

**THE MANAGERIAL AND ORGANISATIONAL APPROACHES  
FOR MARKETING IMPORTED FRUIT AND VEGETABLES  
WITHIN THE UK.**

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**To My Parents, Wife and Children Neda, Ahmed and Saggi**

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## ABSTRACT

In this thesis the marketing of fresh fruit and vegetable in the UK is investigated. The issues focused upon are (a) the export orientation of overseas shippers (pull approach versus push approach), (b) the managerial and organisational approaches for marketing imported fruit and vegetables, and (c) the extent to which competitive performance of overseas shippers are influenced by the export orientation of the shippers concerned together with their managerial and organisational approaches. These issues of international trade have been largely ignored as most studies concentrate on manufactured products.

Based on an investigation of data obtained from a sample of 18 overseas shippers which represent the chief suppliers of fruit and vegetables to the UK, the results indicate that:

(1) There are three main reasons which call for overseas marketing operations of a particular country to be undertaken by marketing export orientated large- sized organisations. These reasons are: (i) The fragmentation of the fresh fruit and vegetables industry together with the diversity of sources of supply and the resultant intensity of intra- country and inter- country competition. (ii) The demands of developed markets for high quality specifications, continuity of supply, branded and promoted products coupled with the physical attributes of fresh produce in terms of perishability, seasonality and the difficulty to differentiate as between sources of supply. (iii) Both wholesale and retail markets are dominated by large sized- companies.

(2) Overseas marketing exporters have applied managerial and organisational approaches appropriate to meeting both the demands of developed markets and the physical attributes of fresh produce and at the same time have benefited their respective growers.

Although this research has been carried out for the UK it has implications for other countries particularly developed countries as well as other types of fresh produce. Additionally, this research work encompasses advice to developing countries and the actions which should be taken to improve their international competitiveness in this area. This is especially pivotal given the fact that they rely quite heavily on exports of this produce as a source of foreign exchange earnings. Further they possess the natural resources to increase supply of these products. These countries could have improved their international competitiveness had they applied the proper managerial and organisational approaches suitable to meeting the requirements of developed markets.

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**CHAPTER ONE**  
**INTRODUCTION**

# CHAPTER ONE

## INTRODUCTION

### AN OVERVIEW

This research is about the organisational and managerial approaches adopted by countries supplying fruit and vegetables to the UK, particularly those which set up overseas operational and promotional offices<sup>1</sup> to market and/or promote their produce.

The organisational and managerial approaches adopted by countries supplying fresh produce vary according to their orientation to overseas markets. There are two types of orientations. Firstly, there is the marketing export orientation- the pull approach; and secondly, the selling export orientation- the push approach. Levitt (1960) distinguished between these approaches when he says that, "selling focuses on the needs of the seller, marketing on the needs of the buyer. Selling is preoccupied with the seller's need to convert his product into cash; marketing with the idea of satisfying the needs of the customer by means of the product and the whole cluster of things associated with creating, delivering and finally consuming it." Baker (1979) maintained that the marketing export approach "offers the prospect of survival, and even prosperity, whilst the selling export approach contains the seeds of disaster".

Overseas suppliers who adopt the pull approach have applied managerial and organisational approaches appropriate to meeting the requirements of developed markets in terms of quality specification, continuity of supply, promoted and branded products and have thus improved their competitive performance. By contrast those which have adopted the push approach have transferred their obsolete and inefficient domestic managerial and organisational practices to their marketing activities abroad. Consequently, although, a number of these countries continue to possess a comparative advantage, in terms of natural resources, their competitive positions have deteriorated.

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<sup>1</sup>The term overseas operational offices relates to overseas offices which are branches of an export marketing board. These offices are responsible for planning and monitoring marketing activities relating to both the movement of the produce, and promotion and market research.

The term overseas promotional offices refers to overseas offices which are branches of promotional and advisory boards located in the supplier country. These offices are exclusively in charge of promotion and/or market research activities.



## **THE IMPORTANCE OF THE RESEARCH**

The importance of the research stems from the following considerations:

The area of fresh produce marketing has long been neglected despite its growing share in international trade and its relevance to the welfare of human beings. Furthermore, fresh produce marketing abroad represents a major source of foreign currency for various countries especially the developing ones which possess a comparative advantage both in terms of natural resources and lower labour costs. However, due to improper export orientation strategies adopted by these countries and the resultant employment of inappropriate organisational and managerial practices they have failed to realise the full potential of their comparative advantage. In addition, unlike other foodstuffs, the physical attributes of fresh produce- perishability, seasonality and the difficulty to differentiate as between sources of supply- coupled with the demands of developed markets for high quality specifications, continuity of supply, promotion and branded products have added another dimension to the difficulty of applying appropriate managerial and organisational approaches to fresh produce marketing abroad. Finally, despite the importance of fresh produce exports to the economy of various countries especially developing ones, an extensive search of the literature indicated that there were no serious research works which address themselves to fresh produce marketing abroad. As the available published material is predominantly concerned with domestic marketing of fresh produce rather than international marketing, this research is intended to fill this vacuum.

## **THE OBJECTIVES OF THE RESEARCH**

This research is intended as an exploratory piece of research concerned with the organisational and managerial approaches for marketing imported fruit and vegetables within the UK. It is also aimed at examining the impact of these approaches upon the competitive performance of supplying countries. Consequently, the following specific objectives were set:

1- to describe and discuss the organisation patterns and the organisational structures adopted by countries supplying fresh fruit and vegetables to the UK. These patterns can be classified into three groups according to the degree of control imposed upon marketing activities. They are (a) operational offices (b) promotional offices and (c) countries which are not embodied under either of these two groups.

2- to describe and examine the managerial approaches adopted by countries supplying fruit and vegetables to the UK. These approaches include various marketing activities required to meet the demands of developed countries particularly those relating to distribution, quality control, pricing, promotion and market research.

3- to study the factors which influence the organisational and managerial approaches adopted by the various supplying countries of fruit and vegetables. These factors are the orientation of overseas shippers and their awareness of the demands of the market country.

4- to explore the impact of the organisational and managerial approaches adopted by a particular country and/or company upon its competitive performance in term of quality specifications, continuity of supply, pricing, promotion, market research and brand development.

### **THE HYPOTHESES OF THE RESEARCH**

It is shown from examining the literature and previous research works that the shippers'<sup>2</sup> export orientation and consequently the organisational and managerial approaches play an important role in determining the competitive performance of international and multinational companies. In these companies technological know-how plays a relatively important role as well.

In the area of fresh produce technological know-how is important in terms of product quality, timing and packaging. That said, technology is virtually available to all competitors so that it is the managerial and organisational factors which determine relative success.

Therefore, it can be hypothesised that,

1- Variations in the competitive performance (in terms of quality specification, continuity of supply, promotion and brand development) of countries supplying developed markets with fruit and vegetables can be attributed mainly to differences in the organisational and managerial approaches adopted by these countries which in turn are influenced mainly by the export orientation of overseas shippers.

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<sup>2</sup>The term overseas shippers comprises all countries, overseas offices and individual exporters and growers involved in international marketing of fresh fruit and vegetables. Whilst overseas offices include both operational and promotional offices.

2- The selling export orientation approach adopted by a number of overseas shippers coupled with the physical attributes of fresh produce such as the difficulty to differentiate as between sources of supply have great implications for promotion, branding and market research. Such implications are reflected in the managers' perceptions of trade promotion and generic advertising as being of greater importance than consumer advertising, branding and market research. Nevertheless, consumer advertising, branding and market research are crucial in the proper application of the marketing export orientation.

3- Both the trade structure and the demands of developed markets together with the fragmentation of fresh fruit and vegetable industry call for fresh fruit and vegetable marketing abroad to be undertaken by marketing export orientated large- sized organisations.

### **THE LIMITATION OF THE RESEARCH**

At the outset it is worth mentioning that current research is the only serious piece of research which addresses the issue of the organisational and managerial approaches adopted by countries supplying fresh fruit and vegetables to the UK. However, one of the main problems which the researcher encountered during this study was that, the universe of the research was small which made it difficult to employ quantitative methods to the data collected. In addition, this research has taken a long time to complete due mainly to my long illness. This delay did not affect the validity of the data collected neither did it have any effect on the the findings of the research as the researcher made a number of follow-up telephone calls to the organisations in question to get to know of any changes in their organisational and managerial practices. In addition, the researcher updated the various trade statistics.

### **THE ORGANISATION OF THE RESEARCH**

This thesis is divided into six chapters; the first of these is the introductory and background chapter which includes the importance of the research, the objectives of the study, the hypotheses, the limitation of the study and the organisation of the research.

Chapter (2) provides a descriptive study of the trade system prevailing in the UK, in addition to the organisation patterns adopted by overseas shippers. Therefore, this chapter is divided into two sections. The first is devoted to examining the trade structure

in the UK on both the demand and supply sides. On the demand side the following issues are examined: the changes which have occurred in the area of fresh fruit and vegetables marketing, the market size and the household expenditures, whilst on the supply side, an analysis has been made to the trade statistics of both home-grown and imported produce to find out the changes in the market position of the various overseas shippers. The second section is concerned with the organisational patterns involved in the importation and wholesaling of fresh fruit and vegetables. As such it describes the channel members whether they are importers, wholesalers or operational and promotional offices.

Chapter (3) is devoted to conceptualising the phenomenon of international competitiveness and the organisational and managerial approaches. To this end, it is divided into three sections. The first section examines the definition and nature of international competitiveness on both macro and micro levels. The second section tackles the organisational and managerial approaches and their implications for international competitiveness. Finally, the third section is devoted to examining the components of competitive performance particularly, quality specification and distribution.

Chapter (4) describes the methodology, population and sample. The following issues are examined: the reasons behind the choice of fresh fruit and vegetables as a topic of this study, the population and sample, qualitative analysis, development of the questionnaire and finally, data collection.

Chapter(5) is concerned with presenting the research findings resulting from a survey of managers of overseas operational and promotional offices. This chapter is divided into six sections (i) The components of competitive performance. (ii) The managerial approaches to quality specifications. (iii) The managerial approaches to continuity of supply. (iv) The managerial approaches to promotion and branding. (v) The managerial approaches to pricing and finally, (vi) The organisational approaches to quality specifications, continuity of supply, promotion and market research and pricing.

Chapter (6) is the concluding chapter which draws together and summarises the empirical findings from each of the preceding chapters of the thesis.

## **CHAPTER TWO**

### **TRADE STRUCTURE AND ORGANISATIONAL PATTERNS**

## CHAPTER TWO

### TRADE STRUCTURE AND ORGANISATIONAL PATTERNS

#### Introduction

This chapter comprises a descriptive study of trade structure and the organisational patterns adopted by countries supplying fruit and vegetable to the UK.

This chapter is divided into two sections. The first section is concerned with the trade structure and starts with a description of the classification of fruit and vegetable. This is followed by an examination of the demand side of fresh fruit and vegetable which includes, the characteristics of fresh fruit and vegetable markets, the changes which have taken place in the area of fresh fruit and vegetable business, the market size, and household expenditures. Finally, this section discusses the supply side which includes supplies of both home grown and imported produce.

The second section is concerned with the organisation patterns involved in the importation of fruit and vegetable. As such, it describes the channel members as regard their role as importers, wholesalers, or commission agents and finally, overseas operational and promotional offices which belong to marketing and promotional boards respectively.

**SECTION 1**

**TRADE STRUCTURE**

# SECTION 1

## TRADE STRUCTURE

### Introduction

Until very recently the trade structure in the UK followed the classical pattern - importer, wholesaler, retailer. The structure of the trade differs slightly depending on the commodity under consideration. Nowadays this pattern has changed significantly due to the increasing importance of direct sales to supermarkets by both British and overseas producers.

In this section three issues of major importance are examined:

- 1- The classification of fresh fruit and vegetables produce.
- 2- The demand for fresh fruit and vegetables.
- 3- The supply for fresh fruit and vegetables.

### 1- The Classification of Fresh Fruit And Vegetables Produce

#### Fresh Fruits

Fruit develops from the flowers of plants and consists of the ripened seed or seeds contained within a large amount of edible tissue. Like vegetable the term fruit has, through common usage, come to apply to some fruits which are not purely botanical fruit, e.g. a pumpkin, which is a member of the vegetable marrow family, is frequently used as a fruit and served in a sweet dish 'pumpkin pie'.

According to (Davis 1987), the common classification (non-botanical) of fruit is as follows:

#### Citrus Fruit

This group includes lemons, limes, citrons, oranges, grapefruit, ortaniques, ugli-fruit, kum-quats, mandarins, satsumas, celimantines, tangerines and wilkins.

#### Stone Fruits

This group comprises apricots, peaches, nectarines, plums, damsons, greengages, persimmons, mangoes and cherries.



### **Berry Fruits**

This group includes black, red and white currants, cranberries, bilberries, strawberries, raspberries, blackberries, loganberries, gooseberries and grapes.

### **Fleshy Fruit**

This group contains apples, pears, bananas, figs, granadillas, medlars, pawpaws, melons and pineapples.

### **Nuts**

This group comprises coconuts, hazel-nuts, fibre nuts, sweet chestnuts, almond nuts, walnuts, pistachio nuts, pecan nuts, Brazil nuts, cashew nuts, and pinekernels.

### **Fresh Vegetables**

Vegetables are plants or parts of a plant used for food. The term 'vegetable' has through common usage, come to apply to plants or parts of a plant which are served to consumers either cooked or raw as part of a meal. This means that this generalisation allows foods which are not strictly vegetable to be included, e.g. tomatoes which are botanical fruits, rice and sweetcorn which are botanically cereals, etc.

According to (Davis 1987), the classification (non-botanical) of vegetable by the part of the plant commonly used as a vegetable is as follows:

#### **Roots**

This group includes beetroot, celeriac, carrot, parsnip, radishes, scorzonera, salsify, swede, kholrabi etc.

#### **Tubers**

This group contains potatoes, sweet potatoes and Jerusalem artichokes.

#### **Bulbs**

This group includes garlic, leeks, onions and shallots.

#### **Leaves**

This group comprises brussel sprouts, cabbage, corn salad, chinese cabbage (Pak-Choi), endives, kale, lettuce, spinach and watercress.

### Flowers

This group includes broccoli, calabresse, cauliflower, globe and artichoke.

### Fruit

This group contains cucumber, avocado pear, gherkins, courgettes, pumpkin, marrow, aubergine, peppers and tomato.

### Seeds (legumes)

This group includes beans, peas and asparagus.

### Blanched Stems

This category includes celery, sea-kale and chicory.

### Fungi

This group comprises truffles, ceps, chanterelles, morels and mushrooms.

## **2- The Demand for Fresh Fruit and Vegetables**

Under this heading the characteristics of fresh fruit and vegetable markets, the major changes which have taken place in the area of fresh fruit and vegetable business are examined together with the market size and household consumption.

