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## Urban Retail Food Marketing in Tegucigalpa, Honduras: A Case Study

Alex R. Zablah

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**Urban Retail Food Marketing in Tegucigalpa, Honduras:  
A Case Study**

**A Thesis**

**Submitted to the Honors College  
of Louisiana State University and  
Agricultural and Mechanical College  
in partial fulfillment of the requirements  
for Graduation with College Honors**

**Alex R. Zablah  
December 1998**

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## TABLE OF CONTENTS

|   |    |
|---|----|
| ACKNOWLEDGEMENTS.....   | 2  |
| LIST OF TABLES.....   | 4  |
| LIST OF FIGURES .....   | 5  |
| Introduction .....  | 6  |
| Methodology.....  | 6  |
| Market Structure Analysis .....                               | 8  |
| Food Variety and Retailing Institutions.....                  | 8  |
| Food Distribution .....                                       | 12 |
| Economic Indicators .....                                     | 15 |
| TURFM Prices: Some Facts and Figures.....                     | 15 |
| Food Safety in the TURFM.....                                 | 18 |
| A Marketing Strategy .....                                    | 24 |
| Where to Begin .....  | 24 |
| Market Segmentation .....                                     | 25 |
| Food Processing .....   | 27 |
| TURFM: New Processing Trends on the Rise .....                | 28 |
| Physical Distribution .....                                   | 30 |
| Customer Satisfaction .....                                   | 32 |
| The Key to Success in the TURFM.....                          | 32 |
| Preparing for the Future .....                                | 33 |
| Post Hurricane “Mitch” Changes and Continual Improvement..... | 33 |
| The Big Picture:.....   | 35 |
| A Marketing Strategy Overview .....                           | 35 |
| Literature Cited.....   | 36 |

## LIST OF TABLES

|   |    |
|---|----|
| Table 1. Some Common food products found in the TURFM .....                                   | 8  |
| Table 2. Prices of Common Foods at Open and Closed Markets .....                              | 17 |
| Table 3. Prices for Selected Food Products in the TURFM for 1994-1996 .....                   | 17 |
| Table 4. Processing Conditions of Products Reaching Different Marketplaces in the TURFM. .... | 27 |
| Table 5. Marketing Strategy Overview.....   | 35 |

## LIST OF FIGURES

|  |    |
|--|----|
| Figure 1. Product distribution channels in the TURFM.....                            | 14 |
| Figure 2. Average Temperature of Mangoes in Different Marketplaces .....             | 22 |
| Figure 3. Average Cheese Temperature in Different Marketplaces.....                  | 22 |
| Figure 4. Average Milk Temperature in Different Marketplaces.....                    | 23 |
| Figure 5. Average Temperature of Meat Products in Different Marketplaces.....        | 23 |
| Figure 6. Market segmentation determines the flow of products through the TURFM..... | 26 |
| Figure 7. Sales Volume of Dos Pinos, UHT Non-Flavored Milk.....                      | 30 |

## **Urban Retail Food Marketing in Tegucigalpa, Honduras: A Case Study**

### **Introduction**

The urban retail food markets of developing nations, in general, hold great promise and potential for developers, manufacturers, re-sellers, and distributors seeking to penetrate the market. Unfortunately, because of the structure, variety, and traditions (among other things) that govern these markets, it often becomes an almost impossible task for those trying to succeed in bringing their products to consumers within them.

Consequently, in order for investors to benefit from the existing potential in these markets, more research is needed which, according to Onuma Okezie (1997) of Alabama A&M University, “examines approaches for retailing food in urban areas in a cost-effective manner and with great impact.” Thus, in order to begin to broaden our understanding of the retail food markets in developing nations, this study probes the urban retail food market of the Central American country, Honduras. More specifically, it focuses on analyzing the retailing of food in the capital city of Honduras, Tegucigalpa. In doing so, we aim to identify the market’s structure, characteristics, safety standards, advantages, and disadvantages in order to develop what we believe to be a successful retail marketing strategy.

### **Methodology**

In general, the data and information collected for the completion of this project came from field research conducted in Tegucigalpa during a three week period (May 18 – June 10, 1998). The field study primarily aimed to gather information regarding the following factors influencing the Tegucigalpan urban retail food market: retailing

institutions present, food variety, distribution systems, food safety, and market segmentation.

The first step in collecting the desired data was to survey the marketplace to identify and group the retailing institutions that functioned within the market. Once this had been accomplished, a select number (5-10) of the different retailing institutions were visited in order to recognize the general safety and quality standards that dominated each marketplace and to identify the types of food products that each sold.

After collecting this initial information, retailers were revisited in order to collect specific information regarding food distribution within the market. In doing so, data regarding the distribution system and the factors that affect its efficiency was attained (via observations and interaction with employees). In addition, marketing channels that functioned within the market were identified and classified based on their relative use in the market (via observations and interaction with management employees).

Data on marketplace safety was collected throughout the entire field study. Observations on personnel hygiene, waste disposal, contact surface sanitation, insect and animal control, and adequacy of refrigeration and facilities were carefully recorded. Furthermore, the temperature of a variety of products in different marketplaces was measured in order to assess if products were being stored under adequate conditions.

Lastly, information regarding market segmentation was obtained, throughout the entire study, by interacting with consumers and retailers in the various marketplaces. In doing so, we identified consumer attitudes on price vs. quality depending on the marketplace in which a specific product was sold.



## Market Structure Analysis

The Tegucigalpa urban retail food market (TURFM) is characterized primarily by one thing: variety. Variety not only in terms of the kinds of foods available to consumers, but also in the type of stores, vendors, distributors, and retailers that form part of the food marketing system. A system that, although flawed with problems in food safety and quality control, seems to adequately fulfill the needs of most of its consumers.

### Food Variety and Retailing Institutions

In terms of the specific foods found in the TURFM, there is a diverse amount of products that vary from Honduran grown fruits and vegetables to high quality, imported caviar. As a general assessment of the types of foods available in the TURFM, it is fair to say that although it lacks significant variety in terms of convenience and fad foods, it otherwise delivers an adequate array of food products to the consumers to which it caters. In addition, it is important to note that the convenience and fad food markets (i.e. frozen vegetables, TV dinners, low fat products, etc.) have recently begun to grow and expand as is evident in the rise of new specialty stores that focus on such food products. Table 1, which follows, has a listing of a few of the common food products readily available to consumers in the TURFM.

