

371.42  
 Or 31cr  
 no. 9  
 c. 3

## TEN LESSONS IN MARKETING—Lesson VIII

DOCUMENT  
COLLECTIONOREGON  
COLLECTION

## Market Agencies and Their Functions

By DR. HECTOR MACPHERSON

Revised by DR. MILTON N. NELSON

In our previous lessons we have been considering the big jobs which make up the marketing process. We have said comparatively little about the different agencies through which these big tasks are performed. In this lesson we shall turn our attention more directly to a brief summary of the different persons, firms, and corporations who perform the task of getting things from the producer to the consumer.

1. **What the producer may do in marketing.** The local producer of a commodity, such as potatoes, may choose any one of several different methods of marketing. He may sell directly to consumers by making a house-to-house canvass in his nearest town, or by going on a public market such as that at Eugene and selling his potatoes; he may ship them directly to consumers in some other city; or he might haul them to a potato starch factory, such as that at Gresham. He may also sell to local grocery stores, or other local buyers of potatoes; or he might ship them to a dealer in some other city. Again, he might join with his neighbors in a shipping association in which all pool their potatoes in car lots for shipments to dealers in distant cities. The intelligent producer studies the marketing of his products, and tries to sell in the most profitable market available. He stands ready to perform for himself any marketing functions he can profitably attend to.

2. **The local buyer and shipper.** The great bulk of our farm products, however, is sold by farmers to local buyers. As we have already noticed, these local buyers usually perform the functions of inspection, grading, and standardization. They provide a storage while they are assembling the products in sufficient quantities to ship different grades in car lots. They furnish farmers with a cash market for crops and study market conditions so as to ship

---

Oregon State System of Higher Education  
 Federal Cooperative Extension Service  
 Oregon State College  
 Corvallis

Club Series R-9

4-H Club Marketing Project

to dealers in central markets at such times as prices are right. Sometimes local buyers handle only one or two commodities; but more frequently they are merchants or dealers engaged in various kinds of business.

3. **The commission merchant.** Products are often shipped to a class of dealers who do not buy them outright, but who receive them and undertake to find buyers for them. They charge for their services a commission which is either a percentage of the price for which they sell the goods, or a flat charge on each unit received and sold. Goods sold through commission merchants are said to be "consigned on commission." Large quantities of farm products are sent directly from the farms to be sold on commission. Many cash buyers also ship to commission firms in other cities.

4. **The wholesaler.** In some cities the old time commission merchants have almost disappeared, and have been replaced by wholesale produce dealers who purchase various kinds of products for cash. These dealers may sell the goods to retailers, or may resell them to larger wholesale firms, having a larger connection of retailers; or who operate cold and common storage facilities in connection with their business, and make a practice of taking advantage of low prices at certain seasons, to fill up their warehouses. The change from the commission merchant to the wholesaler has come as the result of more stable business conditions and on account of the occasional dishonest commission man who brought the whole class into disrepute.

5. **The jobber.** Between the wholesaler who buys and keeps on hand large quantities of commodities and the numerous retailers who sell directly to consumers, there has grown up a class of middlemen called "jobbers." The jobber makes it a point to study the needs of retailers. He buys in large quantities from the wholesaler and resells in amounts to suit the needs of all classes of his retail customers. Wholesalers frequently do their own jobbing business.

6. **The broker.** Another agency which has grown up about large trading centers is the broker. His task is that of bringing sellers and buyers together. He may act between shippers and wholesalers, between wholesalers and manufacturers, or between wholesalers and jobbers. He charges for his services on a commission basis, but deals only in large quantities so that his charges per unit are small. He does not buy outright as does the wholesaler, nor does he, as a general rule, receive goods on consignment like the regular commission merchant. He makes it his business to locate products in quantities to suit buyers, and helps sellers to work up connections with those who need their products.