### **THE CHARACTERISTICS OF FRESH FRUIT AND VEGETABLES MARKETS**

At a very broad level, the fruit and vegetables' market can be segmented between imported and home grown produce, or very similarly, between citrus fruit (wholly imported) and non-citrus fruit (imported and home grown). Another, and increasingly popular approach is to distinguish traditional products such as apples, oranges and bananas, from new 'exotic' fruits and vegetable such as avocados, nectarines, mangoes and papaws on the fruit side, and courgettes, asparagus, aubergines and okra on the vegetable side. (Euromonitor, 1986, pp 18)

The fresh fruit and vegetable markets are perhaps the most difficult market in which the food buyer has to operate. According to (Davis 1987), this is because:

a- The produce is very perishable, and if not handled quickly and properly will deteriorate in quality. It is the reseacher's view that perishability requires people on the spot to take speedy decisions to dispose of the produce before it perishes and at the same time to benefit from the market forces to achieve the best possible return to the growers.

b- The markets react very quickly to outside influences. Such influences are:

i- The weather can and does affect the crops being produced; in particular the quality and quantity available in the market. Any scarcity or glut affects the price that the produce will fetch and more importantly the ability of the marketers to serve the requirements of developed markets in terms of quality specifications and continuity of supply.

ii- The quality and volume of imported produce will vary according to the state of the exporting country's own market, climatic conditions, the need to earn hard currency and the price the produce could fetch in the market country.

iii- The seasonality attribute of fresh produce means the supply of one type of produce to the UK market will frequently change from one country to another during the year so that a continual supply is available. The failure of an exporting country to meet the demands of the market country creates a scarcity, and a price rise on the smaller supply that is available.

c- There is a great range of produce available which is not covered by grading regulations either by the UK Ministry of Agriculture or by the Common Agricultural Policy (CAP). Where there is no grade the buyer's experience becomes very important as she/he will have to assess the quality of the produce herself or himself. In addition, the grading standards are somewhat broad. Because of this the purchaser needs to know very well the classes within a grade and in particular the permitted tolerances for each class. The permitted tolerances are allowance for damage in transportation and handling.

d- There is a great range of varieties of produce even within a type of fruit and vegetable, each of which may well have special uses to the caterer, e.g. melons- the most common melons are Honeydew, Cantaloup, Ogen, Charentais and watermelons. All these differ in size, appearance, flavour and colour, and have a different appeal to different sectors of the consumer and catering market.

e- The purchasing units for fruit and vegetable are numerous and confusing. Many of the sizes and weights of produce evolved as a result of the tradition of various sectors of the horticulture industry and not as a result of planned marketing by the industry as a whole.

## **MAJOR CHANGES WHICH HAVE TAKEN PLACE IN THE AREA OF THE FRESH FRUIT AND VEGETABLE BUSINESS**

During the past two decades the fresh fruit and vegetable industry has experienced a long period of real changes as a response to changing demand of developed markets in terms of quality specification, continuity of supply and promoted and branded produce. Therefore, it is worthwhile examining the changes which have taken place in the area of

the fresh fruit and vegetable business and the impact such changes may have on the efforts made to fulfilling these requirements. Such changes are:

1- An increasing number of varieties of each product have become available and the seasons for many more have been extended. This is due mainly to a number of technological developments which have taken place in the area of fresh produce production and marketing. Such developments include, improvement in plant breeding, production, storage and transport techniques and extensive use of computers. In addition, factors such as the increased holiday travel of Britons and consequently their becoming aware of new products and varieties and the increasing number of ethnic minorities who prefer particular types of fresh fruit and vegetable grown in their countries of origin. The availability of these products on the British market, coupled with the British people's increasing willingness to experiment with new tastes, have led to growing awareness of such produce.

2- Relevant to the above point, a number of new products have been introduced into the British market in recent years and have gained a positive response from the public. Such products are new 'exotics' whose consumption tends to vary depending upon how advanced one's knowledge has become about these products.

Table (2.1) gives a fairly comprehensive list of fruits which have only become significant to the market in recent years.

Table (2.1): Growth sectors in the exotic fruit market, 1980-1986

'000 tons	Total supply		Change %
	1980	1986	
Avocados	6.6	14.9	126
Mangoes/Guavas	3.3	8.8	167
Melons	63.7	96.0	51
Pawpaws	0.1	0.7	600
Pineapples	11.9	19.2	61

Source: Customs & Excise, 1980/1986.

A more recent study, based on interviews with 1000 British housewives, has claimed that the exotic fruit and vegetable market is worth about £180 million in 1987 and to be growing at the rate of 15% a year. According to the Geest survey, exotic fruits were better known than exotic vegetable and consumers were generally more willing to try them. The results of the survey are illustrated in tables (2.2&3).

Table (2.2): Best known exotic fruits, 1988

(% of those interviewed)

Type	Heard	Ever tried	First tried in last two years
Pineapples	99	82	3
Pomegranate	94	71	4
Avocado	93	57	8
Kiwifruit	89	54	17
Passion fruit	83	32	7
Mango	80	32	6
Pawpaw	58	17	5
Kumquat	34	13	5
Asian pear	15	6	1

Source: Geest Survey & EIU, 1988

Table (2.3): Best known exotic vegetable, 1988

(% of those interviewed)

Type	Heard	Ever Heard	First tried in last two years
Courgettes	87	59	5
Asparagus	94	52	4
Aubergines	84	45	5
Sweet potatoes	77	27	3
Chicory	73	25	3
Ginger root	67	24	3
Squash	33	9	2
Okra	30	9	1

Source: Geest Survey & EIU, 1988.

3- There has been a growing importance of imported fruit and vegetable in fresh produce marketing and consumption. This is because home grown produce predominately is only available in the market during the summer months. In the remaining months the UK becomes more dependent on produce from abroad. In Autumn and Spring, early and late season produce is available from the Mediterranean sea countries, but in Winter months the UK relies heavily on supplies from Africa, South America and the Caribbean for citrus fruit and other exotic produce. In summer the produce is available from South Africa, New-Zealand, Australia and Chile. (Key note publication, 1982)

4- Attention to quality and continuity of supply dominates the attitudes of not only supermarkets and multiple stores, but also the majority of independent fruiterers as a response to consumers demand. Therefore, quality specification standards have risen and

consequently, producers put great efforts into supplying developed markets with such standards at the time agreed beforehand.

5- The volume supplied to the UK is influenced mainly by factors such as fluctuating exchange rates, economics of shipments, climatic conditions, political stability in supplying countries and market proximity. However, recent developments in production and air and sea containerised freight services have allowed countries e.g southern hemisphere countries to increase the volume and varieties of their supplies.

6- The number of wholesalers present in the market has steadily declined over the years. According to Davis (1983), this can mainly be attributed to:

i- The mergers which have taken place in the fresh fruit and vegetable wholesale businesses during the past two decades.

ii- Improved physical distribution has meant that secondary wholesalers in rural areas have lost importance and that larger companies are becoming more important as handlers, checkers and distributors as well as sellers.

iii- The shrinking role of wholesale markets in the fresh fruit and vegetable business. This is due mainly to two reasons: a- an increasing volume of produce is by-passing the wholesale markets and direct sales are gaining popularity. b- the growth of the supermarket trade has meant that volume lines are bought directly from suppliers on specification description and therefore, personal inspection is not so common as it used to be.

7- Relevant to the above point, a major shift during the 1980s has been away from the independent specialist green grocer and towards the supermarket. According to the Fresh Fruit and Vegetables Information Bureau report the market share of supermarkets of various types of fruit and vegetables increased during 1980/1984 period. In addition, AGB/Geest report shows that the grocery/supermarket trade takes approx. 43% of vegetable and fruit sales while greengrocers take 31% and others including farm shops, market stalls and pick-your-own outlets take 26%.

Table (2.4) details the growth in share of supermarkets sector for selected vegetable between 1980-1984.

Table (2.4): Supermarkets' sales share of fresh fruit and vegetable.

% of sales value

	1980	1984
<b>FRESH FRUIT</b>		
Orange	30	44
Apple	33	44
Bananas	32	38
Other fruit	30	45
<b>FRESH VEGETABLES</b>		
Potatoes	25	30
Green vegetable	25	36
Root vegetable and beans/peas	26	42
Salad produce, incl tomatoes	36	46
Other vegetable incl new and exotic items	40	47

Source: Fresh Fruit and Vegetables Information Bureau, 1984

A more recent study shows grocery chains have increased their share of the fruit and vegetable market in recent years at the expense of specialist greengrocers and stallholders. (See table 2.5)

Table (2.5): Sales of fresh fruit and vegetable by type of outlet.  
(% of retail sales values)

	1985	1987
Supermarkets/department stores & sympol groups	43	45
Greengrocers/fruiterers	32	29
Market stalls & covered markets	17	15
Farm shops & other	8	11
<b>Total</b>	<b>100</b>	<b>100</b>

Source: AGB/Geest, Fresh Produce report, 1988.

This trend was confirmed by the findings of a consumer research commissioned by 'Mintel' which showed a significant decline in the role of the greengrocer in the retailing of fruit in favour of supermarkets. (See table 2.6)

Table (2.6): Usual place of purchase of fresh fruit

	Aug 1972	Nov 1977	Jan 1980	Oct 1983	Aug 1986
	%	%	%	%	%
Greengrocer/fruiterer	65	56	54	48	42
Supermarket/grocer	20	16	25	27	34
Market stall	16	24	20	19	19
Variety store, i.e. BHS,M&S	7	4	4	4	5
Farm/roadside stall	4	3	3	3	3
Department store	1	2	1	1	1
Other	4	5	3	4	2

Source: BMRB/Mintel

Base: Approximately 1000 housewives

8- In their efforts to counter such development, certain wholesalers have specialized in serving supermarkets from depots outside wholesale markets. These wholesalers possess the appropriate facilities that qualified them to deal with such stores. Such facilities are, cold stores, ripening stores, refrigerated transport, repacking arrangement and specialized sales staff. In addition, "there has been a move away from labour intensive systems of working towards capital intensive methods of operation both in physical handling and in the control of accounts, planning and administration." Davis (1985).

9- The marketing boards have extended their activities so that they now control a large proportion of imported products. Such boards are NZAPMB, CMBI, AGREXCO, UNIFRUCO, SACCE, CYCO-OPs and OCA.<sup>1</sup> Another recent development associated with marketing boards is the emergence of panelists who are wholesalers appointed by marketing boards to sell the produce on their behalf.

## MARKET SIZE

According to the National Food Survey, retail sales of fresh fruit and vegetable rose by 9% to £3500 million in 1987 compared with 1986. Retail market of potatoes, green vegetable and other vegetable increased by 16%, 3% and 11% respectively during the same period.

In addition, table (2.7) shows potatoes accounted for 31% of fresh vegetable market while fresh green vegetable and other fresh vegetable represented 21% and 48% respectively in

<sup>1</sup>The titles of overseas offices and their abbreviations are illustrated in table (4.1) page 158.



1987.

Table (2.7): Market size of the fresh fruit and vegetable, 1980-1987  
£mn

	1980	1981	1982	1983	1984	1985	1986	1987
Potatoes	438.1	501.0	604.6	634.6	729.0	509	576	668
Frsh grn veg	300.3	333.5	327.1	397	405.9	418	448	462
Other frsh veg	659.1	691.8	675.4	793.9	838.9	884	944	1050
Fresh fruit	812.8	858.7	884.9	1056.6	1050	1134	1232	1320
<b>Total</b>	<b>2,209.3</b>	<b>2,385</b>	<b>2,492</b>	<b>2,882.1</b>	<b>3,032.8</b>	<b>2,945</b>	<b>3,200</b>	<b>3,500</b>

Source: National Food Survey & Retail Business Estimates.

Finally, the same table shows how the fresh fruit and vegetable market is divided into sub-sectors, fresh fruit being the largest and accounting for 38% of the total expenditure. Potatoes, fresh green vegetable and other fresh vegetable accounted for 19%, 13% and 30% respectively in 1987.

Table (2.8): The retail market for fresh fruit and vegetable, 1983-1987  
£m at current prices; indices, 1983=100

	Value	Index	Retail food price index
1983	2.873	100	100.0
1984	3,025	105	105.6
1985	2,945	103	108.5
1986	3,200	111	112.4
1987	3,500	122	116.0

Source: National Food Survey, CSO, and Retail Business Estimates.

In value terms, the market for fresh fruit and vegetable grew by 22% during 1983/1987 period. However, when overall inflation is taken into account, the market growth was only 2%. (See table 2.8)

The retail market for fresh fruit is believed to have been worth just over £1.3 billion at rsp in 1987. This market size includes all sales through the retail trade, inclusive of purchases for in-home consumption and away-from-home snacks. Sales through caterers, however, are excluded. Although the trends in volume consumption have fluctuated during the 1980s. the underlying trend has been downward.

A breakdown of the market size by type of fruit is given in table (2.9), (including both bought and home grown items).

Table (2.9): Fresh fruit market by type 1980-1985  
'000 tonnes

	1980	1981	1982	1983	1984	1985	% Change 80/85
- Apples	626	587	566	575	556	560	(11)
- Oranges	260	246	218	229	219	203	(22)
- Bananas	255	252	237	232	233	227	(11)
- Other citrus fruit	161	155	139	160	150	130	(19)
- Soft fruit other than grapes.	91	72	77	78	81	65	(29)
- Pears	84	94	73	84	84	81	(4)
- Stone fruit	83	72	94	109	97	105	29
- Rhubarb	49	40	37	30	32	24	(51)
- Grapes	30	46	39	42	40	49	63
- Other fresh fruit	39	47	32	34	48	56	44
<b>Total</b>	<b>1678</b>	<b>1609</b>	<b>1512</b>	<b>1593</b>	<b>1543</b>	<b>1503</b>	<b>(10)</b>

Source: Mintel based on National Food Survey

In general, the consumption in 1985 dropped by 10% compared with 1980, however stonefruit (apricots, peaches, plums and nectarines) and grapes are the only categories to have shown increased consumption since 1980. All other fruit categories cited under the National Food Survey have experienced decline in sales to a greater or lesser extent.

The above findings were confirmed by a more recent findings of the National Food Survey which covers 1980-1988 period. The results are illustrated in tabel (2.10).

Table (2.10): Fresh fruit market by type and value 1980-1988  
(% share of household expenditure on fruit)

	1980	1981	1982	1983	1984	1985	1988
- Apples	32	32	34	32	32	31	29
- Bananas	18	18	18	17	18	19	20
- Oranges/soft citrus	25	24	23	23	19	23	18
- Pears	5	5	5	5	5	5	6
- Grapes	4	5	5	5	5	6	7
- Other fresh fruit	16	16	15	18	21	16	20
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: Mintel based on National Food Survey, AGB/Geest, Fresh Produce Report.

The above table shows that apples and bananas are the most popular fruits in the UK in 1988, the former accounting for 29% with the latter accounting for 20%. These are followed by citrus fruit with 18% and grapes and pears took 7% and 6% respectively. All together, they accounted for 80% of the household expenditure on fruit in 1988.

In addition, 1988 witnessed an increase in demand of soft citrus at the expense of orange and grapefruit. This increase can be attributed partly to its appeal to families with children as this kind of fruit tends to be relatively small and easy to peel. (Retail Business, November, 1988)

Finally, the new exotic fruits such as kiwifruit, Sharon fruit, mangoes .etc. have witnessed a dramatic growth in 1988 as mentioned earlier. It is also worth mentioning that supermarkets in particular have played an active role in boosting sales of exotic fruit in the British market. "Progressive display and information policies for items such as mangoes, kiwifruit and pawpaws by supermarkets and multiple chains has led to an increase in their share of the market to over 50% by volume. The availability of chilled cabinets also means that delicate exotic fruit can be kept fresh longer". (Mintel, December, 1986, pp 25).

At the EuroFruit annual conference (December, 1982), it was reported that, the UK is among the lowest fruit and vegetable consuming nations in Europe. The most popular reasons given were "lack of positive marketing" as the fresh fruit industry spends only around 1/10 of one percent of the total advertising expenditure on food. Another reason was the failure to educate the next generation of fruit eaters, however, some marketing and promotional organisations have made great strides in this respect. Such organisations are, Food and wine from France, the Dutch Fresh Fruit and Vegetables Information Bureau, New-Zealand Kiwifruit Authority and the Israeli Agriculture Exporting Company. Another important factor is the price as a stimulus or deterrent to fruit sales. It was suggested that, consumption was generally low in the UK because prices were relatively higher and the average income and so spending power was lower than those in other European countries. Finally, "taste (quality), attractive presentation and continued sales drive were cited as being demanded factors". Unlike the UK, the consumer in Germany looks for quality and the price of the product does not play a leading role in this respect. (Eurofruit, December, 1982.)