**Table 1. Some Common food products found in the TURFM**

|                            |  |
|----------------------------|--|
| <b><i>Fruits</i></b>       | Apples, grapes, oranges, mangoes, pineapples, bananas, melons, watermelons, pears, nectarines, papaya, grapes, strawberries, kiwi. |
| <b><i>Vegetables</i></b>   | Lettuce, tomatoes, potatoes, carrots, legumes, celery, spinach, onions.  |
| <b><i>Canned goods</i></b> | Corn, olives, peas, beans, soups, chili.   |
| <b><i>Grains</i></b>       | Rice, lentils, corn.   |
| <b><i>Dairy</i></b>        | Milk, assorted cheeses, cottage cheese, cream cheese, ice cream.   |

Food retailers in the TURFM can be classified into one of the following six categories based primarily on the physical facilities and location of the establishment and, secondarily, on the variety of foods that they sell.

- Supermarkets
- Open/closed markets
- Convenience stores
- Delicatessens
- Neighborhood mini-markets
- Street food vendors

Supermarkets are the best established food retailers in the TURFM. They contain the widest array of food products, including imported goods coming primarily from the United States. The majority of business for supermarkets comes from consumers belonging to the middle and upper class who are willing and are able to pay slightly higher prices for the goods they consume (El Periodico, 1998). Supermarkets are conveniently located around the city and present the highest degree of organization as well as the highest standards for quality control of the food products that they sell. Recently, supermarkets have expanded their operations into more disadvantaged neighborhoods in an attempt to garner their business as well. Their success is not yet definite, but they seem to be effectively breaking through the social barriers that kept people of lower socioeconomic status from the supermarkets.

Open and closed markets refer to retailing locations where sellers gather to vend their meats, produce, and dairy products. These markets are classified as open or closed, depending on the physical facilities of the market. Open markets are housed in an established location that has, in essence, no physical facilities, and in which around one hundred vendors gather in a seemingly random arrangement. Closed markets, on the other hand, are well built physical facilities that have electricity, water, telephone access,

and a designated area for each retailer. Prices at these markets are usually significantly lower for equivalent products that could be purchased at supermarkets (El Periodico, 1998). In addition, they are both characterized by having little or no safety and quality controls for the foods they sell and by retailing only fresh, unprocessed goods.

Convenience stores have, in the past four to five years, begun to play a significant role in the retailing of food in the capital city. These stores have superior physical facilities, including some of the most efficient refrigeration equipment utilized by retailers in the region. They are widespread throughout the city and are usually located contiguous to gas stations. Their prices, as one might expect, are 15-20% higher than are those at supermarkets, and the variety of products they sell is somewhat limited. Target consumers for convenience stores are mostly limited to teenagers and young adults belonging to the middle and upper class. Unlike any of the other retailers in the TURFM, convenience stores are the only ones open for 24 hours.

Delicatessens have for a long time been part of the retailing system in Tegucigalpa. Their primary focus is the sale of meat and meat products, but they have recently expanded to sell a limited amount of other goods, including fruits and vegetables, canned foods, and milk products. They are located around the city, in significantly lesser numbers than convenience stores, but arguably provide the consumer with the most desirable meat products around the city. They have sound physical facilities as well as good refrigeration equipment. Delicatessen prices, although competitive with those of supermarkets, are significantly higher than those of open and closed markets. Consequently, their target consumers, like supermarkets, are people of the middle and upper class.

Neighborhood mini-markets are located in just about all neighborhoods around the city, and are usually a reflection of the socioeconomic status of the neighborhood they are in. Consequently, the physical facilities, the refrigeration equipment, and prices for their products vary depending upon where the mini-market is located. Regardless of where they are located, mini-markets usually provide consumers with snacks and last minute food products that they may have forgotten to buy or are in a hurry to acquire. Mini-markets usually contain a limited amount of food products, like milk, bread, chips, candy, eggs, alcoholic beverages, and sodas.

Street food vendors are probably the most varied and interesting retailer that forms part of the marketing system in the TURFM. Depending on their “specialty”, street food vendors can sell, among many other things, fruits and vegetables, hot-dogs and soda, ice cream, candy and gum. They are located at bus stops, in busy street corners, or move about a sector of the city all day long. As for the structure of their store, some have shacks, others have well built, wooden kiosks, others have wheel carts while others use old pickup trucks to carry and display their products. Prices, amongst these retailers, are quite varied and fairly reasonable, and almost always can be negotiated. They, unlike any of the other retailers discussed above, serve most anybody, regardless of social class. Although the longevity of any individual street food vendor is not guaranteed, they collectively form a very integral part of the retailing system in the city.

As is revealed by the diversity of the retailers that make up the TURFM, it becomes very evident that the marketing system is dominated by socioeconomic factors that have, over time, resulted in very distinct marketplaces that cater to people of specific social and economic standing. The implications of this division along socioeconomic

lines are enormous as it indicates that economic limitations determine not only what food consumers can buy, but, more importantly, where they can buy it. This fact alone establishes the foundations for a retailing system in which the safety and quality of a product, aimed at a certain target population, is dictated by the marketplace in which the consumer is to acquire it. In addition, and as will later become evident, it also plays a big role in the retailing strategy, packaging, and overall quality of the marketed product.

### **Food Distribution**

The distribution of goods from the place of manufacture or storage to the point of retail takes place via a simple delivery system that works within one of four different marketing channels. An order is placed to the wholesaler or originating producer, it is processed (usually through a computer system), and then, delivery takes place via vans and trucks. In observing the delivery of food products to retailing locations and in talking with those involved in the distribution process, it becomes apparent that the distribution system does fulfill its purpose although it is limited by certain factors that curtail the efficiency of the process.

Amongst the most important factors that will be examined are insufficient delivery vehicles, lack of constant and direct communication between the retailer and the wholesaler, and inefficient practices at the point of delivery. The combined effects of these factors are quite significant and need to be addressed in order to succeed in the TURFM.

Although the TURFM is not excessively large in terms of area, a significant number of vehicles are needed to be able to cover the entire market area efficiently. Unfortunately, this is almost never economically feasible for most manufacturers,

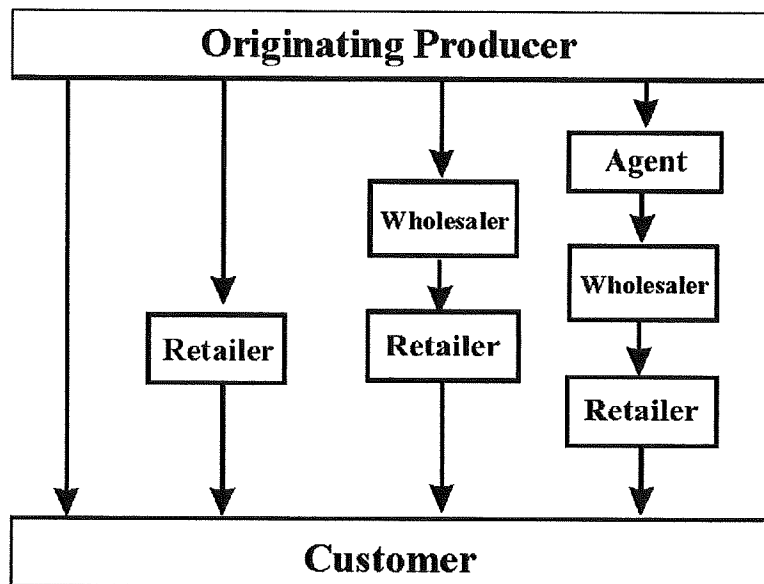
distributors, and re-sellers, and thus, they must stretch out the resources in order to cover as much of the market as they can. This stretching of resources requires focused planning and adequate distribution of delivery routes as to satisfactorily cover as many customers as possible. Unfortunately, problems like broken down vehicles, emergency deliveries, and backed up orders, throw delivery schedules out of rhythm resulting in problems, magnified in consequence, for all of the parties involved.

