavy financial burdens involved.

The advantage of the method is that the producer knows in advance what he will receive; otherwise, he might hesitate to sell through the cooperative.

A second method is to sell the products for the individual grower's account. This method is most frequently encountered among fruit-and vegetable-marketing cooperatives. Each grower is paid the price received for a specific lot of the product of which the grower's consignment constitutes all or a part. This method is used generally where the product is packed and graded by the individual members or in cases where accurate grading as a basis for pooling is impracticable.

The third method, commonly used by fruit and vegetable, dairy, and some other cooperatives, is called "pooling." The products delivered by each patron of the association are graded and thereafter lose their individual identity, becoming part of a "pool" which is a lot of products of the same grade sold under specified conditions as to time or place, generally the former. The individual grower receives the average price obtained by the association for the pooled products.

Pooling gives the individual grower some insurance against the risks of marketing. For example, two carloads of fruit, of equal quality, may be shipped by an association on the same day, one car bringing a higher price than the other because of a favorable selling opportunity. Under the second method outlined above, the grower lucky enough to have his products in the higher priced car would receive a bonus for which he was in no way responsible, whereas the grower who happened to have his fruit in the other car would be penalized for something for which he was not responsible.

With pooling, both would receive the same average price for the same quality fruit delivered to the association. The risk of having fruit in the car bringing lower returns would be spread among all the growers shipping that day, according to the same principle as that governing insurance against risk of fire or hail.

Pooling also facilitates transfer of the control of the product from the members to the management, which can exercise more freedom in selling so as to receive a higher average return for all of the products handled. For example, the association may increase its total returns by selling some of the product in new or otherwise less advantageous markets, thus reducing supplies and supporting prices in its principal markets and perhaps helping to promote future outlets in the new territory. Without pooling, members whose products were in the shipments to the lower return markets would violently object to such a procedure. Thus, the advantages of differential pricing and other forms of "orderly marketing" designed to increase total returns at the expense of returns from some individual sales, would be lost. The management generally would be hamstrung in attempting to do a good job of selling because it would have only partial control over the products to be sold. Pooling eliminates such restrictions.

Pooling also tends to reduce the costs of selling and eliminates separate handling and accounting of the members' products.

The chief disadvantages of pooling are, 1) the difficulty of maintaining equitable differentials among the members



products.

The chief disadvantages of pooling 1) the difficulty of maintaining equitable differentials among the members of the pool because of grading inaccuracies and other factors; 2) the delay in making final returns from the products until the sale of all products in the pool has been consummated.

Many problems arise in connection with pooling: the grades to be used, the length of time covered (daily, seasonal, etc.), the shipping area to be included, and the prorating of marketing expenses among the several pools. No one method of pooling is best under all circumstances; like most other features of cooperative marketing, the method of pooling used must be adapted to the specific conditions encountered.

CHAPTER FIVEAuctions an old method of selling :-

The auction method of selling goes back to antiquity, and the mode of procedure is said to have changed very little with the passing of the centuries. This method of selling has been in use in the United States for more than 100 years. One auction company now in existence dates back to 1805. Fruit has been sold at auction for 100 years and cotton cloth was sold at auction prior to 1816, or as soon as the domestic mills had quantities for sale. Imported goods were at that time sold at auction and the same method of sale was applied to domestic goods. The method was continued until 1897. With the development of commission selling houses and the increasing rapidity of style changes, the mills produced smaller surplus stocks during dull periods, and auction sales declined in importance. They are still used to some extent for the sale of textiles, some three auctions being held daily in New York for the sale of textiles and other products. A considerable part of the merchandise offered at these sales is for the account of insurance companies.

The auction method of sale was formerly important in the United States for the sale of such staple goods as cotton and woolen cloth, coffee, tea, cotton, hardware, and shoes. The sale of cotton and coffee was taken over by produce exchanges while the marketing of the other products was taken over by various types of dealers. Although very important, auction sales are apparently of relatively less importance than formerly.

The auction method of selling is, perhaps, more generally used in Europe than in this country. The world's wool market centers in the wool auctions held in London and in other cities on the Continent and in Ustralia. Tea is sold regularly at auction in London. Hides and skins are sold at auction in central and western Europe. Prior to the World War a regular tin auction was held in Holland. A considerable portion of the food supply of Paris is sold at auction in the wholesale market. Nutmegs and mace are sold at auction in Amsterdam.

Characteristics of auction sales :-

Characteristics of auction sales are that they are open to the public and that goods are sold to the highest bidders, unless, as is sometimes true, the seller reserves the right to reject bids under certain conditions. Anyone is free to attend and to make purchases in compliance with the rules under which the sales are conducted. The fact that auction sales are public would indicate that they are the fairest type of sales. This is generally true, but all too frequently auctions have been manipulated by artificial bidding by agents of the owner of the goods or by combinations among the buyers. Jewelry auctions are often regarded as an unfair method of competition, due to the deception of the buyers. Some cities have passed ordinances regulating such sales. Cincinnati, for example, requires that all jewelry shall have securely attached to it a printed or a written tag or label stating the kind and purity of metals used in the article, and in plating and overlay. This statement must be read when the article is offered for sale.

All prospective buyers should have an opportunity of closely inspecting the goods offered for sale. This opportunity is

granted in most cases, but, if it is not, the buyers may well be suspicious of the goods offered for sale unless offered by a regular wholesale auction where samples are shown.

Gives full play to law of supply and demand :-

An auction sale is often said to give the freest play to the law of supply and demand, and hence to make sales at exactly the prices dictated by this law. The amount of goods for sale is known and competition between the buyers is supposed to measure the demand. As a matter of fact, however, demand seems to be relatively more important at auction sales than at private sales. An article is offered for sale; if two or more persons want it and competitive bidding starts, the price may be forced up perhaps to an unreasonably height. On the other hand, if there is only one bidder he may buy the article "for a song." This appears to lead to widely fluctuating prices, which in many respects are undesirable. There is always the possibility of the buyers uniting and refusing to bid against each other. In such a case the owner of the goods may be justified in bidding on his own goods. In order to be successful there should be keen bidding among the buyers and this element of competition is one of the chief characteristics of most successful auction sales. There should also be no withdrawal of goods by sellers, nor bidding in of their own offerings.