On the fresh vegetable side, the retail market of fresh vegetable is quite similar to that of fresh fruit which in general terms has not shown any dramatic upturn in volume sales during the past decade despite the continuing publicity for eating more fruit and vegetable as part of a wholesome diet. However, consumption of potatoes and green vegetable decreased by 8% and 20% respectively in 1987 compared with 1980, the consumption of other vegetable increased by 5% during the same period. (See table 2.11)

Table (2.11): UK fresh vegetable consumption, 1980-1987  
(based on ounces per person per week (1980=100))

	Potatoes	Green Veg.	Other veg.	Total Veg.
1980	100	100	100	100
1982	101	90	99	97
1984	97	87	96	93
1986	95	89	106	97
1987	92	80	105	92

Source: National Food Survey/Mintel

#### HOUSEHOLD EXPENDITURE ON FRESH FRUIT AND VEGETABLES

According to the National Income and Expenditure statistics the total household expenditure on food in 1987 is around £34 billion equivalent of 14% of household expenditure on all goods and services, while expenditure on fresh fruit and vegetable represents £ 3.5 billion in the same year equivalent of 10% of total household expenditure on food.

Table (2.12): Shares of household food expenditure, 1984-1986.  
(% of total)

	Fresh fruit & vegetable	Fats & dairy products	Sugar & preserves	Carcass meat & poultry
1984	11.81	17.52	2.09	16.85
1985	11.06	17.43	1.89	16.71
1986	12.01	16.86	1.78	16.22
%change 1984-1986	1.7	-3.7	-14.8	-3.7

Source: National Food Survey

Table (2.12) shows how expenditure on fruit and vegetable has grown by 1.7% as a percentage of household food expenditure in recent years, while expenditure on some other sectors of food has declined, due mainly to changing eating habits. It was reported in the Market Intelligence Report that the increased consumption of fruit and vegetables is attributed to changing eating habits rather than healthy eating awareness as only 15%

of households seem to have adopted to healthy eating. (Market Intelligence, April, 1989, pp 2-3)

Table (2.13): Indices of expenditure on fresh fruit and vegetable, 1983-1987.  
(1983=100)

	All food	Fruit	Potatoes	Other vegetable
1983	100	100	100	100
1984	103	105	105	105
1985	107	113	74	111
1986	116	122	83	118
1987	123	131	97	128

Source: National Income and Expenditure.

Table (2.13) illustrates that household expenditure on fresh fruit and vegetable remains virtually static with the exception of the new exotic products which have witnessed a growing increase in demand, however, they play only insignificant role in the market as a whole. The same table shows potatoes as the only product for which expenditure has declined by around 3% in 1987 compared to 1983. In other sectors expenditure has been rising at a faster rate than total household expenditure on food.

#### Changes in the Household Consumption of Fruit and Vegetables Since 1965.

(Annual Report of NFS Committee, 1988)

Table (2.14) shows that the average consumption of fresh potatoes declined from 40.96 ounces per person per week in 1985 to 37.68 in 1987 reflecting higher average prices and an increasing concern among the public about diets as well as changes in their eating habits. There were also insignificant increase in green and other fresh vegetable although household expenditure on these products rose substantially. The average consumption and expenditure of frozen vegetable have increased.

Table (2.14): Household consumption and expenditure for vegetable and fruit, 1985-1987.

(per person per week)

	Consumption			Expenditure		
	1985	1986	1987	1985	1986	1987
	ounces			pence		
<b>Vegetables:</b>						
- Potatoes	40.96	38.76	37.68	17.62	21.62	24.15
- Fresh green	9.78	11.11	9.97	14.46	16.47	24.15
- Other fresh	15.70	16.82	16.67	30.60	34.99	37.90
- Frozen, including veg products	5.97	6.28	6.72	14.23	15.29	16.71
- Other processed including veg products	12.51	13.28	12.75	36.13	39.40	43.54
<b>Total veg</b>	<b>84.93</b>	<b>86.27</b>	<b>83.79</b>	<b>113.04</b>	<b>127.57</b>	<b>138.91</b>
- Fresh fruit	18.52	20.33	20.26	38.82	45.56	47.41
- Other including fruit products	8.54	10.47	10.76	21.57	24.51	26.42
<b>Total fruit</b>	<b>27.06</b>	<b>30.80</b>	<b>31.01</b>	<b>60.39</b>	<b>70.07</b>	<b>73.83</b>

Source: Ministry of Agriculture, Fisheries and Food, Household Food Consumption and Expenditure, Annual Report of National Food Survey Committee (1988).

Average per capita consumption of fresh fruit was slightly higher in 1987, however, consumption of other fruit products increased substantially reflecting an increase in purchases of fruit juices.

#### Fresh Fruit

Expenditure on fresh fruit has increased by nearly 8% since 1965 and now represents 4.6% of total household food expenditure. Unlike consumption of apples, oranges and bananas which are slightly lower in 1987 than in 1965, consumption of other citrus fruit, stone fruit and miscellaneous fresh fruit has increased markedly. (See table 2.15)

Table (2.15): Consumption of fresh fruit during the 1965-1987 period.

Ounces per person per week

	1965	1975	1985	1986	1987
Oranges	3.18	3.43	2.48	3.10	2.70
Other citrus	1.14	1.49	1.60	1.97	2.11
Apples	7.36	6.77	6.93	7.26	7.05
pears	0.78	0.73	1.05	1.03	1.07
Stone fruit	0.55	0.36	1.28	1.21	1.51
Grapes		0.33	0.64	0.63	0.68
Soft fruit		0.59	0.76	0.90	0.78
Bananas	3.56	2.87	2.81	3.06	3.21
Rhubarb		0.51	0.31	0.38	0.34
Miscellaneous		0.44	0.67	0.79	0.81
<b>Total</b>	<b>18.79</b>	<b>17.51</b>	<b>18.52</b>	<b>20.33</b>	<b>20.25</b>

Source: Ministry of agriculture, Fisheries and Food, Household Food Consumption and Expenditure, Annual Report of National Food Survey Committee (1988).

#### Fresh Vegetables

It was mentioned earlier that the range of vegetable purchased by British people has increased significantly during the past two decades, nevertheless the quantity consumed of some varieties has declined.

Table (2.16): Consumption of Vegetables, 1965-1987  
ounces per person per week

	1965	1975	1985	1986	1987
- Fresh potatoes	53.24	43.90	40.96	38.76	37.68
- Fresh green veg.	14.34	11.58	9.78	11.11	9.97
- Other fresh veg.	14.33	13.70	15.70	16.82	16.67
- Frozen veg & veg products.	.88	3.26	5.97	6.28	6.72
- Other processed veg and veg products	9.83	11.48	12.51	13.28	12.75
<b>Total</b>	<b>92.62</b>	<b>83.98</b>	<b>84.93</b>	<b>86.27</b>	<b>83.79</b>

Source: Ministry of Agriculture, Fisheries and Food, Household Food Consumption and Expenditure, Annual Report of National Food Survey Committee (1988).

Table (2.16) shows there has been a remarkable reduction in the quantity consumed of some products such as potatoes and fresh green vegetable with 29% and 31% respectively, whilst the constipation of other fresh vegetables increased by 16%. The net result is a 10% decline in the quantity of vegetable purchased between 1965 and 1987.

### Fresh potatoes

Table (2.16) shows also a steady decline in the relative importance of potatoes over the past two decades. In 1965 per capita consumption of potatoes was 53 ounces representing 57% of total fresh vegetable consumption. By 1987, average consumption per head has fallen to 38 ounces representing 45% of the total for all vegetable.

### Fresh green vegetables

Table (2.17) shows a decline in consumption of fresh green vegetable in aggregate by 4.3 since 1965. Such decline is evident with products such as cabbage, brussels sprouts, and fresh peas and beans.

Table (2.17): Consumption of fresh green vegetable during 1965-1987.

	1965	1975	1985	1986	1987
Cabbages	4.85	4.62	3.60	3.63	3.45
Brussels	2.66	1.54	1.17	1.40	1.19
Cauliflower	2.75	2.37	1.94	2.61	1.99
Leafy salads	1.23	1.37	1.41	1.66	1.68
Peas	1.09	0.38	0.33	0.44	0.38
Beans	1.54	1.06	1.14	1.01	0.98
Other fresh green veg	0.22	0.25	0.19	0.36	0.36
Total	14.24	11.58	9.78	11.11	9.97

Source: Ministry of Agriculture, Fisheries and Food, Household Food Consumption and expenditure, Annual Report of National Food Survey Committee, 1988.

### Other fresh vegetables

Unlike previous groups, consumption of other fresh vegetable has risen by 16% since 1965. Most of the rise can be attributed to an increase in consumption of cucumbers, and onions and shallots as is shown in table (2.18).



Table (2.18): Consumption of other fresh vegetable during 1965-1987 period.

	ounces per person per week				
	1965	1975	1985	1986	1987
- Carrots.	3.15	2.71	3.82	4.04	4.04
- Turnips&sweeds and other root veg.	2.44	1.23	1.08	1.12	1.31
- Onions, shallots&leeks	3.10	2.92	3.33	3.48	3.38
- Tomatoes	3.92	3.87	3.61	3.77	3.59
- Cucumbers		0.84	1.04	1.11	1.13
- Mushrooms	1.72	0.47	0.74	0.89	0.85
- Miscellaneous		1.05	1.35	1.58	1.53
<b>Total</b>	<b>14.33</b>	<b>13.78</b>	<b>15.79</b>	<b>16.82</b>	<b>16.67</b>

Household Food Consumption and Expenditure, Annual Report of the National Food Survey Committee, Ministry of Agriculture, Fisheries and Food, 1987.

### 3- The Supply For Fresh Fruit and Vegetables

Previous discussion covered the demand related aspects of the fresh fruit and vegetable business. In order to complete the supply and demand equation, the supply side of imported fresh fruit and vegetable is examined.

In general terms, the supply of fruit and vegetable to the UK market comes from two sources, home grown produce and imports.

Table (2.19) illustrates the value of fresh fruit and vegetable supplies to the domestic market. Imports are shown to account for 77% of the value of fruit supplies but only 34% of the value of vegetables.

Table (2.19): Value of fresh fruit and vegetable supplies, 1986.  
(£ mn; %)

	Home produced	Imports	Total	Imports as % of total
FRUIT TOTAL	229	755	984	77
of which				
apples	83	163	246	66
pears	15	25	62	40
strawberries	60	20	80	25
VEGETABLES TOTAL	705	352	1057	34
of which				
onions	113	23	136	17
tomatoes	64	133	197	68
lettuce	25	29	54	53
cucumber	30	25	55	45
potatoes	466	62	528	12

Source: EIU, 1988, based on MAFF & Customs and Excise statistics.

### Home Grown Produce

The home grown supplies of fresh vegetable and fruit accounted for 66% and 23% respectively of total value of fresh vegetable and fruit supplies in 1986. The percentage varies between the different types of vegetable and fruit. Examples are, on the fresh vegetable side, potatoes, onions, cucumbers and lettuce accounted for 88%, 83%, 55% and 47% respectively, however, on the fresh fruit side, the percentages are much lesser with the exception of strawberries which accounted for 75%, followed by pears and apples with 60% and 33% respectively in 1986. (See table 2.19)

Table (2.20): Home grown fruit marketed in 1983/1986 ('000tons)

	1983	1984	1985	1986	(1983/1986)
TOTAL FRUIT	477	480	461	466	(2)
of which					
apples	293	297	287	285	(3)
pears	40	43	48	45	13
plums	29	27	20	27	(7)
cherries	2	5	4	3	50
strawberries	51	55	48	46	(10)
raspberries	21	23	22	23	10
blackcurrants	27	16	19	24	(11)
TOTAL VEGETABLES	2580	1663	2565	2642	3
of which					
onions & root veg.	833	933	972	957	15
brassicas	1025	1014	1000	1061	4
peas & beans	312	386	312	346	11
potatoes	5071	5238	5134	5607	11
tomatoes	115	126	112	120	4
cucumbers	57	63	68	76	33
lettuce	41	48	48	49	20
mushrooms	77	88	100	100	29
Total	3057	2143	3026	3108	2

Source: EIU & Ministry of Agriculture, Fishery and Food.

It is evident from table (2.20) that home grown supplies of fresh fruit declined by 2% in 1986 compared with 1983. But fresh vegetable supplies increased by 3% during the same period.

## Imported Produce <sup>2</sup>

There has been a 17% rise in the UK total imports of fresh fruit and vegetable by volume, 18% for vegetable and 16% for fruit during 1980/1987. However, in value terms imports of fresh fruit and vegetables increased by 80%, (79% for fruit and 80% for vegetable). Diagrams (2.1&2) show the historical evolution of UK imports of fresh fruit and vegetable since 1975.

The main points which can be drawn are:

- 1- The total imports of traditional fruit has not witnessed substantial change, however, on the country level there has been significant fluctuations in the relative market

<sup>2</sup>The analysis shown in tables (2.21) to (2.30) and illustrated in diagrams (2.1) to (2.9) is based on Customs and Excise's overseas trade statistics which are compiled by Commonwealth Secretariat.

Diagram (2.1)