A lack of communication between the wholesaler and the retailer is often a cause for distribution problems, within the TURFM, because it impedes the coordination of an adequate, predetermined delivery schedule that will satisfy both their needs. When an open line of communication does not exist, the retailer does not always acquire and gain profit on the products its consumers demand, and, in addition, the wholesaler is not able to serve as many customers as feasible. This problem is usually more dominant in supermarkets where unexpected deliveries are required because those in charge of placing orders to the wholesaler fail to adequately keep track of current product stocks and to determine consumption trends for products high in demand.

Last, and certainly not least, the distribution of products in the TURFM is affected by inefficiencies at the point of delivery. In observing how products are delivered to supermarkets and mini-markets, two major problems become evident. First of all, those making the delivery as well as those receiving the delivery have no sense of urgency to complete the transaction on hand. They take as much time as possible in completing the downloading of the product as well as in handling the corresponding paper work. The second major problem at the point of delivery is that individual units (i.e., can by can, bottle by bottle) are counted one by one to make sure that the quantity of product

delivered is what is stated in the receipt coming from the wholesaler. This process, as can be imagined, is extremely time-consuming and tedious, which makes the delivery process that much more inefficient.

Figure 1, below, illustrates the four different marketing channels that are widely used in the distribution of goods within the TURFM. Which system is used in the delivery of a particular product depends primarily on the origin of the product, the resources the manufacturer can invest in distribution equipment, and the nature of the food product.



**Figure 1. Product distribution channels in the TURFM (adapted from McDonald and Keegan, 1997).**

The different distribution schemes in the TURFM can be categorized as follows:

- **Producer→Agent→ Wholesaler→Retailer→Consumer:** These combined channels of distribution are most often utilized with imported food products. Profit margins are somewhat reduced in this scheme of distribution which probably accounts for about 10% of all food products sold in the TURFM.

- **Producer→Wholesaler→Retailer→Consumer:** This distribution system is quite common and is mostly used to distribute products manufactured by small, local companies and a percentage of imported products. Profits within this system are still somewhat limited. Overall, it most likely accounts for 20% of all of the goods sold in the market.
- **Producer→Retailer→Consumer:** This simplified distribution system is the most widely used within the TURFM, accounting for an estimated 60% of all goods sold. In the long run, profit margins are maximized under this system. It is widely used to distribute products manufactured by large, local companies, a minimal percentage of products manufactured by small, local companies, a vast majority of agricultural commodities, and a minor percentage of well-established imported products.
- **Originating Producer→Customer:** This distribution channel is probably the least common of all (10% of total market sales). It is primarily utilized by local companies to increase product sales by directly selling to consumers at cheaper prices. Profit margins are high although sales volumes are limited. Consumers are usually given a price break since they go to the place of manufacture to directly purchase the product.

### **Economic Indicators**

#### **TURFM Prices: Some Facts and Figures**

In trying to succeed in the retailing business in developing nations, it is always important to have some general knowledge of the country's standard of living and



general economic trends. Although little statistical information regarding the sale of food in Honduras is available, the following section contains some relevant information regarding target consumers and general pricing trends that have characterized the market in the past three to four years.

In understanding who the consumers are in the TURFM, it is important to realize that the target population is essentially composed of two types of consumers: a minority (3-8 %) that represents about 95% of the country's economic resources and a majority (92-97%) that represents the remaining 5% of the country's economic resources. Thus, due to the uneven distribution of wealth between consumers in the market, it is expected that only the wealthy minority will be able to afford luxury-type products (e.g. caviar, imported cheeses, gourmet foods, etc.) while the vast majority of consumers will only be able to afford to buy staple products to feed their families. As a result of this uneven distribution of wealth within the market, higher returns and less government regulation can be expected for non-commodity foods.

Currently, the price of foods has skyrocketed an estimated 13.7% during the first four months of the current year and is projected to continue to rise at a monthly rate of 2.4%. Nevertheless, the sales volume of foods, so far, has been maintained (BANPRO, 1998).

Table 2 is an adapted excerpt from an article in a local newspaper that compares the prices of some essential food products at open and closed markets. In the same article, the authors state that supermarkets refused to cooperate with their investigation, but that their prices for these products were an estimated 15-20% higher (El Periodico, 1998).

**Table 2. Prices of Common Foods at Open and Closed Markets.**

| <i>Product</i>        | <i>Open Market ,<br/>Price in US Dollars<sup>a</sup></i> | <i>Closed Market,<br/>Price in US Dollars<sup>a</sup></i> |
|-----------------------|--|---|
| <i>Chicken</i>        | 0.97/lbs   | 0.89/lbs  |
| <i>Pork</i>           | 1.64/lbs   | 1.86/lbs  |
| <i>Red Meat</i>       | 1.49/lbs   | 1.49/lbs  |
| <i>Fish filet</i>     | 1.49/lbs   | 1.49/lbs  |
| <i>Green Pepper</i>   | 0.07/each  | 0.07/each   |
| <i>Potatoes</i>       | 0.28/lbs   | 0.30/lbs  |
| <i>Cucumber</i>       | 0.11/each  | 0.15/each   |
| <i>“Cream” Cheese</i> | 1.63/lbs   | 2.08/lbs  |
| <i>Butter</i>         | 1.11/lbs   | 1.19/lbs  |
| <i>Eggs</i>           | 2.30/carton  | 2.30/carton   |
| <i>Beans</i>          | 2.23/5 lbs.  | 2.38/5 lbs.   |

<sup>a</sup>\$1.00=13.45 lempiras

Table 3 contains the average price consumers paid for selected food products over the past three years in the TURFM. These figures were obtained from “Honduras en Cifras, 1994-1996”, a publication of the Honduran Central Bank and can be used to track the inflationary process as well as to gain an idea of the relative costs of foods.