In many ways an auction resembles the sale of goods to the one submitting the highest sealed bid. In both cases sales are made to the highest bidder and every one is free to bid. There are, however, two important differences. First, the

sealed bids are not public; and, second, "crowd psychology" is lacking. The public bidding and the crowd psychology are two of the chief characteristics of auction sales.

An auction sale is the best way of selling goods for which there is no established market or no ready guide as to value, as, for example, old paintings or furniture. The auction is often resorted to for the sale of goods which must be sold quickly and for which there is no well established market price, or no regular outlet. This often means that such goods are sold at a sacrifice, but if two or more buyers want the same article a very good price may be received for it.

#### Goods sold "as is." ;-

Most goods sold at auction are sold "as is," and the buyer has no recourse if he finds the goods not so good as he had supposed or if he finds a defect in the goods not known at the time purchased. An auction sale is a sale where the term "caveat emptor" (let the buyer beware) fully applies. At times goods are sold by sample or by grade, but generally the buyers have the right of carefully inspecting the goods before bidding.

In the sale of fruit there is no guaranty that all the goods are of the quality shown. Most fruit sales are not made technically from sample, in that the buyer is not allowed to claim that the goods are not of as good quality as that displayed.

#### Establishment of price :-

The auction frequently establishes the market price. The auction prices are public. If the quantity sold at auction is large, the auction sales may really set the prices followed at private sales.

Functions performed by auctions :-

The auction performs primarily a selling function. Such other functions as assembling, dividing, storing, financing, and recording may be performed incidentally. In performing the selling function the auction finds buyers, negotiates price, and transfers title. By advertising its sales and attracting people who hope to find bargains, it may create demand. Some people buy who attend the sale from curiosity and who had no intention of buying when they came. Finding buyers, and negotiating or determining price are, perhaps, the most important functions of auctions. A public sale may find buyers for products which it would be difficult to sell at private sale. Prices may be established for articles which have no regular market prices.

The auction is often instrumental in assembling goods for sale. The fruit auction draws fruits and vegetables from different sources together for sale. The antique or furniture auction may bring a variety of products together in order to attract a crowd and to secure sufficient volume to enable the sale to be held economically. The auction seller frequently divides the goods. The fruit auction companies commonly receive goods in carloads and sell them in lots of from 20 to 100 boxes. Goods may be stored by the auction company while waiting for the next sale or for enough goods to attract a group of buyers. Some auction companies do a limited amount of financing, paying the seller as soon as sales are made and extending a limited amount of credit to the buyers. The auction seldom grades the goods sold. Some auction companies have expert appraisers on their staffs who give valuable information to the sellers. The auction company

occasionally delivers the goods sold to the buyers, although a separate charge is likely to be made for such service. Many auctions are held by hired auctioneers whose sole function is to sell, all other marketing functions involved being performed by either the sellers or the buyers.

Wholesale and retail auctions :-

As auctions are public sales open to all buyers, they cannot, strictly speaking, be designated as wholesale and retail sales. But by making the minimum sale so large that only dealers or manufacturers can buy, wholesale auctions are in fact established. Such auctions are held for the sale of fruits, vegetables, raw furs, rugs, and eggs. The fruit auctions perhaps are the largest and best established of the "wholesale" auctions.

Methods of operation :-

The auction companies are usually owned by men in the trade and operated for profit. This fact often causes friction, as one wholesaler does not like to have his goods sold by a competitor to whom he pays a commission.

Warehouses are generally rented by the auction companies from the carriers. The carrier provides the facilities in order to secure the traffic. At times the railroad allows the auction company to use the warehouse rent free or for a low rental charge. The goods are commonly unloaded at night and placed in the warehouse for inspection by the buyers. The lids are removed from the top packages to facilitate inspection. The auction company prepares a catalogue for the buyers in which each lot of goods is given a number. The lots are kept separate in the warehouse and identified with the catalogue numbers. The buyers inspect the fruit and then

go to the auction room, which is usually on an upper floor of the warehouse. The sale is made from the catalogue, bids being received for the various lots or "lines". Ordinarily a car is offered for sale, the highest bidder being allowed to take as much of the car as he wants, so long as he buys the minimum quantity. The highest bidder selects what he considers the most desirable lot, or line (or portion of line) in the car for his purposes. What is not sold at the highest price goes to lower bidders until the entire car is sold. Another car is then offered for sale. The auction continues until all goods offered for sale are disposed of. The minimum quantity varies from one auction to another and from one product to another, but is usually 10 or 20 packages. Sales usually proceed rapidly, from 10 to 50 cars of fruit commonly being sold within a few hours.

The auctioneer is very important. A good auctioneer will secure higher prices than a poor auctioneer. He should have a strong personality, a thorough knowledge of the produce business, and a good pair of vocal chords. He should be well acquainted with the individual buyers. He should know market values. He can antagonize the buyers by trying to force them to pay more than the goods are worth. The buyers will bid better for an auctioneer they like than for one they dislike.

The fruit auctions are one of the most picturesque parts of our marketing machinery. They are generally located in the railroad yards or on the water front amid the dirt of the switch engines or tugboats. The bright colors of the fruit in the warehouse contrast with their drab surroundings. There



is a motley crowd in the auction room-jobbers, brokers, hucksters, sellers' representatives, truck drivers and draymen waiting for orders from the buyers to haul away the produce.

#### Auction charges :-

The auction company charges a commission of from 1 to 7 per cent of the value of the goods sold, usually 1 1/2 to 2 1/2 per cent. The rates vary with the commodity and with the seller. The seller who only occasionally sells a small quantity of goods at auction is charged a higher rate than a seller who regularly supplies the auction with large quantities of goods for sale. The auction company very often also makes a handling, terminal, cataloguing, or delivery charge. Terminal, handling, or delivery charges are made to cover the cost of physically handling the goods-unloading, stacking, displaying, or delivering the goods-while the auction charge covers the cost of selling. Handling costs are charged to the buyers. Cataloguing fees when made are charged to the seller.

When an auction company enjoys a large volume of business, its operations may be very profitable.