## UK IMPORTS OF FRUIT AND VEGETABLES

CLASSIFIED ACCORDING COUNTRY OF ORIGIN

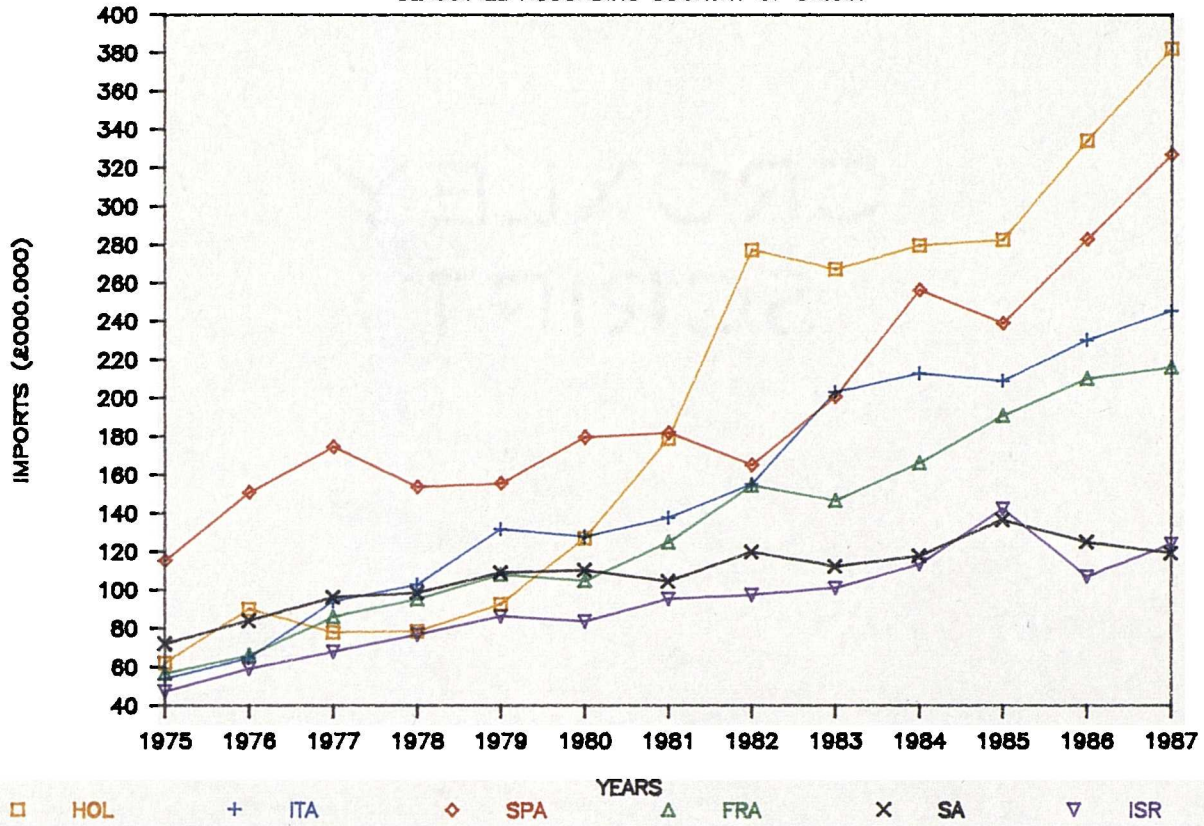
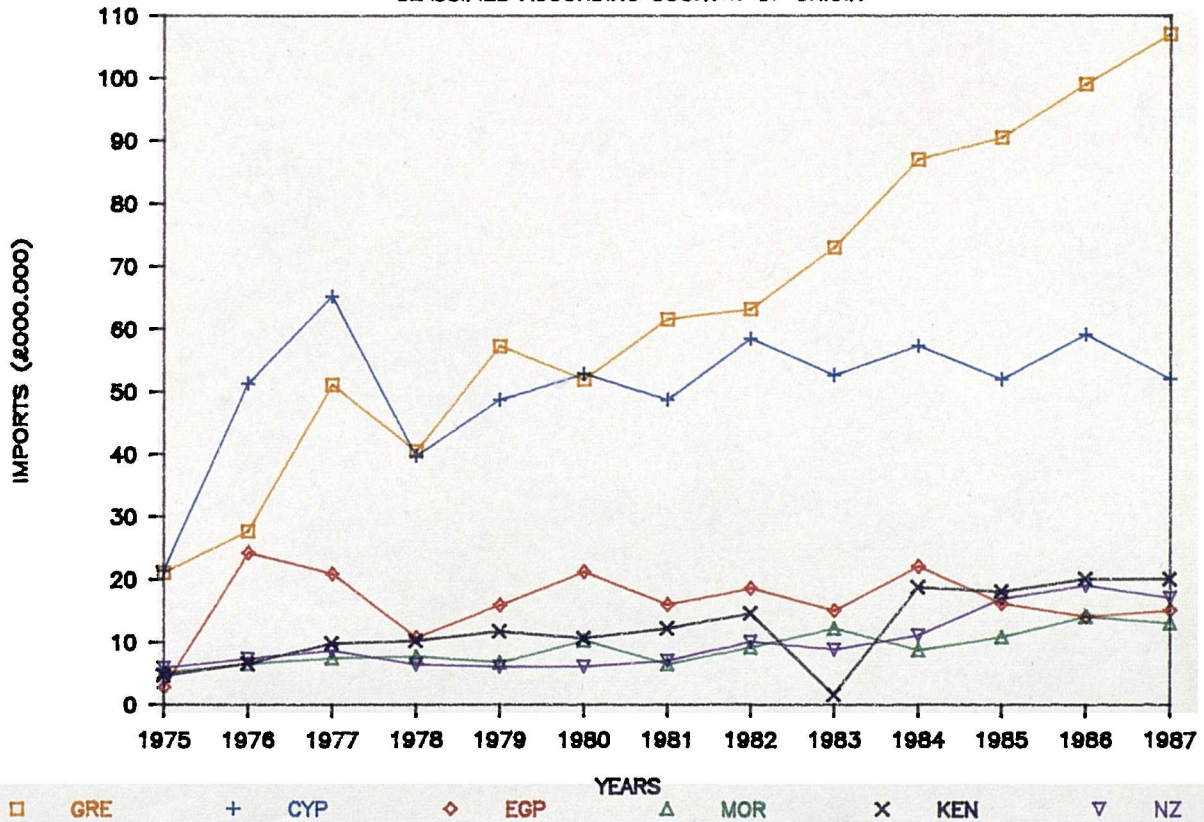


Diagram (2.2)

## UK IMPORTS OF FRUIT AND VEGETABLES

CLASSIFIED ACCORDING COUNTRY OF ORIGIN



positions of overseas shippers. The reasons for such fluctuations are weather conditions in the supplying countries, the strength of relevant currency and market situations in the market countries together with the shippers ability to cope with the requirements of developed markets.

2- Most of the increase of imported fresh fruit and vegetable came mainly from soft fruit and new exotic fruit and vegetable. Examples are, grapes, apricots, peaches and nectarines, cherries, avocados, kiwifruit, pineapples, cucumbers, lettuce, capsicum, green beans, mushrooms and courgettes.

## **FRESH FRUIT**

Imports are obviously important to the UK market particularly for exotic and tropical items which cannot be grown in the UK. The value of imports of fresh fruit stands at 1.8 million tonnes in 1987 at a growth rate increase of 3% higher than preceding year. Supplies of citrus fruit were up 2%. Most of the increase comes from Spain and Cyprus. Imports of bananas were 5% higher mainly due to a considerable expansion of imports from Jamaica, Belize and Colombia. Imports of apples are slightly higher than in 1986, however, imports from southern hemisphere countries has declined, due mainly to an increase of supplies by EEC countries, particularly France. Imports of new exotic fruit including mangoes and guavas, mangosteen and pineapples increased dramatically in 1987. (Commonwealth Secretariat, 1988)

The figures shown in table (2.21) and diagrams (2.3&4) cover all imports and so include fruit for the catering and processing industry. A comparison with 1980 shows that fresh fruit imports rose by 17% in 1987. Sectors with the most dynamic growth included grapes, apples, mandarins and clementines, stone fruit, pineapples, berries and mangoes, guavas. This reflects the increased interest in exotic fruits shown by British consumers.

Diagram (2.3)

### THE UK IMPORTS OF FRESH FRUIT (000,000 TONNES)

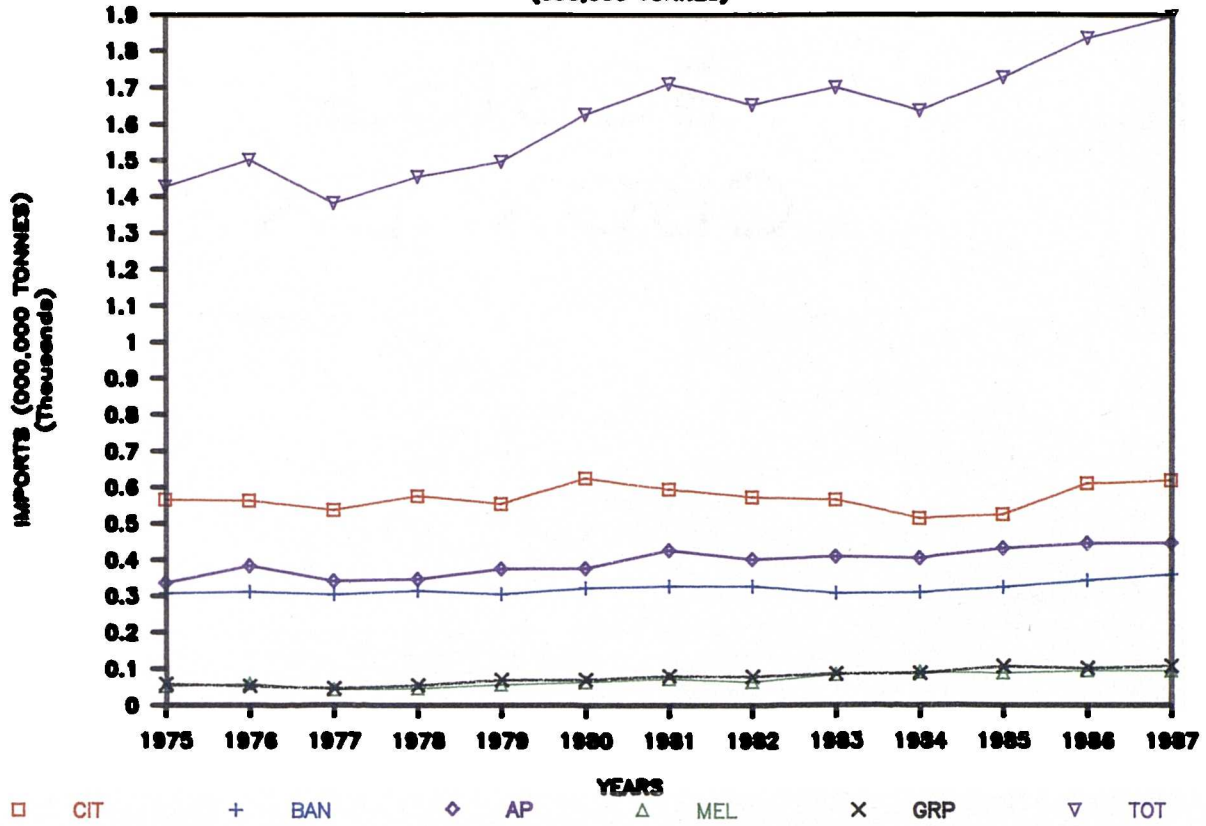


Diagram (2.4)

### THE UK IMPORTS OF FRESH FRUIT (000 TONNES)

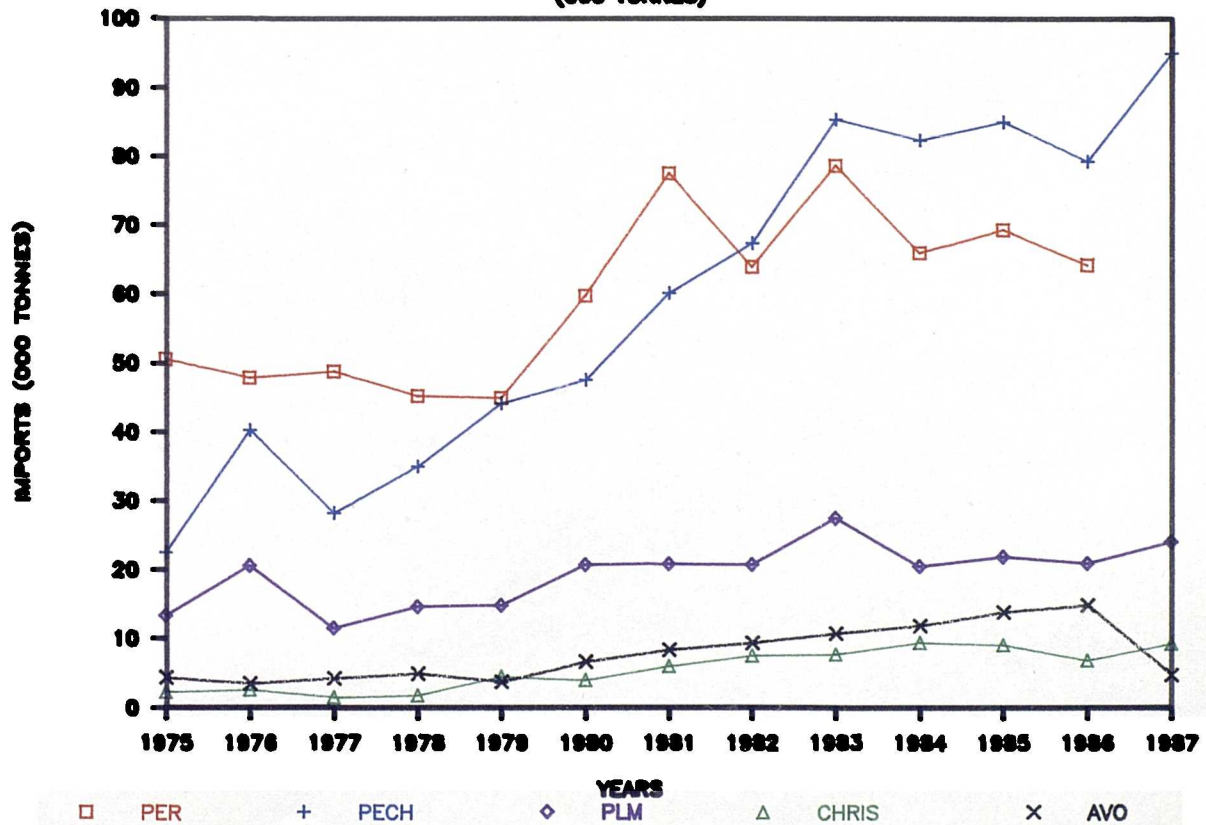


Table (2.21): % change of the UK imports classified according to fruit types in 1980-1987.

	1980	1987	Change %
Apples	374	443	18
pears	60	77	28
Bananas	322	359	12
Citrus	627	619	(1)
Grapes	70	108	54
Pineapples	12	21	75
Melons	64	96	50
Avocados	7	5	(29)
Mangoes&Guavas	3	10	233
Peaches&Nectarines	48	95	98
Apricots	2	3	50
Plums	21	24	14
Cherries	4	9	125
Other Kinds	13	24	85
<b>Total</b>	<b>1626</b>	<b>1895</b>	<b>17</b>

Source: Based on Custom & Excise, 1980/1987.

In more detail the changes which have taken place in UK imports of fruit and vegetable are examined together with the relative market positions of countries supplying fruit and vegetable to the UK in 1987 compared with 1980.

- Citrus fruit witnessed a decline in the volume imported by 1%. This decrease can be attributed to the decline in exports of both oranges and grapefruit by 11% and 27% respectively. However, imports of mandarins witnessed a dramatic rise by about 64% and lemons increased by around 13%.

In general terms the citrus business experienced a decline in export revenue. This can be attributed to:

1- World recession and a decline in household spending together with changes in eating habits have meant consumers eat fewer oranges and grapefruit.

2- Over-production of citrus has meant that there is seldom a shortage, so prices are constantly under pressure against which even such brand names as Jaffa, Outspan, Maroc and Spainia cannot command the premium they should fetch.

Table (2.22): % change of UK imports of citrus fruit and the relative positions of supplying countries in 1980-1987. ('000 tonnes)

	1980	1987	Change %	1980 %	1987 %	Change %
ORANGES	375.7	333.6	(11)			
Cyprus	50.7	34.2	(33)	14	10	(4)
Israel	122.8	83.1	(33)	33	25	(8)
S. Africa	72.8	53.3	(27)	19	16	(3)
Spain	57.5	80.9	40	15	24	9
Morocco	22.7	29.3	26	6	9	3
Holland	12.9	15.3	15	4	5	1
USA	15.7					
France		3.5				
Greece		3.9				
MANDARINS	92.3	151.1	64			
France	1.7	3.2	50	2	2	
Holland	3.2	5.0	66	3	3	
Morocco	8.2	7.7	--	9	5	(4)
Spain	73.1	119.1	63	79	79	--
Israel	1.8	5.3	150	2	3	1
GRAPEFRUIT	112.7	82.0	(27)			
Cyprus	38.5	33.4	(13)	35	40	5
Israel	38.4	14.1	(63)	34	17	(17)
S. Africa	15.4	12.2	(20)	13	15	2
USA	6.0	6.6	10	5	9	4
LEMONS	46.3	52.3	13			
Cyprus	10.4	11.5	20	22	23	1
Italy	10.0	.4	(96)	22	.5	(21.5)
Spain	10.5	29.3	164	23	56	33
USA	4.4					
S Africa	5.5	4.7	—	12	10	(2)
Israel		.7				
Total Citrus	627	619	(1)			

Source: Based on Custom and Excise, 1980/1987.

The main points which can be drawn from table (2.22) and diagram (2.5) are:

- Oranges: The volume supplied to the UK declined by 11%. Most of the decline came from Cyprus, Israel, South Africa and Spain with 11%, 33%, 33%, and 27% respectively, but imports from Morocco and Holland increased by 40% and 26% respectively. With regard to the changes in the relative market positions of countries supplying oranges to the UK. The market position of Cyprus, Israel and South Africa declined by 4%, 8%, and 3% respectively whilst that of Spain, Morocco and Holland increased by 9%, 3%, and 1% respectively.