**Table 3. Prices for Selected Food Products in the TURFM for 1994-1996.**

| <i>Product</i>          | <i>Price in 1994,<br/>US Dollars<sup>a</sup></i> | <i>Price in 1995,<br/>US Dollars<sup>a</sup></i> | <i>Price in 1996,<br/>US Dollars<sup>a</sup></i> | <i>% Change<br/>1994-1996<sup>b</sup></i> |
|-------------------------|--|--|--|---|
| <i>Rice (lb.)</i>       | 0.21   | 0.25   | 0.37   | 56.6                                      |
| <i>Sugar (lb.)</i>      | 0.12   | 0.16   | 0.19   | 46.0                                      |
| <i>Coffee (lb.)</i>     | 0.46   | 0.94   | 0.94   | 71.5                                      |
| <i>Chicken (lb.)</i>    | 0.54   | 0.69   | 0.81   | 40.5                                      |
| <i>Onions (lb.)</i>     | 0.22   | 0.32   | 0.37   | 52.0                                      |
| <i>Beans (lb.)</i>      | 0.29   | 0.24   | 0.57   | 67.6                                      |
| <i>Eggs (dozen)</i>     | 0.53   | 0.62   | 0.88   | 50.7                                      |
| <i>Milk (liter)</i>     | 0.25   | 0.37   | 0.43   | 54.2                                      |
| <i>Lard (lb.)</i>       | 0.30   | 0.44   | 0.48   | 47.0                                      |
| <i>Sour Cream (lb.)</i> | 0.78   | 1.06   | 1.18   | 41.4                                      |
| <i>Potatoes (lb.)</i>   | 0.14   | 0.16   | 0.23   | 49.6                                      |
| <i>Plantains (each)</i> | 0.05   | 0.06   | 0.07   | 33.6                                      |
| <i>Cheese (lb.)</i>     | 0.88   | 1.18   | 1.40   | 46.4                                      |
| <i>Spaghetti (lb.)</i>  | 0.14   | 0.18   | 0.24   | 53.9                                      |
| <i>Red Meat (lb.)</i>   | 0.84   | 1.11   | 1.19   | 34.8                                      |

<sup>a</sup>\$1.00=13.45 lempiras

<sup>b</sup> % Change=  $[\ln(P_t) - \ln(P_{t-1})] * 100$

### **Food Safety in the TURFM**

The overall safety of any food product is affected by many factors, beginning with the selection of ingredients incorporated into the product and ending with the conditions to which the product is subjected in the marketplace and during storage. As was revealed by the analysis of the types of retailing establishments that exist in the TURFM, the safety and ultimate quality of a food product, within the market, are dependent, to a large extent, upon the marketplace in which it is to be sold. For example, we found that the same meat wholesaler sold its beef products to supermarkets and to retailers in closed markets. Yet, because of the different, inherent safety levels that dominate supermarkets and closed markets, the beef products sold at supermarkets presented less safety concerns and were of much higher quality than those sold in the closed markets. This being an indication, then, that wholesalers, will, when necessary, sacrifice safety and quality in order to provide a product whose price is acceptable to consumers shopping in a specific marketplace. Therefore, it is the marketplace into which a product is to be sold that predetermines the quality and safety levels that will govern a product's processing, packaging, storage, and passage through the market.

Unfortunately, since such a strong correlation exists between the safety of a product and the marketplace in which it is to be sold, it is essential to have some knowledge of the general safety standards that dominate each of the groups of retailing institutions. By doing so, wholesalers can determine if their product can adequately and economically reach the target consumer in the marketplace.

Supermarkets, arguably, have the highest safety standards for the foods that they sell. Overall, they and the areas adjacent to them are kept reasonably clean.

Refrigeration equipment for fruits, vegetables, dairy products, and meats is adequate and

is also kept clean and free of spillage. Handling of meats seems to be adequate and contact surfaces where it is cut appear to be clean. The only significant problem evident in supermarkets is the handling of waste products because no standard mechanism for disposal seems to be employed. Waste products (i.e. rotted fruits and vegetables, spoiled milk, etc.) are often “thrown out” of supermarkets via the same entrance where deliveries are made. Without proper controls, cross contamination of fresh goods being delivered is highly possible.

In contrast to supermarkets, open markets present the lowest levels of food safety. The open format of the market allows for all kinds of animals, especially dogs, to roam around freely throughout the entire market. In addition, flies and other insects are a common sight around the areas where dairy products are sold. The majority of fruits and vegetables only sit atop a thin blanket that rests on the floor and are extremely susceptible to contamination by any animal walking by or insects crawling nearby. The containers where dairy products are kept and surfaces where they are cut are not clean. Moreover, the knives and scales that are used to cut and weigh cheeses, respectively, are not cleaned frequently because of a lack of running water within the market. Since products are exposed to the open air, some food products may receive up to six or eight hours of direct sunlight, before they are sold, which can also greatly affect the safety and quality of the product. Overall, foods in open markets are exposed to a series of hazards and abusive conditions that definitely put their quality and integrity at high risk.

Closed markets are somewhat different than open markets in that they have the physical facilities that would allow them to insure the safety of the products that they sell. Unfortunately, bad sanitation practices, mostly dictated by tradition and misinformation,

put many of the foods they sell at risk for contamination. In talking to one of the owners of the butchery shop, “El Novillo” on May 28 1998, he described the treatment given to the meat products they sold. He explained how meat products were received, cleaned, and hung up for display so that the customers could see and appreciate the quality of the meat they were buying. He emphatically proceeded to rationalize that consumers liked to see the meat hanging on the meat hooks, exposed to the elements, because it was the only way they could assess the wholesomeness of the product they were buying. Unsold meats, he continued, were kept on display until they were sold or for about an estimated eight hours. After that, they were put in their freezers and chilled for at least an hour. This example illustrates the dominant mindset in this marketplace where retailers, proud and confident of their products, believe it necessary and proper to let consumers appreciate, first hand, the great quality of meats that they sell. Other objectionable conditions in closed markets are the presence of dogs, flies, and other insects inside the market, as well as the improper sanitation of food contact surfaces.

Convenience stores, because of the types of foods they sell, usually do not have great problems in terms of food safety. The greatest food safety issue that they face is that of keeping refrigeration equipment clean and running at adequate temperature. Aside from that, most convenience stores are kept extremely clean and products are adequately shelved for display. In addition, these stores have the advantage of utilizing good air conditioning systems that further protect the integrity of products from extreme heat conditions.

Delicatessens also have adequate safety standards for the products that they sell. Store facilities are usually kept clean, a running water supply is available, freezers where

meat is stored appear to be clean, and contact surfaces are continuously sanitized.

Delicatessens are equipped to and appear to provide their customers with safe and high quality foods. As long as sanitation measures are continuously employed, delicatessens present no food safety concerns.