#### Extension of auction sales :-

Some people have been so impressed with the economy of auction sales that they have advocated their extension to all kinds of fruits and vegetables. A market operating for from 1 1/2 to 2 1/2 per cent of sales looks like an economical selling method. It must be remembered, however, that this does not include all the marketing expense. There is the handling charge often levied by the auction company. Then the auction

does not ordinarily act as consignee. The out of town sellers must have local agents or representatives to look after their interests. Further, the auctions do not ordinarily place the fruit in the hands of the retailers. A great deal of it must pass through the hands of the wholesaler or the jobber between the auction company and the retailer. It is argued that the auction company could act as consignee for goods and remit the proceeds directly to the country shipper:

Proposal for government supervision :-

Some say that the auctions should be under government supervision, or that a public representative should be present to whom growers or dealers could consign their goods with the assurance of getting a square deal and of receiving the actual market price on the day of the sale. There have been a great many instances of growers being unable to find a satisfactory market for their produce. The suggestion of publicly supervised auctions, to which these growers, or the local buyers, could consign goods at any time and feel assured of receiving the actual market price, less a very small commission, is worth careful study and serious consideration. It must not be supposed, however, that such auctions could receive small lots of ungraded goods directly from the farmers, for the sale of such goods would destroy the economy of the auctions and defeat the purpose of the plan. Neither must it be supposed that such auctions would always assure the country shippers of a profitable outlet for their goods. In case of a large supply or a glut in the market, such goods might sell for less than the transportation costs. The yield of fruits and vegetables is so dependent

upon the weather that there is apparently no way of accurately adjusting the amount grown to the needs of the city population at all times. Some improvement over the present system, which allows goods to rot on the farm for lack of a market while the city consumers are paying high prices for similar goods, should be possible. In this connection, the suggestion for publicly supervised auctions should be seriously studied. The auctions should be operated in connection with the central wholesale markets.

#### Final appraisal of auction sales :-

An appraisal of auction or public sales involves a consideration of the expense of selling at auction, the expense of buying at auction, the effect of auction sales on prices, and the abuses of auction sales.

#### Cost of selling :-

An auction is often a cheap method of selling. One auctioneer may sell as much as several dozen salesmen at private sale. Unless the auction involves large expenses for advertising, assembling, or dividing goods, or for clerical assistance, it should be a cheap method of selling. When an auction draws a good crowd and sells a large volume of goods, it seems to operate at a relatively low cost.

#### Cost of buying :-

The auction seems to be an expensive method of buying when the time of the buyers is considered, unless they buy large quantities of goods. The buyer may have to sit through a long auction sale to buy one article that is offered toward the end of the sale. In the case of fruit, the dealer might visit several merchants and select his goods in the

time that he could attend one auction. He can often buy privately over the telephone. It is evidently impracticable for the average retailer to buy his goods regularly at auction. The fact that many buyers will not patronize auctions if similar goods can be bought at similar prices at private sale indicates that the time of the buyers is an important factor. Buyers must often be attracted to auctions by the hope of bargains or by the entertainment they will receive at the sale.

Effect of auction sales on prices :-

There is a difference of opinion as to the effect of auction sales on prices. Some contend that they lead to higher prices while others argue just as strongly that they lead to lower prices. Sellers may be expected to sell in the way that they think nets them the highest price. Some large dealers regularly have their goods sold at auction, while others regularly sell their goods privately. Still others use both methods, selling privately or at auction as seems desirable from time to time. Some believe that auctions do not influence the average prices but that they lead to highly fluctuating prices. Auctions give full play to the law of supply and demand. If the supply is small and the demand strong, prices soar. On the other hand, if the supply is large and the demand only moderate, prices slump. As one dealer expressed it, he wouldn't have the nerve to ask the prices sometimes received at auction. Psychology plays its part. One does not like to be outdone before a crowd. An anxious buyer may run the price up very high. In fact a part of a given "line" or lot often sells considerably higher than the remainder. Following out this idea, it is contended that in time of scarcity the buyers

bid up the prices so high that the consumption declines, causing a slump in prices with resultant loss to both dealers and producers.

Many people hesitate to have their goods sold at auction, due to the uncertainty of the price that will be received. If the crowd is large and the bidding is spirited, excellent prices may be received. On the other hand, if the crowd is small or the bidding is sluggish, the goods may be sold very cheaply. This would seem to prove that auction prices are likely to fluctuate widely.

Another view is that auction sales tend to stabilize prices. Those holding this view say that auction sales are open, that the buyers know the available supply, and that all buyers have an equal opportunity to bid. If prices go unreasonably high, they argue that the buyers will refuse to bid and hence the advance is checked. On the other hand, if the prices sag, the buyers will buy liberally in the hope of an advance, or of selling for large profits at retail. This liberal buying will help to maintain prices. Auction selling probably has stimulated the grading of fruits and this grading tends toward price stabilization.

There is not enough evidence available to enable us to draw definite conclusions as to the effect of auction sales upon prices. The fruit auctions handle goods that are better graded and less perishable than most of the fruits and vegetables sold outside the auctions in the auction cities. This should mean that auction prices vary less than prices on such things as tomatoes, strawberries, and peaches sold at private sale. These articles vary more in quality than the goods

ordinarily sold at auction. Many of them are also more perishable, and must be sold quickly regardless of how strong or how weak the demand may be. Apples, oranges, lemons, and grapefruit may be bought as bargains and held for a few days for an advance in prices.

We are inclined to believe that the auction method of selling makes for price fluctuations rather than for price stability.

#### Abuses :-

One disadvantage of the auction is the ease with which it may be abused. Abuses are said to have caused it to fall into disfavor with the public and to have limited its growth. Some believe that the method is economical and that it would be more widely used except for abuses. Some of the common abuses have been misrepresentation of the goods by the auctioneer, withdrawal of goods if the market appears unfavorable, selling some of the goods advertised for sale at auction privately in advance, bidding in goods by the owner or his agents, and combinations of buyers to limit competitive bidding. Misrepresentation of goods by unscrupulous auctioneers has done much to bring auction sales into disrepute with the public. The rules of many auctions permit the owners to withdraw goods from sale under certain conditions. Some sellers reserve the right to reject any and all bids. When goods are withdrawn or when many bids are refused, the buyers have a right to be skeptical of the "honesty" of the auction. If goods are advertised for public sale they should not be sold in advance. An auction is hurt when the buyers believe that the goods have been picked over and the best sold to favored buyers.