Diagram (2.5)

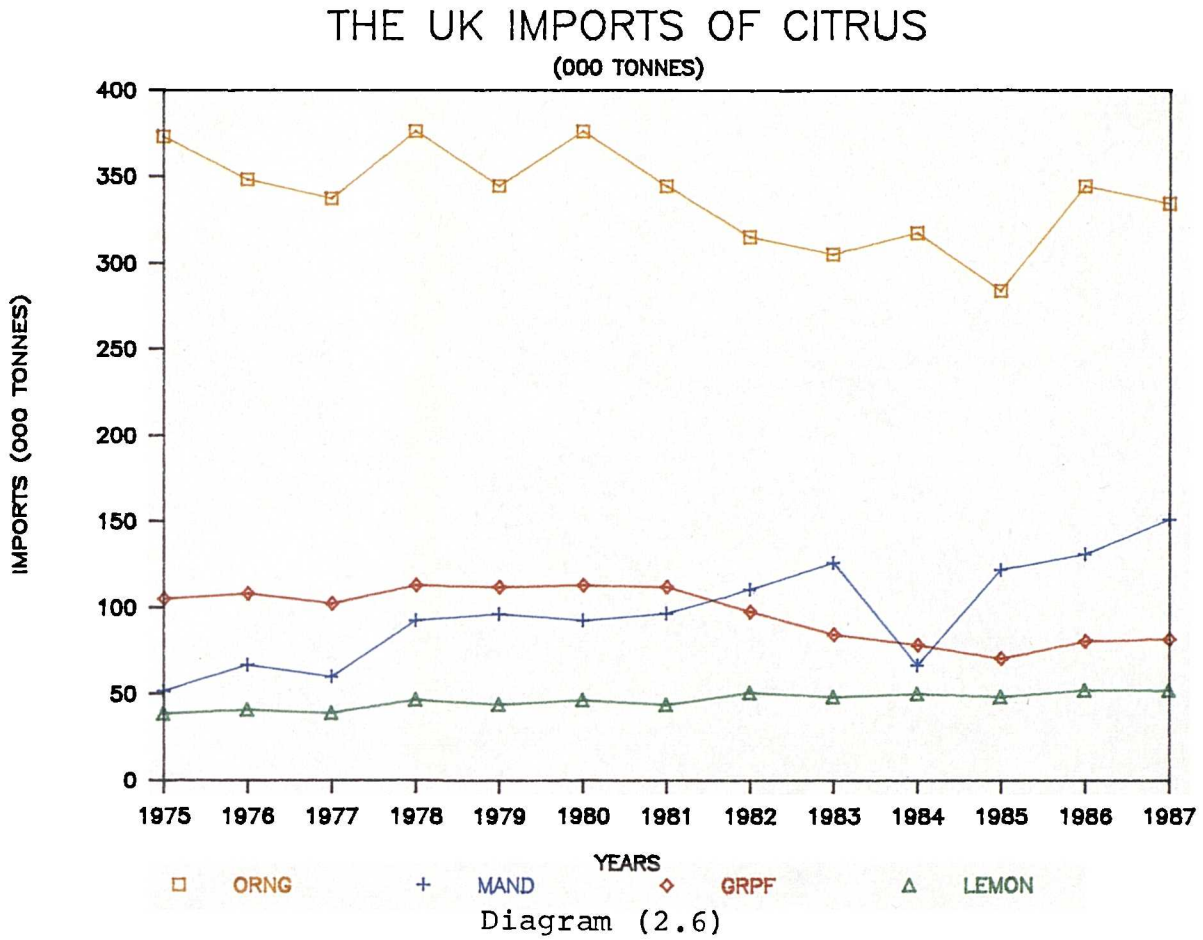
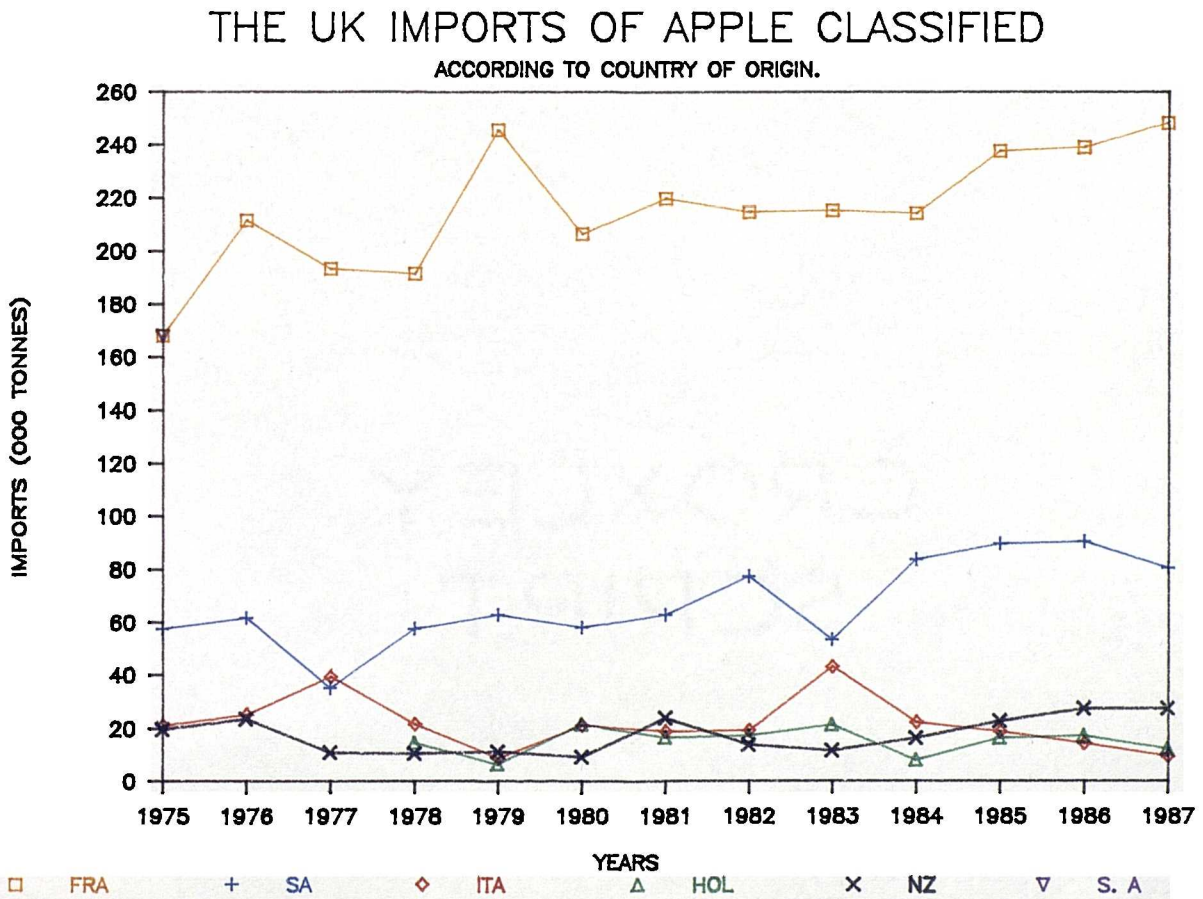


Diagram (2.6)



- Mandarins: The volume supplied increased by 64%. Imports to the UK from Spain, France, Holland and Israel increased by 63%, 50%, 66%, and 150% respectively. However, in terms of changes of the relative market positions of countries supplying mandarins to the UK, the market position of France, Holland and Spain have not changed at 2%, 3%, and 79% respectively. While the relative position of Morocco declined by 4% and that of Israel increased by 1%.

- Grapefruit: UK imports of grapefruit have witnessed a continuing decrease by 27% during the past decade. Imports from Cyprus, Israel and South Africa have decreased by 15%, 63% and 20% respectively. With regard to the change of the relative market positions of supplying countries of UK imports, the relative positions of Cyprus, Israel, South Africa and USA were 5%, (17%), 2% and 4% respectively.

- Lemons: The volume imported by the UK increased by 13%, and most of the increase came from Spain with 164% and Cyprus with 20%, while imports from Italy decreased by 96%. With respect to the change in the relative positions of countries supplying Lemons to the UK, Spain's position improved by 33% followed by Cyprus with 1%, while that of Italy and South Africa declined by 22% and 2% respectively.

- Bananas: UK imports of bananas increased by 12%, most of the increase came from Surinam, Belize and Belgium with 55%, 54% and 18% respectively. Surinam and Belize are the sole countries which improved their relative positions by 3% and 1% respectively. (See table 2.23)

Table (2.23): % change of UK imports of banana and the relative positions of supplying countries in 1980-1987.

('000 tonnes)	1980	1987	Change %	1980 %	1987 %	Change %
Jamaica	34.9	34.5		11	10	(1)
Belize	13.2	19.5	54	4	5	1
Belgium	15.5	18.3	18	5	5	--
Cameroon	8.5			3		--
Holland	19.5	9.6	(50)	6	3	(3)
Panama	6.2			2		--
Surinam	22.4	33.9	55	7	10	3
Colombia	58.5	28.9	(51)	18	8	(10)
Ecuador	11.3	.4	(96)	3	.2	(2.8)
France		5.9			2	
<b>Total banana</b>	<b>322.4</b>	<b>359.4</b>	<b>12</b>			

Source: Based on Customs and Excise, 1980/1987.

- Apples: The volume imported by the UK increased by 19%. Most of the increase came

from New-Zealand, France, Chile and South Africa with 200%, 20%, 126% and 38% respectively, but imports from Australia, Holland, Italy and Spain declined by 70%, 43%, 57%, and 56% respectively. With regard to the changes in the relative positions of countries supplying apples to the UK, New-Zealand, Chile and South Africa improved their relative positions by 4%, 2% and 2% respectively, while the relative positions of Australia, Holland, Italy and Spain declined by 1%, 3%, 4%, and 1%. France's relative position stayed almost unchanged at 56% for a long time.

It is evident from table (2.24) and diagram (2.6) that French exports have not lost their grip on the UK apple market since 1975. In addition, the southern hemisphere countries such as South Africa, New Zealand, Australia and Chile have performed well in the summer time.

Table (2.24): % change of UK imports of apples and the relative positions of supplying countries of apples in 1980-1987.<sup>3</sup>

('000 tonnes)	1980	1987	Change %	1980 %	1987 %	Change %
Australia	9.7	3.1	(70)	2	1	(1)
New Zealand	8.9	26.7	200	2	6	4
France	206.2	248.0	20	56	56	--
Holland	21.3	11.6	(43)	6	3	(3)
Italy	20.9	8.7	(57)	6	2	(4)
Spain	8.7	4.1	(56)	2	1	(1)
USA	11.5	12.2		3	3	--
Chile	7	15.8	126	2	4	2
S Africa	57.8	80.4	38	16	18	2
<b>Total imports</b>	<b>273.8</b>	<b>433.4</b>	<b>19</b>			

Source: Based of customs and Excise, 1980/1987.

- Pears: UK imports of pears increased by 28%. Most of the rise came from Holland, South Africa and France, with 60%, 70%, 16% respectively, the exception was Italy whose exports decreased by 62%. With respect to the change of supplying countries' relative positions, Holland and South Africa improved their position by 4% each, while that of France and Italy declined by 3% and 15% respectively. (See table 2.25)

<sup>3</sup>Within the rest of this section correction is made to the nearest whole number.

Table (2.25): % change in UK imports of pears and the change of the relative positions of countries supplying pears in 1980-1987.

('000 tonnes)	1980	1987	Change %	1980 %	1987 %	change %
Australia	1.8	3.3	50	3	4	1
France	18.5	21.9	16	32	29	(3)
Netherlands	10.0	16.2	60	17	21	4
Italy	12.6	5.4	(62)	22	7	(15)
Spain	2.6			5		
S Africa	10.3	16.5	70	17	21	4
<b>Total imports</b>	<b>59.7</b>	<b>77.2</b>	<b>28</b>			

Source: Based on Customs and Excise, 1980/1987.

- Grapes: UK imports of grapes rose by 54%. The vast majority of the increase came from Holland, Greece, Italy and South Africa with 1000%, 200%, 170% and 40% respectively, while imports from Cyprus and Spain decreased by 62% and 18% respectively. With regard to the relative position of countries supplying grapes, Italy, Holland, and Greece improved their positions by 11%, 9% and 4% respectively, while that of Spain and Cyprus decreased by 19% and 14% respectively. (See table 2.26)

Table (2.26): % change of UK imports of grapes and the relative positions of supplying countries in 1980-1987.

('000 tonnes)	1980 %	1987 %	Change %	1980 %	1987 %	Change %
Greece	3.3	9.0	200	4	8	4
Italy	9.7	27.0	170	14	25	11
Holland	1.2	10.9	1000	1	10	9
Spain	27.5	23.3	(18)	40	21	(19)
Cyprus	12.7	5.4	(62)	19	5	(14)
S Africa	9.8	14.3	40	14	13	(1)
<b>Total grapes</b>	<b>69.8</b>	<b>107.8</b>	<b>54</b>			

Source: Based on Customs and Excise 1980/1987.

With regard to other types of fruit, the figures shown in appendix (2) illustrate that:

The UK imports of melons, pineapples, peaches and nectarines, and plums increased by 50%, 175%, 100%, and 86% respectively. With melons the relative position of Spain improved by 9% while that of Holland and France decreased by 48% and 86% respectively. With regard to pineapples, Belgium, through re-exporting, improved its position by 29%. Italy, the prime supplier of peaches and nectarines improved its position

by 38%. Finally, with plums, the relative position of the major overseas shippers such as Italy and Spain declined by 17% and 10% respectively. This decline is due to an increase in home-grown plums.

## FRESH VEGETABLES

In value terms, imports of vegetables are equivalent to approximately 34% of the total market for vegetables. As Britain is traditionally a nation of vegetable producers, imports are more significant in the newer exotic sectors than in the traditional products. Table (2.27) and diagrams (2.7&8) illustrate the historical evolution of imported fresh vegetable in volume terms.

Table (2.27): UK imports of major vegetable types in 1980-1987.

('000 tonnes)	1980	1987	Change %
N.potatoes	301	190	(37)
Tomatoes	178	257	44
Onions	204	246	21
Carrots	30	44	47
Cucumbers	32	54	69
Broccoli	26	41	58
Lettuce	12	55	358
Cabbage	28	33	18
Capsicum	14	37	172
Celery	20	29	45
Green Beans	2	7	250
Aubergine	9	5	(44)
Mushroom	6	24	300
Courgettes	4	23	475
<b>Total</b>	<b>983</b>	<b>1475</b>	<b>150</b>

Source: Based on custom and Excise, 1980/1987.

The above table shows that, there has been an increase in fresh vegetable imports by 150% in 1987 compared with 1980. Almost all vegetable have experienced a substantial increase, with the exception of new potatoes, whose imports declined by 37%. This decline was partly offset by an increase in home-grown potatoes by 11%.

In more detail the changes which have taken place in UK imports of vegetable are examined together with the relative market positions of countries supplying vegetable to the UK during 1980/1987 period.

- New potatoes: UK imports of new potatoes decreased by 37%, and most of the decrease

Diagram (2.7)

THE UK IMPORTS OF VEG CLASSIFIED  
ACCORDING TO TYPES OF VEG.