Since neighborhood mini-markets are so numerous and varied, it is not possible to make a generalized assessment of the safety standards they adhere to. However, it is fair to say that these mini-markets are often equipped with good refrigeration equipment that is provided to them by large wholesalers. In addition, it is also fair to say that because of the type of food products that they handle, food safety is not an enormous concern unless the mini-markets house any animals, insects, or rodents.

As can be expected, providing clean and safe food is not a concern facing street food vendors. Their primary interest, of course, is to make some money by selling food. How they do it, is totally up to them. Most products sold by food vendors are continually exposed to the sun and the elements for hours at a time, dirty knives are used to peel fruits that are sold for immediate consumption, cups are recycled, water is unavailable to wash utensils and food products, dogs, cats, and an assortment of insects mull around to see what they can feed off of, and the list of unsafe practices just goes on and on. Yet, regardless of the lack of food safety practices employed by street food vendors, they persist in the TURFM and bring food to many satisfied and happy customers.

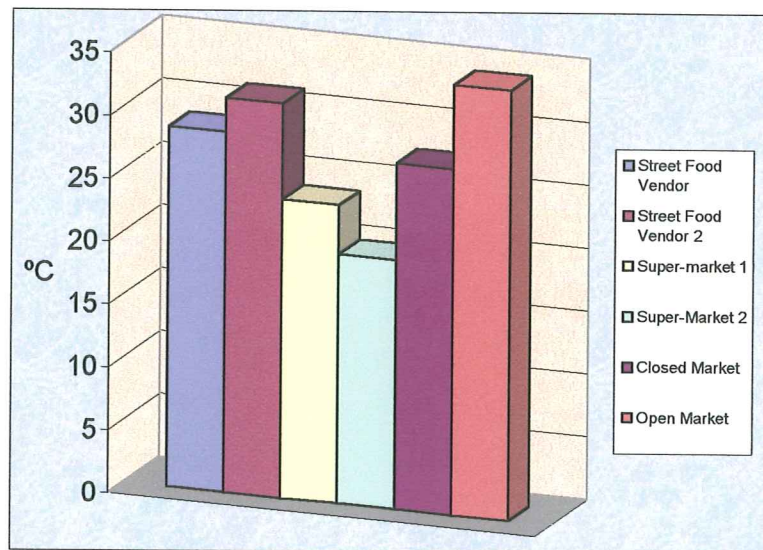
In addition to determining evident food safety problems that exist in the TURFM, temperature readings<sup>1</sup> of certain food products were also taken at retailing locations. This was done to assess the possibility of temperature-dependant spoilage of foods due to

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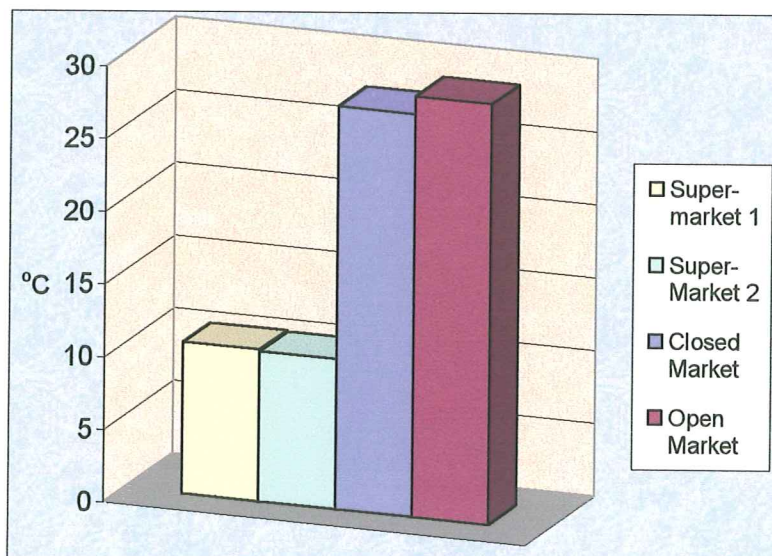
<sup>1</sup> Readings were taken using a Cole-Parmer, Type K, Digi-Sense thermocouple thermometer with a 316 SS Sheath probe having a 2s-time constant.

exposure to the elements or improper temperature settings of refrigeration equipment.

Figures 2-5, below, contain the results of our temperature survey. It reveals a trend that could have been expected: products from supermarkets, delicatessens, convenience stores, and neighborhood mini-markets were at reasonably adequate temperatures while products from open markets, closed markets, and street food vendors were significantly higher.