At times the seller bids in his own goods through agents. This practice is defended on the ground that the buyers sometimes refuse to bid as much as the goods are worth. Some sellers have bid up their goods to get the auction established and then have abandoned the practice. Although in individual instances this practice may be justifiable, very much of it will bring the auction into disrepute. To advertise that goods will be sold at auction and then to have them bid in by their owners is certainly against the spirit of a public sale. Agents of the owner who bid on the goods with no intention of buying them are sometimes called "puffers", "cappers," or "bybidders." Another similar abuse is for the auctioneer to announce fictitious bids which he originates.

At times, several buyers get together and appoint an agent to buy for the group. If this is done by enough buyers to prevent competitive bidding, the auction will soon be abandoned. One essential for a successful auction is competition among the buyers. Perhaps, when the buyers combine, the owner of goods is justified in having his agents bid on his goods.

Proposed Auctioning System :-

An electrically controlled auction run by cooperative organization whose members should be the small farmers. The essential importance of such a system is in the assembling part of the Market.

A Building should be provided large enough to contain about five hundred auctioneers for participation in bidding. An electric auction clock is set on the wall seen by all audience. The clock will contain many numbers on its dial and a hand. The seller will get his product to this auction place a day before the auction takes place to be labeled and specified and be placed in the exhibition hall to be inspected by the buyers.

After the product for sale been labeled and specified, the seller will state his maximum and minimum price for the commodity.

When auction takes place the hand will be set to indicate the commodity maximum price. At the time when the bidding is announced the hand is set to rotate from maximum towards the minimum price, electric buttons are provided near or on the seats with a number on each button. Any auctioneer who presses the button the hand will stop automatically indicating the price on which he bid and his button number.

In case nobody presses the button the hand will stop at minimum either by the seller or automatically indicating "no sale" bidding for next commodity will take place.

Advantages :- 1. The seller will get higher price for his commodity for the reason that the buyer has one chance to bid on that commodity so psychology he is anxious to press



his button first being afraid that somebody else might press it before him.

2. It will cancel out middlemen (i.e. commission men, brokers, muallimin etc.) who are the greatest retarding element in marketing mechanism.

3. It will save time which is rather precious for the buyers.

4. It will exterminate the bargaining power because everything is run electrically and automatically.

Disadvantages :-

1- If the specifications for a certain commodity is not honestly made it will wipe out the system from existance, because of loss of confidence.

2- Occasional or accidental interuption of the electric installation and power.

CHAPTER VIMarketting Centers

The Market Places: The market place has always been the focal point of the city, a center for the exchange of goods. In ancient times it was the open space to which farmers, and craftsmen brought their products for barter. The development of transportation and money systems implemented the transfer of goods, and the barter system shifted to a form of retail enterprise. Expansion of commerce created a merchant class dealing in the exchange of goods produced by others than themselves. The importance of cities increased as centers of wholesale and retail trade.

As with so many other activities of man, the industrial system brought more changes in the nature of the market place. Not only did the transportation of goods quicken, but the systems of communications accelerated the exchange of goods. The great cities became the trading centers in which world commerce was concentrated. With the growth of urban population the city continued to expand its wholesale and retail functions, but emphasis in the great business centers of the city has shifted from the commodities being exchanged to the methods and processes for trading in them. The goods are replaced by pieces of paper-documents-which purport to represent them, and transactions for the transfer of commodities are consummated by an exchange of these documents. Negotiations for the sale and payment of goods transferred from a merchant in Montevideo to a merchant in Buenos Aires are transacted in a London banking house, or the exchange of grain and meat between the producer on the farm and the consumer in the city next door is arranged through the trading centers of New York or Chicago. The industrial system has introduced a variety of commercial functions to the city never present in the simple

market place of the ancient town, and four recognizable types of commercial districts have emerged in the modern city.

The Central Market of the large metropolitan city is familiar to every urban dweller. It is the financial and administrative center of its region and, in some cities, it has become the center of business for the nation. New York has its Wall Street, Chicago its LaSalle Street, Paris its Bourse and London its Exchange district, but every city has its financial center even though it may serve as a satellite of a greater center. "Marketing Center" includes the wholesale and retail centers for service to the satellite districts within the city proper or its region. These centers have not been planned; they have simply crept outward and upward within the network of obsolete and confining streets as the fortune of cities and nations fluctuated. Degeneration of the central business district is an urban tragedy. It presents a challenge to business and civic enterprise. Marked by intolerable congestion, noise, fumes, exorbitant land values and overcrowding, it has apparently grown impotent to regenerate itself. Shifting restlessly away from the blight which time imposes upon helpless commercial districts, disintegration eats further into the urban core over the years and leaves the outlying areas of the city the only haven of refuge for healthy enterprise.

A second type of commercial area is the small, central business district of the satellite community. Dependent upon the metropolitan center for major administrative and wholesale functions, the small commercial center contains the chain retail stores, professional offices, service supply enterprises, motion picture theaters, branch banks, and stock exchanges. In the small self-contained city, this district will also provide

wholesale facilities and include the necessary administrative and transportation centers.

The third type of commercial district is the community center for outlying sections of the city. It may overlap with, or be the counterpart of, the commercial center of the satellite community, but it contains the large-scale service facilities which do not lend themselves to further subdivision and distribution. Among these facilities are the large food market, chain stores of various types, branch banks, and telegraph, telephone, and postal district offices, motion picture theaters, branch library, and medical and dental professions.

The smallest commercial unit is the neighborhood shopping center. The modern counterpart of the "corner grocery store," the neighborhood shopping center provides the day-by-day commodities for the direct convenience of a limited population. Here, the housewife may perform her regular shopping for the staple goods, and it may have an independent grocery store and meat market, radio and electric shop, shoe repair shop, hardware store, a bakery, drug and stationery store, and barber and beauty shop.

Overzoning : The amount of urban land zoned for commercial uses is excessive beyond reason. When communities were small and served a vast outlying area, commercial uses were permitted along both sides of principle traffic routes. When a highway passed through the center of a town, it became the axis for the central business district, and "shoestring" business developed at random along its route. As the population of the community expanded, additional traffic routes were provided and

more business stretched along them. It was then presumed that successful business on the highway proved them to be the proper location for commercial enterprise and, with little further examination of the amount of business a community could support, all existing and proposed street highway frontage was zoned for commercial use. It is now impossible to classify any business areas as shopping "centers."