7. **The shipper, exporter, and importer.** One of the things which strikes the student of marketing is the difference which often exists between the wholesale prices for the same commodity at the same time in different cities. Out of these differences in prices existing in different cities has arisen a class of middlemen called "shippers," who buy in one market and aim to make a profit by selling in some other. When shippers buy goods in the home market and ship them to another country, they are called "exporters." When they buy them in a foreign country and bring them in for sale on the home market, they are called "importers."

8. **The retailer.** At the opposite end of the chain of connections from the producer is the consumer, who is served directly by the retailer. It is the retailer's business to assemble and keep on hand the different kinds of goods which his customers need. This is no small task. In the average corner grocery, for example, we have lines converging from all parts of the world. On the shelves is found a veritable industrial and commercial museum. If we could trace the story of a can of mustard, a package of tea, a sack of salt, a box of breakfast food, a bunch of bananas, a crate of oranges, and each of the hundred and one articles found in the little grocery on which we depend for the supply of our daily wants, we should have a bird's-eye view of the production, transportation, and marketing of the food supply of the world.

9. **Other marketing agencies.** In this brief enumeration of the agencies which carry on the marketing process, we might still include six others; namely, the keepers of cold and common storage facilities, the owners and operators of the means of transportation, the proprietors of factories where manufacturing and processing are carried on, the bankers who finance each of the steps in the marketing process, the insurance companies, and the professional speculators. But we have already dealt with the activities of each of these in former lessons which might be briefly reviewed at this point.

10. **Middlemen may perform many functions.** It frequently happens, however, that different agencies perform more than one function. We have referred in this lesson mainly to the selling activities of the agencies enumerated. In general, we noticed that local buyers and wholesalers are engaged in the process of assembling commodities into larger quantities, while the jobbers and retailers perform the opposite function of breaking the assembled goods up into smaller quantities to meet the needs of consumers.

Grading and standardization may be performed anywhere along the line. It frequently happens that wholesale firms regrade and pack products and sell them under their own brands. Enterprising creamery companies may perform all the functions of assembling, transporting, manufacturing, grading, standardizing, jobbing, and

even to a limited extent, retailing their butter, ice cream, and other dairy products. Local buyers, shippers, and retailers all perform important storage functions, all are engaged to some extent in advertising, and all are salesmen.

**11. Marketing functions summarized.** We have now come to the point where we can look back over a list of the things which must be done in getting goods from the producer to the consumer. As we have seen, marketing may be the simplest kind of deal involving only two people; when, for example, the city consumer buys a chicken for his Sunday dinner directly from the farm producer. But we have also seen that such simple transactions play a very small part in marketing. Most of our products pass through the hands of several agencies before they reach the consumer. If we look back over our lessons, we shall find that the principal functions could be enumerated as follows:

(1) Buying and selling. Advantageous selling and skillful buying are very important functions of marketing. (2) Assembling and distributing. First, products are gathered in quantities which can be economically handled, transported, manufactured, and stored. Then the opposite process must take place of distributing them over such time, to such places, and in such quantities as will meet the needs of consumers. (3) Grading and standardization. (4) Packing and labeling. (5) Shipping, which includes not only the job of the agency which buys in one market and sells in another, but also the task of routing goods by the best way, using the proper means of transportation. (6) Transporting. (7) Manufacturing and processing. (8) Advertising. (9) Wholesaling. (10) Brokerage. (11) Jobbing. (12) Retailing. (13) Financing. (14) Risk bearing. (15) Insurance. (16) Speculation. Others, indeed, might be added to this list but we have here the jobs connected with the marketing process at which men are spending their lives and out of which they make their living.

### QUESTIONS AND EXERCISES

1. Trace as nearly as you can the marketing of five leading farm products from your community, showing what agencies handle them before they reach the consumer.
2. What attitude do the farmers of your community have toward the "middlemen?"
3. Who pays for the services of the middlemen, the farm producer or the city consumer?

---

Reprinted, January 1940.