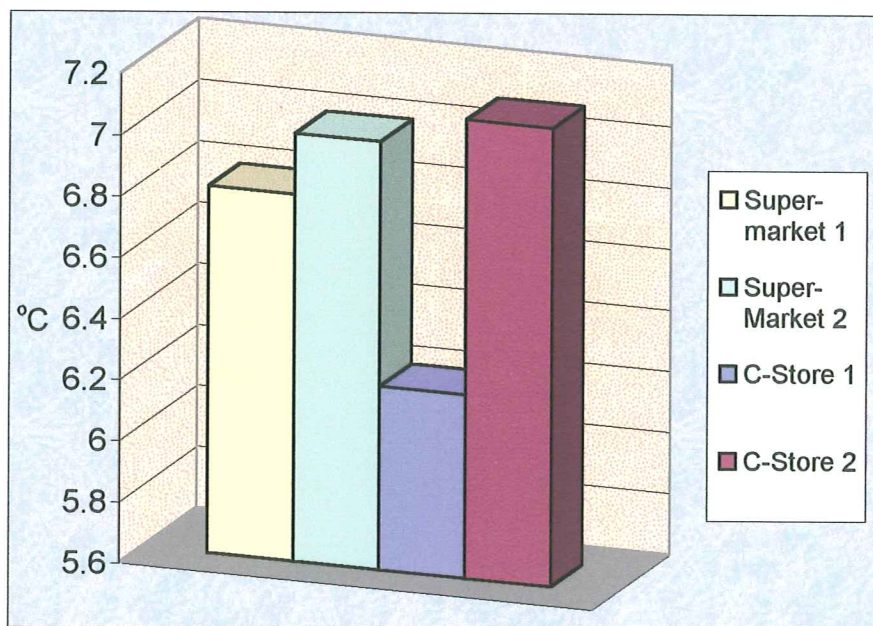


**Figure 2. Average Temperature of Mangoes in Different Marketplaces (May 25-29, 1998).**

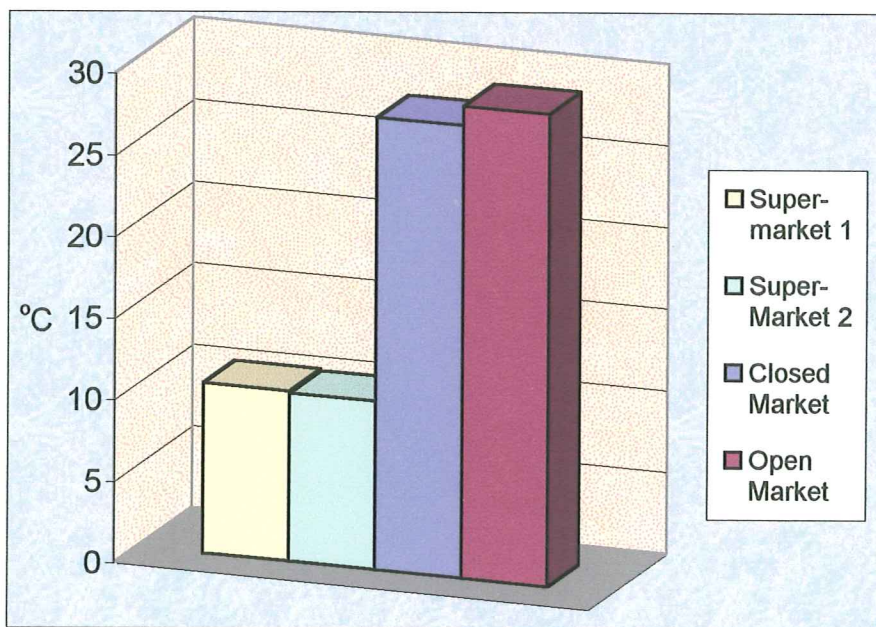


**Figure 3. Average Cheese Temperature in Different Marketplaces (May 25-29, 1998).**





**Figure 4. Average Milk Temperature in Different Marketplaces (May 25-29, 1998).**



**Figure 5. Average Temperature of Meat Products in Different Marketplaces (May 25-29, 1998).**



## **A Marketing Strategy**

### **Where to Begin**

Now that we have explored the infrastructure and organization of the TURFM, we can begin to design a marketing plan that would be successful in delivering food products to the targeted consumers in the market. To begin with, we will explore three key questions that all competitors interested in the TURFM should answer before venturing into the market. In considering the following fundamental questions, an investor can personally assess, without compromising any capital, if a product has a significant chance of succeeding in the market.

1. Is the product too far ahead of its time? This question examines if the product is in-tune with the social attitudes and technological developments that govern the market. Usually, consumer trends that dominate developed countries, like the United States, take some time to reach developing nations. For example, let us say that a manufacturer wants to enter the TURFM with a series of microwavable products. Although the product line may be a great idea, the manufacturer must consider if enough people within the market own a microwave. Otherwise, the product line could fail because of a lack of potential consumers in the market.
2. What “gap” in the market will the product satisfy and, if there is no “gap”, what is the product’s positioning opportunity? This question aims to assess what need there is in the market for a specific product as well as what qualities of the product make it superior to others already out there. A potential investor could easily and economically answer these questions by

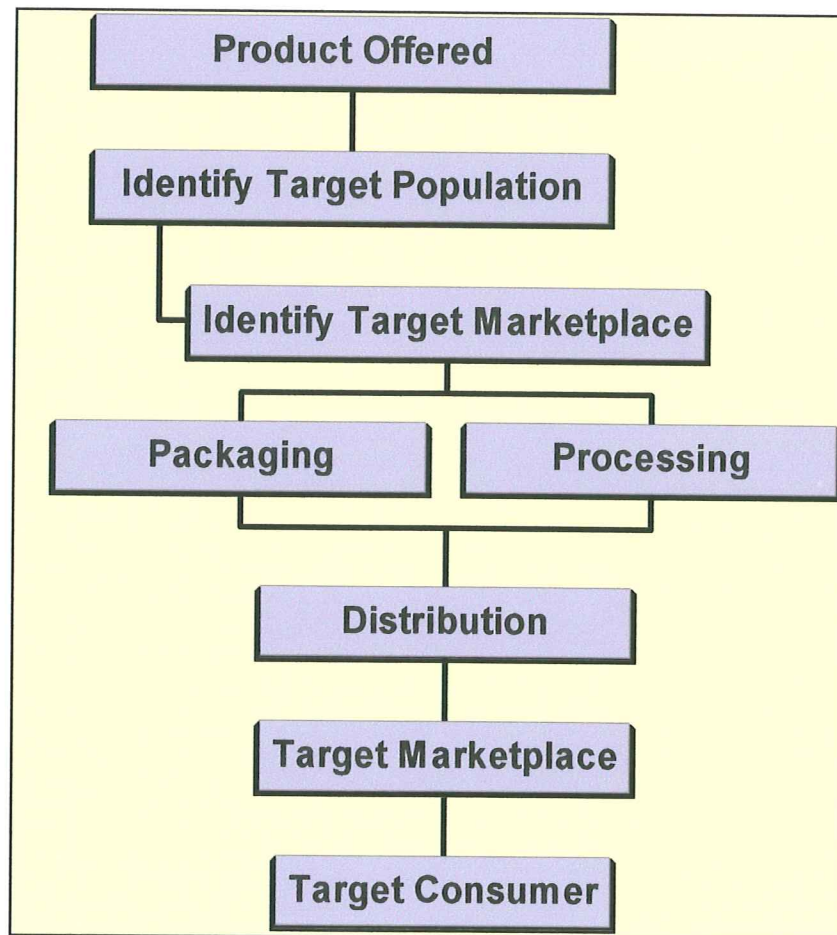
performing an informal gap analysis of the market which looks at the marketplace for product vacuums (Fuller, 1994). In doing so, a person interested in the market could determine if there is a need for the product they want to offer or if they can offer a product that is better than what is already out there.

3. Are we well informed of all of the government regulations that govern the product we want to introduce into the market? This question is essential to success. Being well informed is always a good way to avoid possible complications that give rise to monetary fines, delays in manufacturing, and costs of compliance, among others.

Although market research could provide greater insight on the potential for success of a specific product within the TURFM, considering these three questions gives manufacturers a simple, quick, and inexpensive way of determining if a product has potential for success in the market. Now, we are ready to explore a marketing plan that addresses issues of market segmentation, food processing, product distribution, product safety, and customer satisfaction.

### **Market Segmentation**

As was evident from our discussion of the TURFM, the market is divided along socioeconomic lines that determine what marketplace a specific consumer will shop in, and, thus, products do not go from the manufacturer to the marketplace to the target consumer. Rather, they follow the schematics, presented in Figure 6, in which product processing and distribution are tailored around the characteristics of the marketplace in which the target consumer is to buy the product.



