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THE SUPERMARKET
AND
ITS INFLUENCE UPON
THE NEW ZEALAND MARKET STRUCTURE
FOR FRESH FRUIT AND VEGETABLES

by

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INTRODUCTION

The Study:

Since 1958, supermarkets have been selling fresh fruit and vegetables, (otherwise known as fresh produce), in New Zealand. Their merchandising policies differ in many ways to those which characterise the traditional market structure of grower, wholesaler and greengrocer. Accordingly, the subsequent effects of these policies upon the three parties mentioned have been many and varied. Of paramount importance in this respect is the practice which involves the supermarket's bypassing of the wholesaler and purchasing his supplies directly from the grower. Obviously, this must adversely affect the wholesaler, and it is for this reason that the constraint upon the extent of direct procurement by supermarkets receives particular attention. The determining legislation behind this constraint is enforced by the wholesale industry, and it limits the realisation of cost economies by growers and supermarkets from purchasing direct. Furthermore, the grower views a laissez-faire policy of direct sales as a step towards his domination by monopoly interests at retail. This is a point of conjecture, but its importance lies in the fact that auction is viewed by growers as the means whereby this possibility can be prevented.

The wholesale industry unequivocally determines certain activities of the growing and retailing industries for fresh produce. Whether or not it should possess this right is a further point of conjecture, because by virtue of its operations and the present lack of competition, it engenders monopsonistic-monopolistic practices, and carries a negligible amount of the risk involved in the distribution process.

Study Plan:

The writer is first concerned with giving an overall impression of the supermarket, explaining what it is, and how it operates. This is followed by the factors which led to its inception in the United States of America, and its subsequent adaptation in Western Europe and New Zealand.

Consideration is then given to supermarket merchandising policies as they apply to fresh produce in New Zealand. Chapters Two and

Three detail procurement and selling policies while Chapters Four and Five discuss the effects which these policies have had, and are likely to have, upon both the greengrocer and the grower, particularly if the constraint on direct procurement were lifted.

Data relative to the New Zealand scene was largely obtained from personal interviews with supermarket chainstore executives, grocery store operators, wholesalers of fresh produce, greengrocers, growers, shoppers*, and others having a direct interest in supermarket development (e.g. real estate agents, bankers, butchers and drapers). This extensive nature of interviews was necessary because of the paucity of literature available on the subject, and the very limited amount of statistical data, often of dubious value, which has been published in New Zealand. Consequently, much of the statistical data and general information that was made available to the writer was done so on the understanding that it would be treated as confidential with respect to identification of source.

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* Some 100 housewife-shoppers were interviewed in supermarkets, grocery stores and greengrocery stores, using a questionnaire which inquired after reasons for patronage.