About one-quarter of the streets in American cities are used as main thoroughfares with the property fronting upon them zoned for business use. This supports the estimate by Harland Bartholomew that some 25 per cent of the total area of the average city is occupied by commercial zoning, whereas the area actually used by retail business is only about 3 per cent of the total developed area of a city. This contrast gives some measure of the degree to which cities have been overzoned for business development along the traffic arteries.

The gross excess of commercial zoning weighs heavily upon the city. Despite the relatively small proportion of commercial zoning which is actually developed for business, much of this enterprise operates on a marginal basis. The mortality rate of retail business is extremely high, between 15 and 25 per cent of the retail stores going out of business each year. About one-third of all retail stores have a life-span of a year or less, one-half remain in business no longer than two years, and less than one-quarter remain as long as 10 years. Mr. Robert Dowling, a prominent real estate counsellor in New York City, estimated that four or five times as many stores are in business as the need demands.

Inducement to engage in uneconomic ventures is apparently strong, and the impact spreads far beyond the failure of an

individual entrepreneur. Unstable business enterprise breeds physical blight; the "shoestring" investments in retail business are analogous to the "shoestring" character of zoning. In some cities fully half the property zoned for business is used for residences and these mixed land uses not only create an undesirable residential environment but remove the prospect for consolidation of shopping facilities for convenient access.

The key to the appropriate amount of space for commercial development is the purchasing power of the people who patronize the business, the anticipated volume of sales, the density of population, income levels of the people, and the proximity and the type of services available in adjoining business districts. Techniques for analysis of purchasing power have been developed by authorities in this field, but they are usually applied to the consideration of single enterprises rather than an entire commercial district. With the development of new planned communities the neighborhood shopping center is receiving more attention as an economic unit. Here, however, we again find a contrast with excessive zoning. Desiring to induce prospective retail enterprise, the developer of shopping centers must offer reasonable assurance of a stable and continuing market and, as a result, he usually provides a minimum of space for competitive enterprise. These "controlled" shopping centers may unduly restrict competition to assure a safe market for investors, but this necessity points up a salient reason for the blight of unsound business enterprise that floods the areas of excessive commercial zoning in <sup>Ameylati</sup> ~~XX~~ cities at large; it gives force to the fact that zoning for business use must be reduced to a reasonable compromise between the tendency

toward monopoly and the excesses present in current zoning practices.

How Much Land for Commercial Use :-

Each community has some peculiar local conditions and practices which will bear upon estimates of the amount of land required for commercial purposes, but investigations in a number of cities shed some light upon the relation between population and the land area for business as a point of departure in developing appropriate standards for the allocation of space for commercial districts. The familiar "rule of thumb" for allocating space for commercial development is 50 feet of street frontage for each 100 persons in the area to be served. According to the survey by Harland Bartholomew in Urban Land Uses, an average of 63.7 feet of street frontage per 100 people was actually developed for retail trade of all types in small, self-contained cities.

That the "over-all" amount of space devoted to business is an inadequate measure is evident from observation of cities as well as further statistics of land use. The distribution of the space is equally important, if not more vital, to the welfare and service of a city than the total area allocated for commercial development. Thus the Bartholomew survey showed that 44 per cent of the total commercial area-about 28 feet of street frontage per 100 people-was in the center business district, and 56 per cent - 35 feet of street frontage per 100 people-was distributed in the residential neighborhoods.

A survey by the Los Angeles Regional Planning Commission showed a further breakdown in the types of commercial districts. The combined commercial uses amounted to 2.72 acres of land per 1,000 persons throughout the County of Los Angeles. Of

this area 1.19 acres was in neighborhood shopping districts, while local or community business districts occupied .92 acre, and the balance, .46 acre per 1,000 persons, was in the satellite commercial centers. An additional .15 acre per 1,000 persons was contained in the main center market business center of the city of Los Angeles. These classifications of districts correspond to the four types described at the beginning of this chapter. The Los Angeles County survey included a great variety of communities, ranging from the great metropolitan area of the city of Los Angeles through the small towns surrounding this city to semi-rural areas served by village centers. The Bartholomew survey, however, covered small cities and indicated an average of 1.79 acres per 1,000 persons in the total commercial development, of which .79 acre was in the central business district and the remaining one acre in the outlying or residential districts. The land area devoted to all commercial uses in four large urban centers in proportion to the population is shown below:

	Acres per 1,000 Population
Detroit	3.50
San Francisco	1.75
St. Louis	2.15
Los Angeles (City)	3.30

The areas which are set forth in the foregoing table do not include any provision for automobile parking, which has become an imperative necessity in commercial districts, but the quoted areas do include all business uses regardless of their financial soundness.



Neighborhood Shopping Centers :-

The present excessive zoning for commercial land uses is out of control and it is difficult to exercise reason in a consideration of standards of appropriate space in the central business districts. The development of neighborhood shopping districts, however, offers more encouraging prospects. Developers of planned residential communities are beginning to recognize the desirability of establishing local shopping centers, not only for the convenience of the residents but as profitable business ventures. Although competition is a stimulus to retail business, it is natural for commercial enterprise to seek a stable and continuing market. Developers of business property consequently incline to restrict the amount of space they provide in a shopping center as an inducement to, and protection for, the enterprises invited to establish their businesses within the center. As previously suggested, this restriction may shade toward monopoly in effect, but reasonable competition is a recognized advantage to entrepreneurs, and the increased volume of business it induces leads to an invitation to competition rather than elimination. In developing shopping centers, therefore, emphasis shifts from the prospect for speculation in land, which promotes the over-zoning for commercial use, to the more vital element of the purchasing power of the population within the radius of service. Studies in this field lead to a more rational allocation of urban land for business use than can be otherwise expected.

Table I. Neighborhood Shopping Facilities

No. Families	Floor Area (sq. ft.)	Type
50	3,500	One general store
250	9,500	Market, drugs, bar and grill
500	12,000	Same as above with stationer, laundry, cleaner
1,000	17,000	Same as above with specialty shops, delicatessen, beauty shop, bakery.
2,500	35,000	Same as above with addition of market, drugs, stationer and laundry, also restaurant, barber, florist, bowling (3 alleys).
5,000	90,000	Same as above with addition of market and drug store, also theater (1,200 seats), variety shops, post office, professional offices, doctors, etc.
10,000	290,000 (3,500 second fl.)	Same as above with library, three theaters.