**Figure 6. Market segmentation determines the flow of products through the TURFM.**

Therefore, as a consequence of the market segmentation, the first step in devising a retailing strategy for food products to be sold in the TURFM is to identify the target population and its corresponding marketplace. Once this has been established, manufacturers and wholesalers can decide how products should be packaged, processed and distributed so that they may adequately and economically reach consumers in the marketplace.

## Food Processing

As we had previously discussed, the amount of processing that a food product undergoes before it reaches the retail market is a function of the marketplace in which it is to be sold. Therefore, if manufacturers and wholesalers want to be competitive in reaching a certain group of consumers, they must conform to the standards of the marketplace in which they can reach them. Nevertheless, manufacturers and wholesalers should never jeopardize consumers' health in an attempt to remain competitive in a particular marketplace.

As a general guideline of how processed and refined food products must be in order to be successful in a particular marketplace, table 4 outlines the “standard” conditions in which products should reach the different marketplaces. More specifically, table 4 compares the conditions in which an assortment of products reach supermarkets, delicatessens, convenience stores, and mini-markets in prosperous neighborhoods to those in which they reach open and closed markets and mini-markets in disadvantaged neighborhoods.

**Table 4. Processing Conditions of Products Reaching Different Marketplaces in the TURFM.**

|                              | <i>Supermarkets, C-Stores,<br/>Delicatessens, and some Mini-<br/>Markets</i>   | <i>Open/Closed Markets, some<br/>Mini-Markets</i>                               |
|------------------------------|--|---|
| <i>Meat Products</i>         | As select bulk product, packaged in sealed plastic containers.   | In bulk, no packaging   |
| <i>Cheese/Dairy Products</i> | Mostly delivered in vacuum packaged units. Wholesale cheeses also sold in vacuum packaged units. Milk sold in cartons, plastic bags, and UHT containers. | In bulk, no packaging. Milk sold in plastic bags only.                          |
| <i>Fruits and Vegetables</i> | Cleaned and sold in pre-weighed bulk crates. Some products are protected with wax.   | In bulk, no packaging, no protective treatment                                  |
| <i>Processed Foods</i>       | Wide assortment available (canned foods, cereals, etc.). Delivered in wholesale boxes.   | Little or none available, except for snack products (i.e. chips, cookies, etc.) |

In deciding how to process and package a food product to be sold in the TURFM, the following key questions must be addressed:

- What are other competitors in the marketplace doing?
- What are the safety and quality standards that govern the marketplace in which the product is to be sold?
- Does the product present any safety concerns that would warrant alternative approaches in processing?

In considering these fundamental issues, manufacturers and wholesalers can effectively decide how a product should be processed and treated in order to succeed in the market. In general, these questions aim to establish what level of processing, packaging and refinement will guarantee that a specific product will be safe and wholesome but yet satisfy consumers' expectations in terms of price. In addition, manufacturers and wholesalers can also get an accurate measure of the quality level that is expected of a product that is to be sold in a particular marketplace.

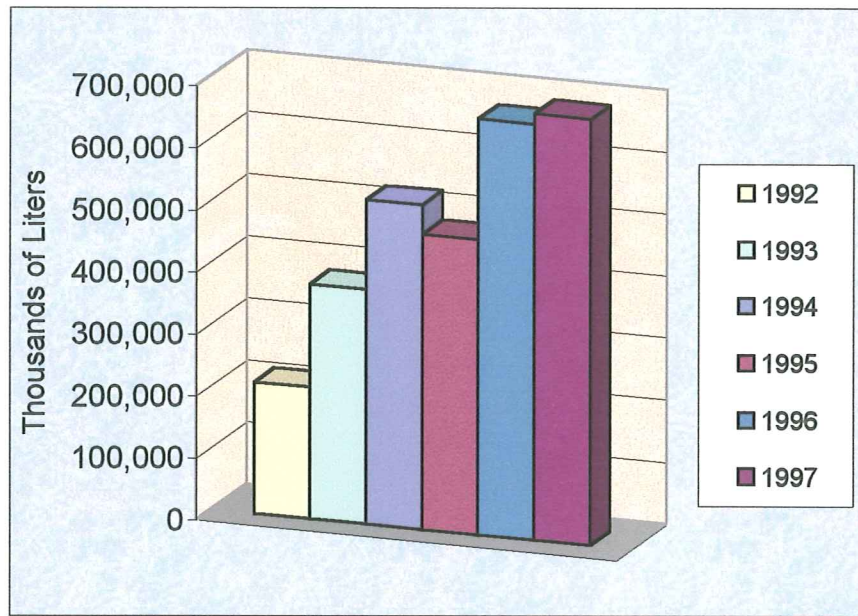
### **TURFM: New Processing Trends on the Rise**

During the past seven to eight years, manufacturers and retailers have begun to take a new approach towards the products they sell which target consumers of higher socioeconomic background. Apparently, they are now pursuing the idea that “quality sells” and are thus manufacturing or reselling products that are processed differently to guarantee higher quality and safety. In other words, they are no longer conforming to marketplace standards in an attempt to gain market share by providing a superior product. This approach or philosophy has led to the introduction of products into the marketplace that are significantly more expensive yet appeal to consumers because of the advantages that they offer.

The best example of this new “quality sells” trend is the introduction of UHT processed, shelf stable fluid milk into the marketplace. In 1992, a Costa Rican company, called Dos Pinos, penetrated the Honduran fluid milk market with their Tetra-Brik® shelf-stable products. Although these products were about 50% more expensive than conventional HTST processed, fluid milks made in Honduras, their success in the marketplace was almost instantaneous. Consumer loyalty towards these products rapidly grew as those who could afford to pay their elevated price appreciated the fact that the products would not spoil quickly, were of higher quality than what was available, and were much more reliable than products locally manufactured. Fluid milk consumers were happy to pay the added cost if it meant that they would not have to worry about opening a milk carton, adding it to their morning cereal, just to find out that the milk was already spoiled.

Evidence of Dos Pinos’ success in the Honduran marketplace are their sales volume figures from the time of introduction in 1992 to 1997 (see Figure 7) and the fact that competitors found themselves obligated to introduce their own line of shelf stable products by 1996. In fact, the largest fluid milk manufacturer in Honduras, Industria Lechera Sula de Honduras, attempted to regain their lost market share by not only investing in the equipment for the manufacture of UHT, shelf stable products but also by spending \$100,000 in advertising campaigns (Dos Pinos, 1998).





**Figure 7. Sales Volume of Dos Pinos, UHT Non-Flavored Milk (Dos Pinos, 1998).**

Although this trend in processing is relatively new and limited to manufacturers targeting consumers of higher socioeconomic status, it signifies a significant change in philosophy that can lead to better products and more competitive markets. Thus, in deciding how to process a product destined to the TURFM, the following must also be considered in an attempt to maximize the success (profits) of a particular product:

- Is there potential for added success in a marketplace by exceeding its existing safety and quality standards?