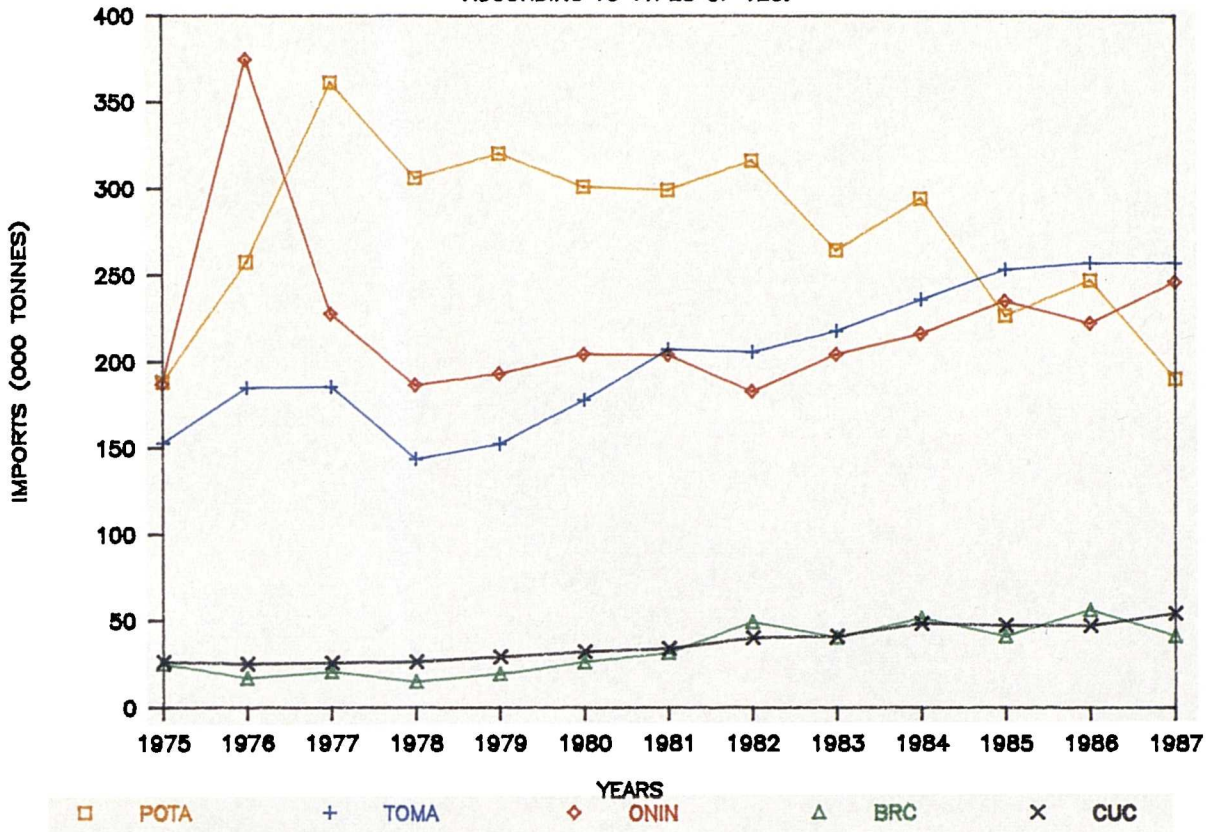
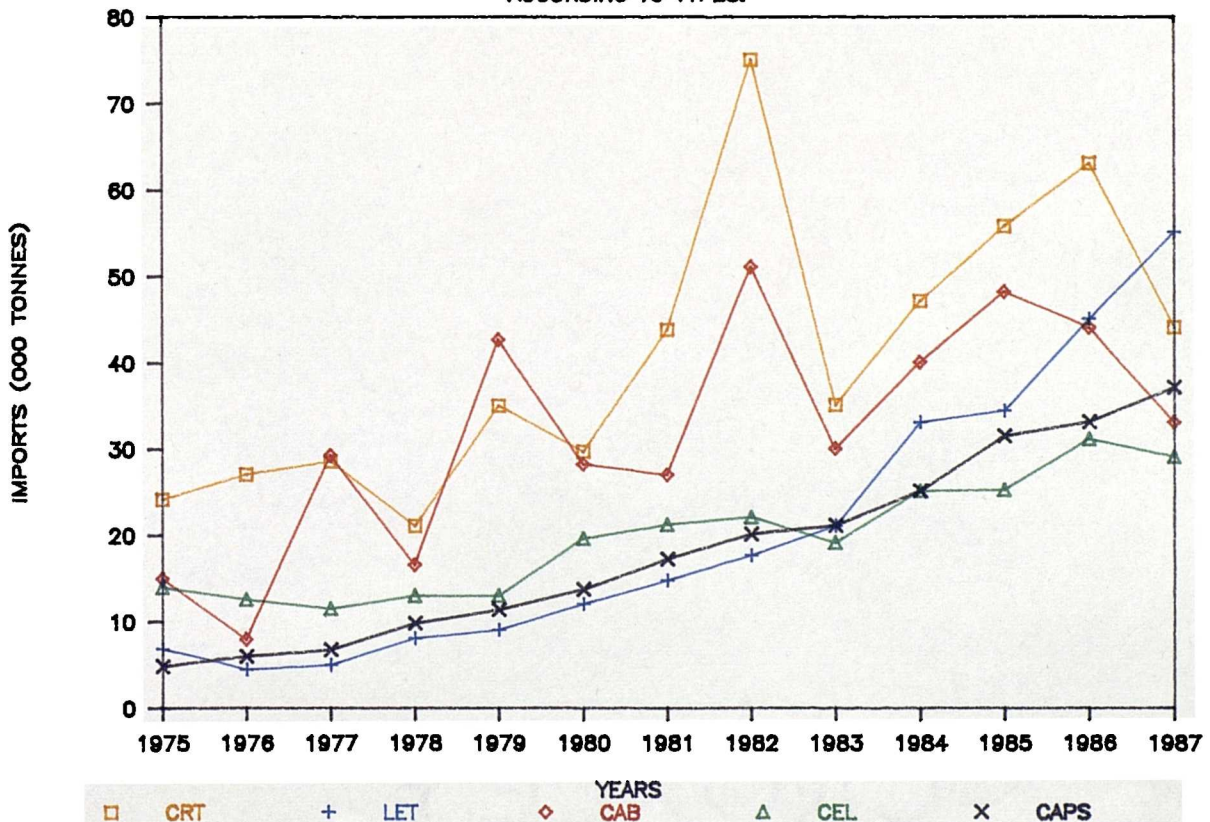


Diagram (2.8)

THE UK IMPORTS OF VEG CLASSIFIED  
ACCORDING TO TYPES.



came from Egypt, Cyprus and Spain with 46%, 43%, and 29% respectively. Similarly, the relative market positions of Cyprus and Egypt, the major supplying countries, declined by 4% and 6% respectively while that of Spain and France improved. Table (2.28) and diagram (2.9) show the historical evolution of imports of new potatoes.

Table (2.28): % change of UK imports of new potatoes and the relative market positions of supplying countries in 1980-1987.

('000 tonnes)	1980	1987	Change %	1980 %	1987 %	change %
Cyprus	116	65.9	(43)	39	35	(4)
France	25.3	22.9	(10)	8	12	4
Italy	1.6	3.0	88	1	2	1
Spain	32.7	23.3	(29)	7	13	6
Greece	6.9	3.4	(51)	2	2	--
Egypt	117.0	63.4	(46)	39	33	(6)
Holland	..	4.4			2	
<b>Total N potatoes</b>	<b>301</b>	<b>257</b>	<b>(37)</b>			

Source: Based on Customs and Excise, 1980/1987.

- Onions: The UK import of onions increased by 21%. Most of the increase came from Spain which increased its share by 33% and Holland by 4%. Similarly, in terms of the change of the relative position, Spain, the major importer, improved its position by 4%. In addition, new exporters have appeared on the UK import map such as Australia, France and Poland. (See table 2.29)

Table (2.29): % change of UK imports of onions and the relative positions of supplying countries in 1980-1987.

('000 tonnes)	1980	1987	Change %	1980 %	1987 %	Change %
Italy	2.0	--	--	1	--	--
Holland	63.3	64.8	4	31	26	(5)
Spain	89.4	119.2	33	44	48	4
USA	6.0			3	..	
Chile	13.7	9.1	34	7	4	(3)
Australia		5.1			2	2
France		8.5			3	3
Poland		19.1			8	8
<b>Total onions</b>	<b>204</b>	<b>246</b>	<b>21</b>			

Source: Based on Customs and Excise, 1980/1987.

Diagram (2.9)

### UK IMPORTS OF NEW POTATOES CLASSIFIED

ACCORDING TO COUNTRY OF ORIGIN

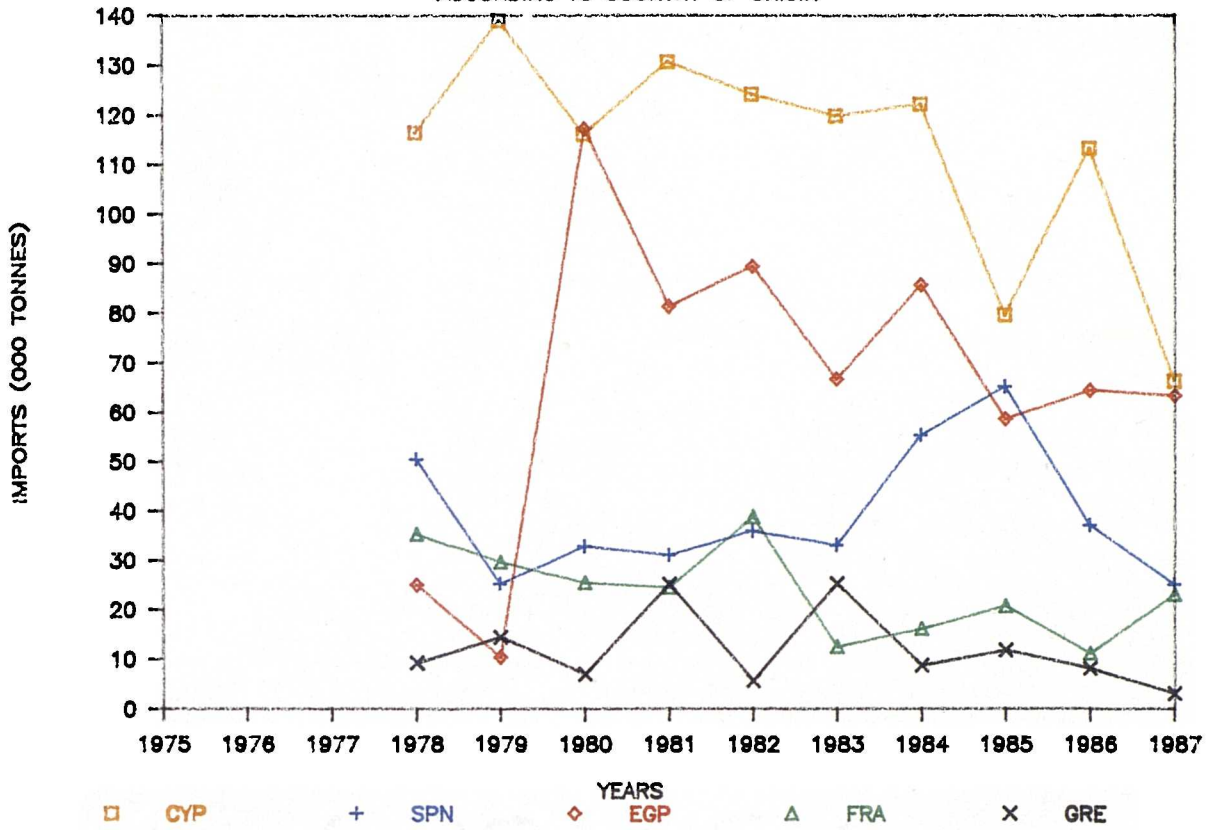
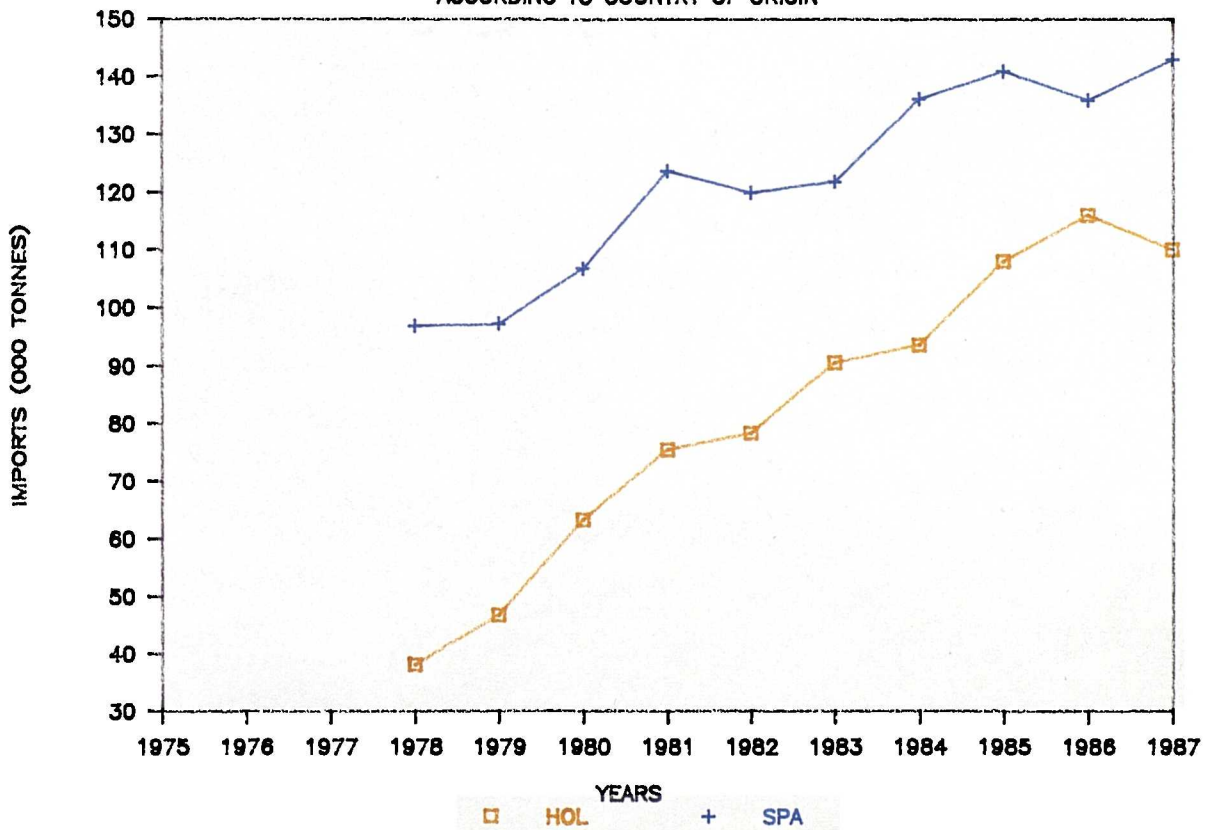


Diagram (2.10)

### UK IMPORTS OF TOMATOES CLASSIFIED

ACCORDING TO COUNTRY OF ORIGIN





- Tomatoes: UK imports of tomatoes increased by 44%. All imports came from Holland and Spain with 75% and 34% respectively, although, the former improved its relative position by 7% the latter lost 5%. (See table 2.30 and diagram 2.10)

Table (2.30): % change of UK imports of tomatoes and the relative market positions of the supplying countries in 1980/1987. ('000 Tonnes)

	1980	1987	Change %	1980 %	1987 %	Change %
Holland	63.2	110.3	75	36	43	7
Spain	106.5	142.5	34	60	55	(5)
Total tomatoes	178	257	44			

Source: Based on Customs and Excise, 1980/1987.