Using the average expenditures per capita for various goods and services reported in the U.S. Census for 1940, Marcel Villanueva arrived at an area of .73 acre of floor space per 1,000 people in a community of 2,500 population, and .86 acre per 1,000 people in a community of 5,000 population. These areas are equivalent to approximately 23 and 26 front feet per 100 persons, respectively, and do not include space for auto parking. The community Builders' Council suggests a street frontage of 20-30 feet per 100 people or a floor space of about one acre per 1,000 people. The report on "Present and Future Land Uses" for San Francisco noted that: An analysis of the acreage devoted to business uses other than that of a metropolitan character shows that the requirements for local business varies from .75 acre to 1.5 acres per 1,000

people averaging about 1.2 acres but running more often at about .8 acre in areas containing only neighborhood service establishments.

When community developers provide shopping centers as an investment, however, the allocation of space for these facilities is more conservative than the above estimates. A proposal by Mr. Robert Dowling estimated a street frontage of 11 feet per 100 people for a population of 250 families or about 875 people. For a community of 500 families (3,500 people), and more, is between 5 and 6 feet per 100 persons. This is equivalent to a floor space of only about 1/10 acre per 1,000 persons for populations more than 1,750 persons, and 1/4 acre per 1,000 people for smaller communities of about 875 people.

While the Community Builders' Council suggests an average of one acre per 1,000 persons as a desirable allocation of commercial space, the examples cited by that organization range from one-half to three-fourths acre per 1,000 persons. The proposed floor space for a population between 700 and 1,000 families is as low as onethird acre per 1,000 persons, an average of about 15 feet of frontage per 100 people. Hugh Potter, who developed River Oaks in Houston, Texas, suggests 2 front feet per 100 people with a maximum of 10 feet.

The space requirements cited in the foregoing estimates provide no allowance for auto parking. In developments by the David Bohannon organization in the San Francisco Fay areas, three-quarters acre of land per 1,000 people has been designated for commercial shopping and this area includes parking space. Assuming a 2:1 ratio of parking space to floor space, this

area is equivalent to about one-fourth acre of building floor space per 1,000 persons.

In appraising the variations between estimates of space for shopping it is necessary to account for differences in the basic assumptions or in local situations. Previous reference has been made to the tendency to restrict space in facilities developed as investments for commercial rental income. The income levels and consequent purchasing power of the people to be served by a shopping center will affect the quantity and type of these facilities. Mr. Dowling's suggested areas were based upon a district with families having an average income of \$2,500 per year, although he undoubtedly calculated conservatively to compensate for the quantity of established business enterprise existing in the surrounding area. Villanueva assumed a neighborhood of families with an average annual income below that in the Dowling estimates, but he assumed no other facilities within a 2-mile radius. The differences between the ratio of commercial space to population in the Los Angeles County survey and the average self-contained small city surveyed by Bartholomew may be explained by the low density and numerous satellite communities spread over the area of 1,200 square miles in Los Angeles County in contrast to the compact nature of the small city.

Each community has characteristics which form the basis for judgment of the appropriate relation between the population and the space required for the commercial facilities to serve it; it is the restoration of a balance between them in our zoning ordinances upon which the health of city development, in part, depends.

Parking for Shopping Centers :-

The future stability of commercial enterprise will depend in large measure on the adequacy and convenience of space for automobile parking available to customers and employes and the arrangement for service facilities. The effect of deficient parking and service facilities may be measured by the shift of retail business to outlying areas and the relative decline of property values in the central district.

It is generally estimated that the space provided for automobile parking in commercial districts should be equal to the floor space in buildings, but this "rule of thumb" can only be applied roughly to office and wholesale facilities. Centers devoted primarily to retail business require as much as 3 and 4 square feet of parking space for each square foot of floor space in the buildings occupied by such uses. The appropriate ratio depends upon the type of service offered in the marketing center, the area served, the availability of mass transportation, and the travel habits of the patrons. It has become abundantly apparent, however, that adequate parking space is an essential ingredient of the space allocated to commercial enterprise. Chain markets, mail-order houses, restaurants, and entertainment centers have initiated the practice of providing their own parking facilities, and the space requirements for some of the more enterprising of these business concerns range as high as 4 square feet of parking for each square foot of building floor space.

Planning the Commercial Center :-

The only rules that need apply to the planning for commercial enterprise are those which likewise apply to all

other activities in the city: circulation about the business district must be safe and convenient, and pedestrian, vehicular, and service traffic should be separate each from the other, with ample parking facilities distributed within reasonable walking distance from the shops. This walking distance may well increase when the physical environment of the commercial district is made attractive; until then we may expect the current habits of shoppers, who desire the closest possible parking place, and the trend to shopping in the outlying areas to continue unabated.

A metropolitan business district may have an effective service radius of 50 or 100 miles, or it may be a center for tourist trade ranging over the entire nation, but the neighborhood shopping center should be within one-quarter to one-half mile walking distance from the homes served by it. The neighborhood shopping center is an integral part of the neighborhood center and should be accessible without crossing major traffic ways. The district or community shopping center will be within a 1 1/2 mile radius of the community in which it is located and may be designed as a minor civic and educational center.

Chapter VIIIdeal Solution For Marketing Center

A new regional type of center must be designed in such a manner as to fit into a logical economic pattern for the entire Metropolitan area. The planning of such a center should be developed by a detailed study of the various aspects of the scheme. The contributions of planners, architects and Engineers should also be supplemented by the different ideas installed by property managers, financial institutions and real estate organizations.

An ideal center, however, considering the assets and deficiencies of existing retail districts and branches, would include the following factors :-

I- Location :-

The location of the market should be based on a careful economic study of the whole area in question. The analysis of the region should bring up the question of extent of population, family incomes and for what goods money is spent. The habits of the population as well as the changes in demands are also to be considered in the analysis.

There are some valid reasons for believing that the placing of business at the center is not necessarily a desirable location, particularly in the type of community herein studied.

1. A pressure is created at a point, resulting in intensive use, the introduction of through traffic into the center and, with the growth of the community, a continued increase in congestion.

2. Such centralization tends to produce radial thoroughfares, and so to break the community into segments, often too small to have an identity of their own. This frequency creates the necessity of locating community facilities such as schools and playgrounds where they are separated from some of their users by main thoroughfares.