### **Physical Distribution**

As we had previously mentioned in our discussion of the distribution channels existing in the TURFM, the origin of the product, the resources the manufacturer can invest in distribution equipment, and the nature of the food product are the factors that affect the choice of distribution system employed. In deciding which distribution system is best suited for a particular product, then, manufacturers and wholesalers must consider the following:

- Does the company have the resources to effectively distribute the product to the different marketplaces? This question aims to determine if a company has sufficient distribution vehicles and/or the economic resources to invest in their purchase. Due to the size of the TURFM and the variety of retailers, a significant amount of distribution vehicles and employees are necessary to effectively deliver products to retailers. If sufficient resources are available, manufacturers should choose to deliver products directly to retailers since this will allow them to directly control the quality of products during their distribution. Otherwise, they must decide if they want to limit the distribution of their products according to available resources or to distribute their products via wholesalers.
- Are the quality and safety of our product dependent upon conditions during distribution? Poor distribution practices account for the spoilage or deterioration of an estimated 15% of heat sensitive products (like milk) that reach the TURFM. Thus, if manufacturers consider that poor distribution practices can significantly affect the quality, safety, and overall success of a product in the market, they should make every possible effort to control the distribution process by directly distributing the products to retailers or by selling products directly to consumers. Again, in the event that a company lacks the resources to directly distribute the product to all of the different retailers, they should limit distribution according to available resources.
- Which distribution system will maximize profits? Distribution schemes that maximize market coverage and ultimate product quality without significantly



increasing product cost result in the greatest profits. Thus, manufacturers should always consider all distribution channels available and re-evaluate them when resource availability changes. Poor choices in how products are distributed can lead to the failure of a product or even of an entire company in the TURFM.

### **Customer Satisfaction**

#### **The Key to Success in the TURFM**

Customer satisfaction creates product loyalty that, in the end, determines what level of success a particular product will have in the TURFM. Unfortunately, “Customer Satisfaction” is not the primary focus of most food manufacturers and wholesalers operating within the market, and, thus, dissatisfied consumers have no way of voicing their concerns. Instead, when dissatisfied with a product, consumers are forced to search for alternative suppliers, discontinue product use, or diminish consumption levels of the particular food product.

To achieve the greatest success possible as a competitor operating in the TURFM, the lines of communication between the consumer and manufacturer must always remain open as a tool to ensure that consumer needs and expectations are being met. In doing so, manufacturers can determine the following and make the appropriate changes and corrections:

- Are our consumers concerned with the safety of the products we manufacture?
- Does the quality of our products meet or exceed consumer expectations?
- How are consumer’s needs changing?
- What can we do to better serve our consumers and further build product loyalty?

In seeking answers to these four questions from consumers, manufacturers can have a great edge over the competition. If they know exactly what consumers want, what they like or dislike, or what they perceive as a problem, manufacturers are better equipped to serve their customers and gain market share over the competition.

Consequently, manufacturers within the TURFM should all have a customer service/customer complaint department that establishes a direct link between consumers and the company. In addition, all food products sold in the market should carry a "Satisfaction Guaranteed" statement plus a contact name and number where consumers can call to discuss product related concerns and issues. In the long run, providing total customer satisfaction is as beneficial to the company as it is to each and every individual consumer. Customer loyalty will, more than likely, result in product longevity.

### **Preparing for the Future**

#### **Post Hurricane "Mitch" Changes and Continual Improvement**

During the last quarter of 1998, Tegucigalpa, as well as the entire country of Honduras, was affected by the powerful and devastating Hurricane "Mitch" which partially destroyed the country's agricultural capabilities, meat supply, and market infrastructure. Although the short-term effects of the hurricane are devastating and incorporate a great deal of uncertainty into the TURFM, the long term future of the market appears to hold a lot of promise. Many of the industry and banking leaders believe that once the country begins to re-build, facilities and equipment will reflect new technology that is now available and will thus result in safer markets that provide superior quality products. For now, retailers, manufacturers, and wholesalers must

continue to operate as best as they can in order to help speed the recovery process and return to normalcy.

In this ever-changing, competitive world, continual improvement is essential for growth and survival. Thus, food manufacturers in the TURFM should continually and periodically re-assess their goals, objectives, distribution systems, manufacturing operations, customer preferences, and technological capabilities in an attempt to establish themselves as industry leaders within the market. A continual and dynamic improvement system is essential in guaranteeing a company's long term success. Conditions in the TURFM can change from one day to the next, and only those equipped to change with it will be able to survive from generation to generation.

## The Big Picture: A Marketing Strategy Overview

**Table 5 . Marketing Strategy Overview.**

| <i>Activity</i>                           | <i>Procedures Involved</i>   |
|---|--|
| <b><i>Preliminary Assessment</i></b>      | <ul style="list-style-type: none"> <li>❖ Is the product too far ahead of its time?</li> <li>❖ What “gap” in the market will the product satisfy?</li> <li>❖ What is the product’s positioning opportunity?</li> <li>❖ Are we aware of all government regulations that relate to our product?</li> </ul>                      |
| <b><i>Examine Market Segmentation</i></b> | <ul style="list-style-type: none"> <li>❖ Who is our target consumer?</li> <li>❖ Which marketplace(s) does our target consumer shop in?</li> </ul>  |
| <b><i>Food Processing</i></b>             | <ul style="list-style-type: none"> <li>❖ What are our competitors doing?</li> <li>❖ What are the inherent safety and quality levels that dominate the market?</li> <li>❖ Does the product present any safety concerns that would warrant alternative approaches in processing?</li> </ul>                                    |
| <b><i>New Trends</i></b>                  | <ul style="list-style-type: none"> <li>❖ Is there potential for added success in a marketplace by exceeding current quality and safety expectations?</li> </ul>  |
| <b><i>Product distribution</i></b>        | <ul style="list-style-type: none"> <li>❖ Does our company have the resources to effectively distribute the product to the different marketplaces?</li> <li>❖ Are the quality and safety of our product dependent upon conditions during distribution?</li> <li>❖ Which distribution system will maximize profits?</li> </ul> |
| <b><i>Customer Satisfaction</i></b>       | <ul style="list-style-type: none"> <li>❖ Do we have a direct and open line of communication with our customers?</li> <li>❖ Do we do the best we can to satisfy our customers?</li> <li>❖ Are we adapting to satisfy changes in consumer expectations?</li> </ul>   |
| <b><i>Continual Improvement</i></b>       | <ul style="list-style-type: none"> <li>❖ Do we have a system in place that allows us to periodically re-evaluate our operations, technology, and processes?</li> <li>❖ Are we the industry leaders?</li> <li>❖ What can we do to improve?</li> </ul>   |

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