AEC 841 - Analysis of Food System Organization and Performance


Reforming Rural and Urban Food Distribution Systems in Costa Rica: What Happened and What Can be Learned as a Result of Research Recommendations Made in 1972/74?

Reading Location Code

1. Main Library Assigned Reading
2. Set of Assigned readings can be purchased from Budget Printing Center, 974 Trowbridge Rd. (by the Shoprite, 351-5060)
3. Available from Patricia Neumann, 213 AGH
4. Required Text
5. Optional Text
6. Main Library, Regular Collection
7. Class Handout
8. Available from Instructors
9. Cook Hall Reading Sets

A. Required Reading


   Location Code: ( AEC 841 Web Site, under Friday Session, Feb 7. )
   http://www.msu.edu/course/aec/841/FridayDiscussions.htm

2. Notes- insights on urban system reform from FAO “Food Into Cites Work” and LAMP/MSU work in early to mid 1970's plus other hand out materials for 841 Friday Session on April 23, 2004. Read also the article enclosed below on Wal Mart.

B. Background Reading


   http://www.odi.org.uk/publications/dpr/theme.html#20_4


3. Harrison, et. al., “The Urban Food System”, Chapter 3 in Improving Food Marketing Systems in Developing Countries: Experiences From Latin America,
4. **Improving Urban Food Supply and Distribution in Developing Countries: The Role of City Authorities.** 1999. By Michael Hubbard and Gideon Onumah. From FAO research paper “Urban food supply and distribution: policies addressing urban poverty” Available at the FAO’s “Food Into Cities” website at: http://www.fao.org/ag/sada/htm


**Case Study Presentation and Discussion of Background Materials**

This is a case study about applied marketing research and recommendations from work done on rural and urban food market reform in the mid 1970's in Costa Rica, and what has happened more recently. You are expected to have read before class the paper **“Towards Improvement of Rural Food Distribution”** (above required reading).

Professor Weber will comment on this paper and then use a powerpoint presentation to summarize comments from a visit he made to Costa Rica to observe whether any of the research recommendations made were implemented, and if so, what might be some of the implications. He will also comment on current forces in the retail and wholesale portions of the food system in Costa Rica, and more generally in Central America.

Class discussion will focus on the questions: 1) what is, and could be, the role ( and how to improve it) of retail and wholesale public markets, and standalone small “green grocers’ in the fruit and vegetable marketing system in Costa Rica and similar economies; and 2) what is the potential and role for government as well as private sector investments to form alliances (voluntary chains and cooperative chains) between traditional food retailers, wholesalers and other suppliers in developing country food systems; 3) to the extent possible we will also discuss implications for farmers and alternative coordination and investment needs in the value chains they produce for.
"Wal-Mart's Global Experience"

Mr. John B. Menzer President & CEO, Wal-Mart International Executive Vice President, Wal-Mart Stores, Inc.

Still Room for Growth

Since opening our first store in 1962, Wal-Mart has enjoyed great growth and success. This past year, we achieved over $200 billion in sales for the first time. We currently have over 4,500 stores and employ 1.4 million associates worldwide, with over 300,000 outside of the United States.

But Wal-Mart is still very young internationally. We started in international markets in 1991 with our joint venture in Mexico and now have over 1,200 stores in 9 countries outside of the United States. This year, we made our first investment in the Japanese market with a 6.1 percent ownership interest in Seiyu. So despite our size, we are still very excited about the growth opportunities ahead.

In Europe, we acquired the Asda chain in the United Kingdom in 1999, which was named the UK's favorite supermarket and best place to work. We are expanding operations in Germany, despite a difficult economy today.

In North and South America, outside of the US, Wal-Mart de Mexico has dramatically improved performance over the last 3 years by expanding distribution capacity, sales by ELDP, "every day, low price," and developing trust with the customer. Wal-Mart Puerto Rico is expanding and applying best practices from around the world, as is Wal-Mart Brazil. Even in the very troubled economy of Argentina, we've boosted our financial results, thanks to dedicated associates. Wal-Mart Canada has enjoyed 8 years of continuous growth in sales and profits, last year receiving requests from 80 different communities for a Wal-Mart store in their market. Wal-Mart Canada is a global leader in apparel lifestyle merchandising with the number two market share in Canada for apparel and number one share in footwear.

In Asia today, we have 13 Supercenters in Korea and will be opening an additional 6 stores this year. We opened 4 stores and clubs in China and will have 22 units by the end of this year. As for Japan, we've studied the Japanese market now for over 5 years, and we think the timing is right. We recently acquired 6.1 percent interest in Seiyu and Wal-Mart has options to acquire up to 67% of the company. We're very excited because we have a very strong Seiyu management team and some outstanding real estate locations.

Keys to Global Success

At Wal-Mart, we have three basic beliefs that we've been able to apply universally: respect for the individual, service to our customers and a dedication to strive for excellence. This means empowering our associates, ensuring that the customer is number one and continually challenging ourselves to accomplish things that no one else has been able to do.
One of Wal-Mart's major global strengths is the selective use of our multi-format operations worldwide to serve customers of all income levels and all demographics. These include Asda, our grocery store concept in the UK, our Neighborhood Market concept, being employed in the US and China, Superama, our high-end grocery store and Bodega, our low-income format for Mexico, Todo Dia, our Brazilian concept for the inner city; our Wal-Mart discount stores; our various restaurant chains, and of course, our Sam's Clubs, Wal-Mart discount stores and Wal-Mart Supercenters. We aim to use our global scale to local advantage, a strategy we call "global leveraging."

We employ global sourcing and stimulate exports in various countries that we operate in to bring the customer the best products from around the world. Our ideas and best practices are also exported from various countries to be applied worldwide. We share logistics knowledge with our global suppliers because it helps reduce cost in the supply chain and because, as our founder Sam Walton said, we need to communicate and share everything we possibly can with our associates and partners because the more they know and understand, the more they'll care. And so our focus is on communication, and it's built into the Wal-Mart supply chain.

One way we do this is through a system called Retail Link, a Web-based application used worldwide giving vendors access to item details for sales and inventory at no charge. We also enforce what we call Global Brand Non-negotiables to ensure quality and value to ensure trust and loyalty from our customer. We talk every day about the customer and customer service.

Another key to Wal-Mart's success is what we call our "Productivity Loop," where we focus on lowering our expenses so as to lower retail prices, which in turn, increases customer traffic and sales. And as we increase sales, we once again leverage our expenses and lower our retail prices for a never-ending virtuous circle. We recently developed a productivity loop where by aiming to be the best place to work for associates, we get the best people who then develop the best place to shop, leading to more customers and better results, and subsequently, more people who want to work with a winning company.

At Wal-Mart, we believe we must always be a company of very high integrity with people who truly make a difference the world over. People are the first key to achieving success as global company, followed by strong global and regional sourcing -- having the best items at the right price and being first in the market for new items through global vendor partnerships -- sharing of best practices, and finally, global branding. For us that means having the best Supercenters, the best discount stores and the best Sam's Clubs worldwide. Customers have global expectations, and so you're only as good as your worst performing store.

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