3. The attraction which business exercises is directed outward, not inward.

4. Through traffic may then be relegated to the periphery, to the advantage of both the business and the community, leaving the central area accessible without separation by through traffic streets and unified for its proper use for other community activities and for residence.

II-Highway and thoroughfare congestion in reaching the center should be positively eliminated. Convenience and safety require not only added highway capacity, but ample dispersal, and reservoir space for channeling vehicles to eliminate left turns across traffic.

One or more limited access highways provide the best kind of thoroughfares for this purpose. They should be ample, fast, safe and uncongested, and should have a capacity in excess of current demands.

Perhaps the easiest way to eliminate traffic congestion is to place the regional center well away from densely built up areas with concentrated traffic.

III- A balanced group of stores, should be included as to type number and size, to create a maximum cumulative pull. The majority should be branches of key, well established downtown



department and specialty stores, full advantage should be taken of the stores merchandising skill, wide publicity, and good will. People are attracted to a center by what they know they can find there in the way of goods and services, and by what they read is there in the papers, or see or hear on the air. The store signs, and even display windows, as seen by passers - by, are relatively minor factors in total year in and year out sales.

The larger stores should be competitive. Maximum pulling power and productivity have always been produced by healthy competition. Better fashion goods merchants thrive on such a situation, however they should not have to compete in the real estate business as well. In addition, certain variety and drug chains should be represented to the extent they satisfy a demand and help sales for the entire center. In effect, the center should be a miniature "downtown", and closely allied with it. The exact size depends on the estimated potential sales.

A minor area could be devoted to convenience goods stores, including a supermarket. There should also be other stores, including a good restaurant. A combination movie house and theater for fashion shows and goods demonstrations can be an asset.

Provision for reserve stocks in the store, and for their distribution from a central warehouse, must also be studied to take care of large "take withs" due to peak sales periods and convenient parking.

In general, the larger store has personnel and organizational advantages which attract greater managerial skill, such branch stores, as part of planned center, creates important "anchor" as far as site location and buying habits are conceived.

IV - The plot layout should be completely geared to the convenient and safe use of automobiles. Most well planned

centers today consider the minimum satisfactory ration of parking space to be 3 to 1.

Parking lanes should be two-way, and have 90 degrees parking. The latter accommodates more cars per sq. ft. and gives shorter walking distances. A peripheral road is needed around the center to give access to parking spaces. Private vehicle traffic near the stores should be discouraged in plan.

The parking turnover (number of cars parked in a day, divided by car spaces available ) often average only once per day on a yearly basis for branch department stores. For convenience goods stores, it can be ten times or more. This is due to the fact that one can buy a week's supply of goods in 20 minutes or 30, while it sometimes takes several hours to select fashion goods. In smaller centers, from the merchandising viewpoint, it is important to decide at the outset how much of the parking is to be in front and how much in the back. The entrance adjacent to one largest parking area becomes the "front" for all practical purposes. Parking areas can sometimes be enlarged by use of double & deck parking, basement, or roofs.

It is generally bad planning to try to limit a parking area to the use of a single store of a shopping group. Customers usually shop or make purchases at a number of the stores. Any store creates ill will if it tries to limit a lot to its exclusive use.

There should be minimum walking distances between parked cars and covered walks, and between stores. This often becomes a problem if the center is too large or dispersed. There should also be a completely separated pedestrian way adjacent to the store frontage, reached by covered arcades in the parking

areas. Highway traffic and parking areas should be carefully concealed from the pedestrian shopper. Besides giving better vistas from inside the shops and along the walks, it produces a concentration of pedestrian traffic, promoting greater sales. It also gives a separation of pedestrians from moving vehicles, adding to convenience and safety.

Loading areas for incoming and outgoing goods should be planned for minimum interference with pedestrian and private vehicle traffic.

V- The design and plans of the buildings should be well integrated with the site plan, and present merchandise in the best manner possible to the planned, concentrated pedestrian traffic. It must be economical, convenient, spacious and in good taste. The architectural impact from the highway should also be considered; about 90 per cent of the shoppers can be expected to arrive by automobile.

A small scheme layout of the buildings has the advantage of having two rows of stores facing each other. With this plan, there is no "best" side of the street, and all stores are within convenient walking distance. Concentration of pedestrians on the inner loop considerably increases impulse buying. Secondary axis used to "avoid" the monotony, "and without real merchandising function, do little but create dead "side streets."

Arcades leading to the interior mall should be treated architecturally. Walks in the mall itself should be covered.

Open fronts are desirable for the stores, with treatment centered on the interior designs to create more impulse buying. Objectionable daylight reflections should be carefully controlled.

Open fronts and covered walks eliminate much of the expense of competitive facades. They also permit a more unified planning of the group, while still maintaining ample individuality of appearance. A standardized, simplified structural system can materially reduce costs. With modern lighting and ventilating techniques, ceiling heights can be kept to a minimum. This reduces cubage and the expense of elevators. The design should provide for future reallocation of space, and for flexible store equipment which can be reused and interchanged, even between stores. If future expansion is planned for any of the stores, foundations and structures designed for the addition of extra floors will prevent encroachment on land areas reserved for parking. Otherwise, adjacent property must be available, to preserve the recommended minimum 3 to 1 parking area to building ratio.

Signs should be orderly, and designed to be seen from high speed highways. Signs should be included for the center as a whole, and for larger key pullers. The key restaurant, often an important puller, can have a special identity, easily seen from the highways, because it has to remain open when other stores and services are closed.

VI- The area surrounding the center must be controlled for the benefit of the community as a whole, as well as for the developers and merchants of the center. It should be built up in a constructive manner with permanent zone protection, or be under complete control of the shopping center ownership. When the surrounding area is owned by the developer, control can be obtained through voluntary or through deed restriction, to produce a useful surrounding residential area. Agreements

should be made with the civil or local government on taxes.

The ideal site design inherently provides a protective buffer for the surrounding residential area. This protects the investment from detrimental commercial encroachment, which generally produce uncontrollable congestion. The ideal pattern, with a large amount of parking and open landscaped spaces, provides maximum protection for the center area.

VII- The management of the center must be merchandise minded, and interested in long range investment, not quick turnover. It must give every possible aid in furthering increased productivity and space, and consider itself a partner of the retailer, not a landlord in the usual sense. Full cooperation must exist on all matters pertaining to opening hours, publicity, services, credit and the like.