With respect to other types fresh vegetable, the figures shown in appendix (3) illustrate that:

1- UK imports of broccoli and cauliflower, and courgettes increased by 58% and 475% respectively. Spain, Italy and France are the main suppliers of broccoli, the first two countries improved their market position by 22% each while France lost 42%. With respect to Courgettes, Spain and Kenya improved their positions by 34% and 5% respectively, while France also lost ground by 22% followed by Cyprus with 15%.

2- The UK imports of cucumbers and lettuce increased by 69% and 358% respectively while aubergines remained unchanged. The prime suppliers of these products are Spain and Holland. With respect to cucumbers, Spain improved its competitive position by 8% while Holland lost 4%. With lettuce, both countries improved their relative positions by 44% and 53% respectively. Similarly with aubergines Spain and Holland improved their relative position by 14% and 18% respectively.

3- The UK imports of cabbage increased by 18% the main gainer was Holland with an improvement in its market share by 4% while that of France decreased by 13%. Spain is the major supplier of capsicum whose market position improved by 32%. With green beans, Kenya and Spain lost ground by 3% and 2% respectively and the main gainer was Egypt which improved its relative position by 6%. Finally, UK imports of celery increased by 45%. Most of the increase came from Israel whose relative market position improved by 6% whilst that of Spain remained unchanged at 45%.

**THE MARKET POSITION OF COUNTRIES SUPPLYING FRUIT AND VEGETABLE TO THE UK**

Table (2.31) shows the market share of overseas shippers and their relative position 1980-1987.

Table (2.31): % change of UK imports of fresh fruit and vegetable classified according to the country of origin in 1980-1987.

(£ 000000)

	1980	1987	Change %	1980 %	1987 %	Change %
Holland	127	382	201	18	30	12
Italy	128	245	91	18	19	1
Spain	180	327	82	25	25	--
France	105	216	106	15	17	2
S Africa	110	119	8	15	9	(6)
Israel	83	124	49	12	10	(2)
USA	--	123			10	10
Greece	52	107	106	7	8	1
Cyprus	53	52	(2)	7	5	(2)
Egypt	21	15	(29)	3	1	(2)
Australia	--	24			1	1
Morocco	10	13	30	1	1	--
India	6	18	200	1	1	--
N Z	6	17	183	1	2	1
Chile	6	16	167	1	1	--
Kenya	11	20	82	2	2	--

Source: Based on Overseas Trade Statistics of the United Kingdom, 1980/1987.

The main points which can be drawn from table (2.31) are, most supplying countries experienced a substantial increase in their share of UK imports in 1987 compared with 1980. The same table also shows that Holland increased its share by 201%, Italy 91%, Spain 82%, France 106%, South Africa 8%, Israel 49%, Greece 106%, Cyprus 2%, Morocco 30%, New-Zealand 183%, Chile 167% and Kenya with 82%. Egypt was the only country which recorded a significant decrease 29%. However, in terms of the changes of the relative market positions of these countries, Holland and France improved its market position by 12% and 2% respectively while that of Italy, Greece and Chile improved by 1% each. Among those which lost ground are, South Africa with 6%, Israel, Cyprus and Egypt with 2% each. Finally, the market position of Spain remained unchanged at 25%.

## Summary and Conclusions

This section was devoted to tackle both the demand and supply for fresh fruit and vegetables.

Based on the research evidence the following conclusions can be drawn.

### THE DEMAND FOR FRESH FRUIT AND VEGETABLES

1- The trade structure in the UK follows the classical pattern of importers, wholesalers and retailers. This structure has been undergoing a significant change due to the increasing popularity of direct sales to supermarkets and departmental stores by both British and overseas producers.

2- During the past two decades, fresh fruit and vegetable business have experienced major changes. The most remarkable are :

a- An increasing number of new products and varieties have become available in the UK market such as exotic produce.

b- The decline in the number and importance of both primary and secondary wholesalers mainly because an increased volume of the produce is by-passing wholesale markets.

3- With regard to the market size of fruit and vegetable, the household expenditure on food accounts for 14% of the household expenditure on all goods and services while household expenditures on fruit and vegetable represents 10% of the total household expenditure on food in 1987.

In value terms, retail sales of fresh fruit and vegetable increased by 9% in 1987 compared with 1986. Fruit absorbs 38% of the total household expenditure on fruit and vegetable followed by other fresh vegetable, potatoes and fresh green vegetable with 30%, 19% and 13% respectively in 1987.

In more detail, on the fresh fruit side, apples and bananas are the most popular fruits in the UK in 1988 with 29% and 20% of household expenditure respectively, followed by citrus 18%, grapes with 7% and pears with 6%. All together they accounted for 80% of total household expenditure on fruit. On the other side, household consumption of vegetables dropped by 8% due to the decrease in consumption of potatoes and green vegetable with 8% and 20% respectively. Consumption of other vegetable increased by 5% in 1987 compared with 1980.

## **THE SUPPLY FOR FRESH FRUIT AND VEGETABLES**

4- The supply for fruit and vegetables comes from two sources- home grown and imports. The relative importance of imported products varies according to the type of produce which, in turn, depends mainly on whether or not the produce is grown in the UK and its volume and quality. For instance, imported fruit represented 77% of the total value of fruit supplies, while imported vegetable accounted for 34% of the total value of vegetable supplies in 1986. In volume terms home- grown produce of potatoes, onions, cucumbers and lettuce accounted for 88%, 83%, 55%, and 46% respectively of the total supplies of vegetable, while products such as strawberries, pears and apples represented 75%, 69% and 33% respectively of the total supplies of fruit.

5- There has been a 17% increase in UK imports of fruit and vegetable by volume, 18% for vegetable and 16% for fruit. In value terms countries which improved their relative market position are Holland with 12%, France with 2%, Spain, Australia and New-Zealand with 1% each, among the losers are South Africa with 6%, Israel, Cyprus and Egypt with 2% each.

6- The total imports of traditional fruit has not experienced a substantial change. Although, on the country level there has been a significant fluctuation in their relative market positions and the main gainers are Spain, Holland and France.

### **Imported Fresh Fruit (1980-1987)**

7- Imports of citrus declined by 1% due to a continuing decrease of imports of oranges and grapefruit the former declined by 11% while the latter declined by 27% during 1980/1987. Imports of mandarins increased by 64% during the same period. This corresponds to a great extent with the general trend of the household expenditure and consumption on citrus.

The major supplying countries are: (i) Spain, whose market position improved with oranges and lemons whilst mandarins remained unchanged at 79%. (ii) Cyprus, whose relative market position declined with citrus fruit except grapefruit which rose by 5%. (iii) Israel has suffered a steady decline in its relative market position.

8- With regard to apples and pears, France is by far the major supplying country of these two commodities, even though its relative position with apples remained unchanged at 56%, with pears it declined by 3%. With regard to the southern hemisphere countries, the

relative market position of NZ improved by 4% while that of South Africa and Chile improved by 2% each.

9- With respect to grapes, however, Spain and Cyprus used to be the major exporters of grapes, their relative market position declined by 19% and 14% respectively. The main gainers were Italy and Holland.

10- With respect to melons and pineapples, the prime supplier of melons is Spain whose relative market position improved by 9%, while that of Belgium, the major supplier of pineapples, improved by 29%.

11- With regard to peaches, nectarines and plums, Spain and Italy are the major suppliers of these commodities, the former improved its relative market position with peaches and nectarines by 3%, although, with plums its share declined by 10%. Italy improved its relative market position with peaches and nectarines by 15%, however, with plums its share declined by 29%. With plums, the main gainer is South Africa whose relative market position improved by 3%.

#### **Imported Fresh Vegetables (1980-1987)**

12- It is apparent from examining UK imports of fresh vegetable that supplies of new potatoes have experienced a steady decrease of 3% during 1980/1987 period. At the same time home-grown potatoes increased by 11% during 1983/1986. This trend corresponds to a great extent with that of the household consumption and expenditure which shows a steady decline in potatoes consumption while other types of fresh vegetable increased by varying degrees.

13- New potatoes: The major supplying countries are Cyprus and Egypt which witnessed a steady decline in their relative market position by 4% and 6% respectively. The main gainer was Spain which improved its relative market position by 6%.

14- With regard to onions, tomatoes, carrots, cucumbers, lettuce and capsicum: The main contenders are Spain and Holland. With onions, cucumbers and capsicum, Spain gained ground at the expense of Holland. However with tomatoes, Holland improved its relative market position by 7% while Spain lost 5%. With carrots both countries gained ground by 14% and 16% respectively at the expense of Cyprus and France.

15- With respect to cabbage, however, Holland is the major supplier of cabbage, its relative market position dropped by 13% reflecting the decline of the household expenditure and consumption of cabbage.

16- With regard to celery, the major suppliers are Israel and Spain. The relative market position of the former improved by 6% while the latter remained unchanged at 6%.

17- It is apparent from previous discussion that there is a market potential for many countries, especially developing countries to supply the UK with many traditional products as well as exotic and tropical produce. In order to exploit such market opportunities, these countries should reorganise and reorient their marketing activities and organisational patterns to meet the demands of developed markets in terms of quality specification, continuity of supply, promotion and brand development.

## **SECTION 2**

### **THE ORGANISATIONAL PATTERNS INVOLVED IN IMPORTED FRUIT AND VEGETABLE MARKETING**

## SECTION 2

### THE ORGANISATIONAL PATTERNS INVOLVED IN IMPORTED FRUIT AND VEGETABLE MARKETING

#### Channels of Distribution

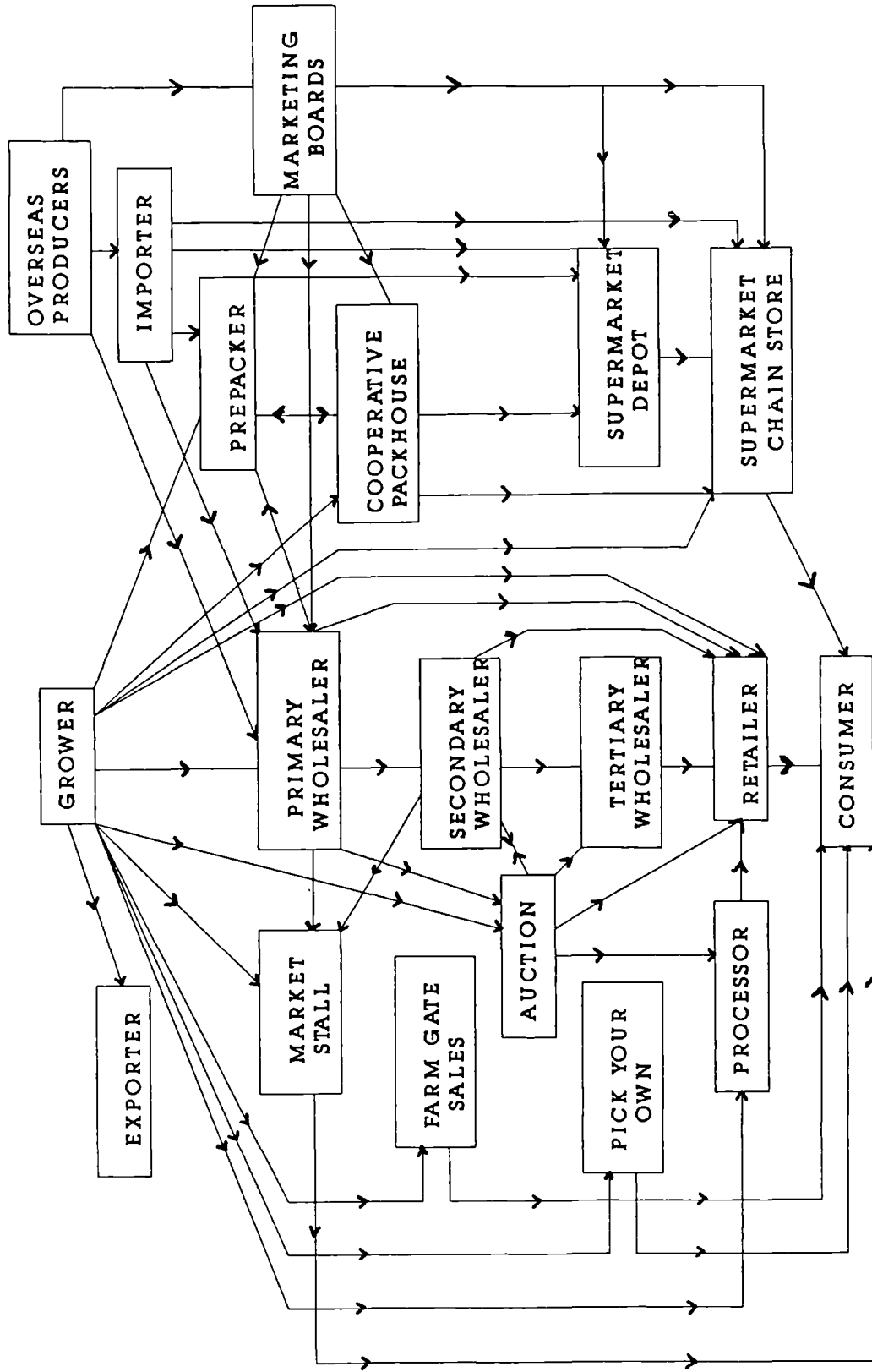
The traditional marketing chain for fresh produce extends from the British producers and/or exporters through to primary wholesalers and importers, and then to secondary wholesalers and on to the processors and retailers. This chain is shortened because of the increased trend towards vertical integration among large traditional importing wholesalers as mentioned earlier. Consequently, a number of middlemen are becoming less important and national distribution wholesalers/importers are becoming more dominant in this respect.

The larger groups of wholesalers are of great importance, particularly, with supplying countries intending to build a large export business in the UK, hence they are required to employ agents in the importing country with nation-wide coverage with facilities which qualify them to deal directly with supermarkets. The larger groups of wholesalers are more likely to be able to meet these requirements.

Diagram (2.11): illustrates the distribution chain of fruit and vegetable within the UK.

