

# **Marketing Efficiency & Efficient Marketing**

**Kim Anderson  
Cooperative Extension  
Crop Marketing Specialist  
Oklahoma State University**

# **“Economics is not an exact science”**

---

- **It consists merely of laws of probability.**
- **“The most prudent investor is one who pursues only a general course of action which is normally right and who avoids acts and policies which are normally wrong.” (LLB Angus)**

# What determines price?

---

- Price = Supply and Demand

# What determines price?

---

- Price  $\neq$  Supply and Demand
- Price = Expected Supply and Expected Demand

# What is used to determine price?

---

- **The efficient market theory conceptualizes markets as information.**
- **An efficient market is a market which incorporates all currently available information when determining price.**

# How is profit earned with marketing?

- Profit is earned by people or companies who acquire information relevant to the market before anyone else in the market.
- Information *per se* is not useful without analysis that places it in the context of existing information. Therefore another method for earning profit is to analyze existing information better than the collective analytical ability of the market.

# What will make tomorrow's price different from today's price?

- Profit is earned by people or companies who acquire information relevant to the market before anyone else in the market.
- Information *per se* is not useful without analysis that places it in the context of existing information. Therefore another method for earning profit is to analyze existing information better than the collective analytical ability of the market.

# **If you believe the “Efficient Market Theory,” then by definition price can not be predicted?**

- **What does this imply about the use of forward contracts, futures contracts and futures option contracts?**
  - They are not price enhancement tools
  - They are risk management tools.



# How to make decisions?

---

- **Make decisions based on probabilities.**
- **Make decisions based on what is normally right and avoid decisions that are normally wrong.**

# **Marketing Efficiency & Efficient Marketing**

**Kim Anderson  
Cooperative Extension Service  
Crop Marketing Specialist  
Oklahoma State University**