The management must assume a great many operating and maintenance problems to reduce their cost and to permit the retailer to fully concentrate on his merchandise selling job. Efficient central heat and cooled water for air conditioning should be sold to each store <sup>on</sup> a metered basis. Ventilating and lighting equipment can be purchased by the tenant for amortization, timing and tax purposes.

If the center is kept open two or more evenings a week, greatly increased sales generally result. Two of the most important ~~fact~~ factors in assuring success are regional advertising and prove<sup>n</sup> good will. This can be best accomplished by close team work of the merchants and management.

CHAPTER VIIIOffice BuildingsSpace Connection and Space Arrangement :-

The managing operation of a large business requires a great number of offices, many of them large and spacious. These, according to the work to be performed may be classified into the following groups:

1. Executive offices
  - a. Buyers' and sample rooms
  - b. Advertising and publicity rooms
  - c. Offices for statistics
  - d. Offices for scientific planning and research
2. Personnel and employment offices
3. Cash, bookkeeping, invoice and auditing offices
4. Credit and charge account offices
5. Adjustment offices
6. Telephone and mail order offices
7. Offices for technical and architectural drafting
8. Offices for legal department, detective services and superintendent.

Not all business require all of these groups, and frequently several sections are combined.

The size, number and arrangement of the offices depends on the size and organization of the business.

1) Executive Offices :-

The executive offices consist of a number of private offices assigned to managers, chiefs, head clerks, and their assistants. Some of these often have separate reception rooms, waiting rooms, and record rooms. Several smaller or larger conference rooms are usually provided for meetings and negotiations.

a) Offices for Buyers and Samples (Showrooms)

Besides general and individual offices serving buying operations, the rooms for sample presentation require important space. Here

manufacturers' and wholesalers' representatives, traveling salesmen and other agents place their offerings before buyers or department heads. They are best placed near the management offices.

The sample room needs only a long sample table, the necessary chairs, and a telephone booth for immediate negotiations to be made by buyers and agents with their superiors. The sample booths have soundproof and removable partitions so that two or three of the rooms may be on occasion united into one large sample room. In addition, the walls and the ceilings are usually acoustically treated, to minimize conversation noises. Daylight for checking colors is absolutely necessary in most of the sample rooms, but there must be a few booths for testing merchandise in artificial light. Also necessary are a number of offices for the buyers, for clerical work, negotiation, and meetings. The entire department for bidding and samples should be equipped with appropriate signal and call systems through which the buyers can be in constant touch with the various sales sections.

#### b) Advertising and Publicity Offices :

These rooms of the advertising department serve technical and managerial work (2) Advertising and publicity offices are the last outgrowth of modern, scientific merchandising planning and management. This department, which played only a subordinate role in older department stores, has now attained such importance as to require a correspondingly large space.

The advertising and publicity department is subdivided into the following sections :

1. The advertising manager, who establishes the advertising

budgets, plans timetables and sketches for newspaper ads, circulars, show window dressings, decorations, catalogue and displays;

2. The manager of newspaper advertising, who, in cooperation with the advertising manager, elaborates all ads and other forms of publicity connected with the printing trades and techniques;

3. The assistants (several offices);

4. The copy writers, who conceive and elaborate layout, sketches, texts, and drawings, correct the proof, and prepare the type;

5. The artists, who design the drawings, show window dressings, etc. (work studios in other locations );

6. The testers, who test the merchandise offered and compare it with the ads.

#### Testing Laboratory

In close connection with the comparison bureau is the Testing Laboratory, where merchandise of all sorts, including that of competitors, is thoroughly examined, particular emphasis being placed on items made to special order. These laboratories are equipped with the latest technical installations.

#### Statistical Bureau

The statistical bureau is closely associated with the store management offices. Here are compiled and tabulated the daily and monthly productivity of each employee; records of all stocks, all expenses and profits of the various sales departments, advertisements and show windows, etc.; and from here this information is transmitted to the store management in the form of daily, weekly and monthly reports. The statistical department requires a large record room.



Office of Scientific Planning

Its aim is to produce scientific efficiency. Exact observations and time studies of working processes and methods and of the installations connected with them are made and checked against results of statistical computations.

Personnel and Employment Office

This large department requires an independent group of offices. It deal with such matters as the hiring and dismissal of employees, the control and checking of their efficiency; leaves, bonuses, wages, premiums; social welfare and support. The whole department consists of a number of large and small rooms for the personnel manager and his assistants, and these are connected with the necessary reception and waiting rooms.

Office for Bookkeeping, Cashier, Billing and Authorization

The biggest part of the office space is used in handling book-keeping, cash, billing, authorization papers, etc. The general book-keeping operation is done in one large, well-lit office without partitions. Here the necessary machines (bookkeeping machines, adding machines, copying machines, pneumatic tubes), are arranged according to a definite and functional plan. Connected with it are several rooms for records, files, etc. The head of the department has his own private office from which he can supervise and control the entire room. The cashier transactions (main cash desk, cash control, salaries, employees' sickness benefits, insurance funds, etc.) require a similar group of rooms for chiefs, assistants, and employees, and a burglar-proof enclosure for the safes. The cash department should be placed next to the bookkeeping department.

Legal Offices, Detective Department, Superintendent

The legal department watches over current problems, the collection of outstanding accounts, and the credit obligations of the customers, hence its offices should be near the bookkeepers and the management. The detective department is subdivided for employes and customers, but both divisions are located on the mezzanine.

The Superintendent's office is charged with the maintenance of the store and its equipment. It is responsible for the good lighting, air conditioning, heating cleanliness, and comfort of all departments. It also directs the mechanical procedure for the movement of goods.

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MILITARY

AREA

To ALEPPO

TO TRAIN STATION

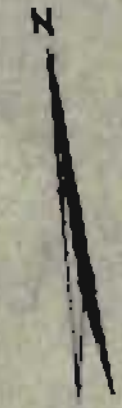
MARKETING CENTER

TO MUSUL

Local shops and stores

Local shops and stores

K A M I C H L Y



Road To Der-el-Zor

SCHOOL OF ENGINEERING A. U. B.  
PROJECT: MARKETING CENTER  
THE PLAN OF KAMICHLY  
DESIGNED BY: FARID AHAWIS  
DATE: APRIL 1958 SCALE: 1:2000 SHEET 5 OF 6