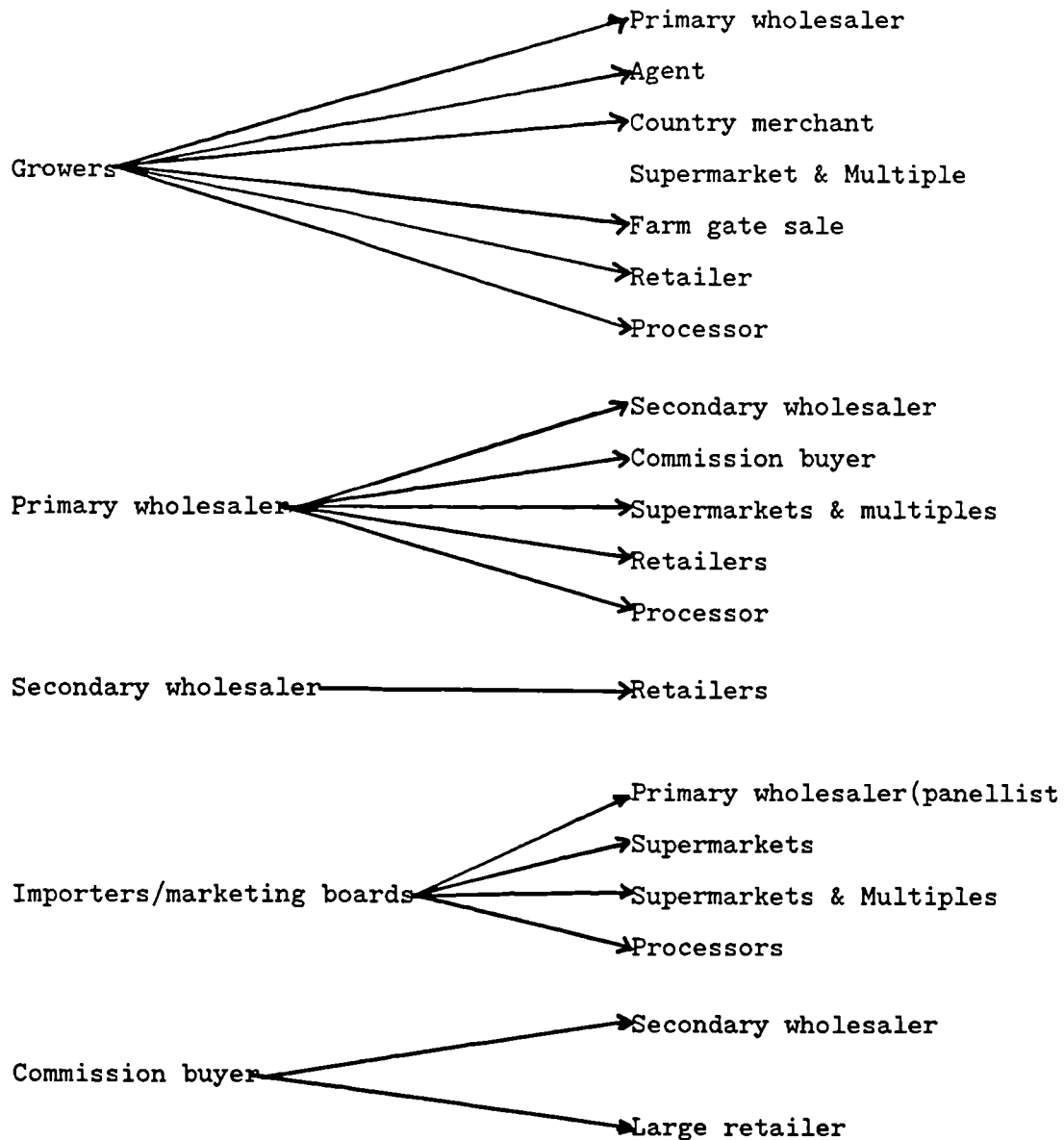


DIAGRAM (2.11) THE CHANNEL OF DISTRIBUTION OF FRESH FRUIT & VEGETABLES



SOURCE : MINISTRY OF AGRICULTURE, FISHERIES AND FOOD

To simplify previous diagram, the chain of distribution can be presented as follows:




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A brief description of the major participants in the chain of distribution of imported fruit and vegetable is presented as follows:

### IMPORTERS

While overseas operational offices which belong to marketing boards handle many varieties of the produce supplied by countries like South Africa, Israel, New-Zealand and Morocco, supplies from France, Holland Spain, Italy, Canada and many other countries

are marketed by importers supplying both primary and secondary wholesalers as well as supermarkets with their requirements.

Importers play much the same distribution role as the home grower but tend to act as agents and sell the produce on commission and, therefore, they do not usually take title to the goods or hold stocks. Most importers specialise in particular sources of supply as is the case with Spain, France, Italy...etc.

Specialist importers (agents) appear to be declining as many primary wholesalers and large retailing groups import on their own account.

## **WHOLESALEERS**

Despite the continued shortening of the distribution chain and further contraction of the number of firms operating in both primary and secondary wholesale markets which are frequently by-passed by supermarkets and large stores, wholesalers remain the central link in the chain where around 60% of produce is still sent to either one of the 27 primary wholesale markets and many secondary wholesale markets spreading over Britain.

Wholesalers can generally be divided into two broad categories- primary and secondary. Primary wholesalers are those who obtain supplies direct from producers or marketing boards or who sometimes import in their own right. They may buy at firm price or receive the produce on consignment/commission basis<sup>4</sup> on behalf of a supplier and they sell the produce to secondary wholesalers, supermarkets and multiples, independent retailers and processors. Primary wholesalers take a commission on the proceeds of the sale and remit the balance to the growers or relevant overseas organisations.

Secondary wholesalers obtain their supplies from primary wholesalers or sometimes they deal direct, particularly with local growers, and transport the produce to the smaller markets and independent buyers. They buy and sell most of the produce they handle on their own accounts. They further break down bulk quantities and frequently offer additional service to their customers such as financial assistance and market intelligence.

The past two decades have witnessed a decline in the importance of the secondary wholesaler. According to the Price Commission Report (1974) the following reasons are responsible for that:

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<sup>4</sup>The firm price and consignment/commission policy are explained in section (5.5), page 251.

- i- The increasing importance of vertically-integrated specialist groups. This trend reflects, principally, the acquisition by such groups of large wholesalers in the main markets and the development of their own national distribution networks.
- ii- The reduction in the number of independent retailers on which the secondary wholesaler's business traditionally depends, coupled with the growing importance of the multiples and supermarkets in the fresh fruit and vegetable business. Most of these stores deal direct with large growers and overseas exporters.
- iii- The improvements which have been taking place in the accessibility of the main markets, and the increased mobility of retailers. More retailers within easy access seem to be going direct to the primary markets instead of the secondary wholesaler for their supplies.
- iv- The growth in importance of local provincial main markets, relative to the London markets.
- v- A growing participation in the fresh fruit and vegetable trade by cash and carry wholesalers, mainly in sales to independent grocers who carry fresh fruit and vegetable lines.

Additionally, Primary wholesalers are extending their activities into the field of the secondary wholesale trade in order to counter the decline in their profitability.

As a result of the above developments, organisations operating exclusively as secondary wholesalers are becoming fewer in number. Also they are tending to become concentrated in the more rural areas where their delivery services are of greatest value to the retailers who find difficulties in obtaining direct access to wholesale markets.

### **COMMISSION AGENTS**

Commission agents are mainly confined to the major primary wholesale markets, in particular London. They act as middlemen between primary and secondary wholesalers, or between wholesalers and the larger retailers. They may act as an agent for potential buyers for a small fee for each package bought keeping them informed of supplies, prices and current trends. The clients notify the commission agent of their requirements as to the variety, quantity and quality and the agent acts accordingly.

Commission agents can be grouped into two categories. a- Buying agents who buy on behalf of a number of principals and can save them the expense of visiting the market or maintaining permanent representatives in the main markets. b- Selling agents operate



behalf of producers. It is then displayed for sale to secondary wholesalers, independent retailers and caterers, who are free to tour the markets to inspect quality and negotiate prices before buying. In addition, wholesale markets play an active role in equating supply with demand in the market-place. (National Institute of Fresh produce, 1980)

The increasing trend toward dealing directly with supermarkets and multiples has altered the functions performed by large wholesalers in that they are no longer only selling the produce to secondary wholesalers and large retailers but rather they handle, transport, check, repack and even ripen the produce for their major buyers.

Hereafter two major functions of the wholesaler are discussed: Procurement of supplies and selling techniques: (National Institute of Fresh Produce, 1980)

### **Procurement of Supplies**

The most difficult aspect of the wholesaler's business is the forecasting of both the market and his own requirements in order to provide his customers with what they want and when they want it. Such forecasting is a combination of market intelligence, experience, training and intuition. Knowing the supply situation he is then able to set the asking price of the commodities on offer. If there is a shortcoming of supplies, then the price will rise, conversely an oversupply will cause the reverse.

At a local level, the wholesaler knows what his customers usually require within a quantity range related to price. But other factors can influence demand, including the weather, publicity and promotion, and occasionally, local events, celebrations and public holidays.

Primary wholesalers must also build up a close relationship with their suppliers in order to create mutual understanding and confidence. The interchange of information with overseas exporters is particularly important, as their views and forecasts can influence the quantities of produce directed to the UK rather than to other countries. Once produce is in transit, it is a costly process to divert or transfer surpluses from one country to another.

Anyhow, whatever system is followed, and whether or not commission buyers or country agents are employed, a direct personal contact between the wholesaler and his supplier is essential - whether this be by occasional visits, regular telephone calls or meetings.

Wholesalers endeavour to become panel salesmen to one or more overseas marketing boards as it ensures sufficient supplies and attracts clients for other produce. In distributing their products, boards consider the information, advice, forecasts and demands of their salesmen and take account of the present and future supply position.

### **Selling Techniques**

Wholesalers' selling techniques vary according to local circumstances, the quantity, quality and type of produce to be sold and the profile of the customer. Different approaches will be necessary when dealing with regular customers who order produce in advance, leaving the salesman to set up the price, and with an occasional purchaser looking for a bargain, who expects to haggle.

A good salesman knows his customers, what they are likely to need regularly and other products in which they may be interested at certain times. A salesman must know and understand the law relating to his business. He should know what to do when an offer acceptance, and delivery take place, and be able to handle the situation over rejection and the return of unaccepted produce.

Finally, and more importantly, the role of the wholesaler as the "man in the middle" advising and linking both customer and supplier must not be underestimated. He is in the front rank where customer relations are concerned, obtaining information and opinions on a variety of subjects, including anticipated movement and price trends of particular produce.

### **THE FUTURE OF WHOLESALE MARKETS**

The twenty-seven primary wholesale markets and many more secondary markets in the UK with an estimated 2000 wholesalers handling around 60% of fresh fruit and vegetable, are now facing the greatest challenge to their existence since their foundation in the early nineteenth century. The trend is for an increasing volume of both home-grown and imported produce to be sold directly from producers, importers and marketing boards to processors and the major retail food stores. (Key Note Publications, 1982)

In addition, there has been a tendency for the quality produce to be handled to supermarkets leaving poor quality to wholesale markets. It was estimated that half of Cape fruit is recently going to the multiples. More seriously the Israelis (AGREXCO) are considering marketing their produce straight to large customers, such as hospitals,

factories and colleges. In this regard, it was reported that 60% of AGREXCO's avocado was handled by supermarkets chains. (Fruit Trades Journal, March, 11-1983. p 3)

However, as supermarkets and multiple stores quote the price from wholesale markets when procuring their supplies directly from various suppliers, wholesale markets should be supplied with high quality produce to sustain the price. If shippers were to send only poor quality products to wholesale markets they would get a very low price when dealing directly with supermarkets even though these stores are supplied with higher quality products.

Finally, there is a fear among some marketing boards of supermarket companies getting together and creating a cartel against particular produce marketed by a particular shipper in order to get price concessions and excessive promotional allowance.

The advertising manager of SACCE, after he had admitted that marketing boards were not allowed by law to sell direct to retailers, indicated that they could get around that by setting up a separate company to sell the produce direct to retailers.

With regard to the growing importance of the multiples in the area of the fresh fruit and vegetable trade, the advertising manager of SACCE had this to say: "The multiples are by-passing the established trade system in this country .... Obviously we support the multiples and we set promotional campaigns with them. However, we are conscious of what happened in the retail trade in Canada which is completely dominated by few multiple stores. These multiples know each other well and they can get together and impose their conditions especially in the area of price setting. Anyhow, we believe in the free market through wholesale markets with an independent retailing trade, street traders and the multiples .. We think that is a good mix."

Wholesalers, in order to survive such threats, should make changes in their operations. They should predict the requirements of their clients especially super grocers. Another new segment of great potential is the catering trade which is interested in fresh produce particularly, exotic fruit and vegetable. Options deserving consideration are operating hours, methods of trading to ensure better quality of the produce, cold chain storage and transportation, training, undertaking or at least participating with other relevant organisations in promotion activities to capitalise on the trend to healthy food. (Davis, 1985)



One of the most fundamental changes in the area of fruit and vegetable marketing in the post-war era has been in the organisation patterns adopted by the supply side of the industry represented by the introduction of marketing boards which act on a national basis and now control the marketing of a large volume of foreign supplies in developed markets through their overseas operational offices.

Although marketing boards are slightly different in their organisational structure and the marketing activities performed because of their historical evolution and their export orientation, they have the primary objective of marketing and promoting the produce on behalf of their growers at best possible terms.

In the main, overseas marketing organisations in the area of fresh fruit and vegetable marketing within the UK can be classified into two groups, according to the extent of control they impose over marketing activities. These groups are, (1) export marketing boards, (2) promotional and advisory boards.

### **Export Marketing Board**

By definition, the board is made sole buyer and seller of specified products primarily grown for export. Overseas sales are made in overseas markets by the board itself or selling agencies in major markets. The board may own or hire marketing installations and processing facilities. Its price stabilisation policy is normally based on fixed producer prices backed by reserve funds. (Abbott and Creupelandt, 1967)

The general objective of almost all boards is to ensure greater incomes for growers and in many cases to funnel income transfers from the government and consumers to producers when it is felt that the market-place under-rewards the growers for their efforts. Most boards also have as a major goal increasing the stability of incomes, mainly through stabilising commodity prices and allocating the amount to be produced among their members. (Forbes, 1982)

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<sup>6</sup>The issue of operational and promotional offices are examined extensively in section (5.6).

## **The differences between export marketing boards and domestic boards**

It is necessary to distinguish between export marketing boards and domestic boards. This is reported within the work of (Melamed, 1986)

a- The collective bargaining objectives of the producers organised in the exporting board are not necessarily in conflict with the interests of the domestic consumers and local government. However, while some of the marketing boards are in a monopoly situation in the domestic market, they are not so in overseas markets because exporting boards face competition in their marketing activities abroad.

Due to such a monopoly situation and the supposed state subsidies to these boards, in the EEC countries marketing boards are constrained by the EEC regulations which requires them to be voluntary, producer-owned boards not state owned.

b- Due to the difficulty in collecting information about the changing conditions in foreign countries, export management faces problems of greater risk and uncertainty than does domestic marketing management. Readjustment to new conditions by a learning process of trial and error becomes less effective because it involves more time, higher transportation costs, and tariff barriers that do not effect domestic marketing.

c- Consumers in importing countries tend to identify and perceive imported goods with the country of origin rather than with its specific producer or exporter. That is, they are inclined to conceive of different brands from a given country as constituting a somewhat distinct and homogeneous category, having similar quality attributes. Such a category, which includes several brands, may be termed a 'generic brand'.

d- Most export marketing boards are characterised by the existence of economies of scale in their overseas transportation, storage operations, sales promotion, collection of market intelligence over wide geographical areas and so forth.

e- Export marketing operations are carried out in geographically distinct markets separated by legal trade barriers, such as quotas, tariffs, and other import regulations and relatively high transportation costs and are distinguished by divergent demands and competing activities.

f- Export marketing operations are more risky than local marketing of the same product, especially when the product in question is a fresh perishable produce. In addition, exports involve relatively high transportation costs coupled with high costs of import

duties. Finally, the demand situation and weather conditions, and competitive activities vary from one export market to another and may change frequently over time. Therefore, massive information is necessary for the management of an export shipment programme.

#### **Advisory and Promotional Board**

The major responsibilities of an advisory and promotional board in the area of fresh fruit and vegetable are to plan and carry out promotion and market research activities on behalf of the growers of specific commodities. Sometimes it advises on product varieties, grade standard, packaging methods, and supervises quality control in the country of origin and, in a few cases, licences the importers of the produce in question. Such a board does not possess transport and storage facilities, engage in trade, or maintain direct control over volume of sales or prices. Such activities are undertaken by individual importers.

Examples of promotional and advisory offices are FWF, SCMC, NZKFA, AAPC and ITC.

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## **CHAPTER THREE**

### **THE LITERATURE REVIEW**

# CHAPTER THREE

## THE LITERATURE REVIEW

### INTRODUCTION

Export marketing is by far the most common type of international business involvement among firms, particularly those supplying fresh perishable produce abroad, because other forms of international business involvement such as direct foreign investment is not applicable to fresh produce as production depends predominantly on the climate of the supplying countries.

To be successful an exporter has to tackle the external environment of the country in which he/she intends to market his/her products. The most suitable organisational division to undertake this task is the marketing division. Consequently, the marketing function has gained increasing importance and nowadays it is recognised as a corporate function like finance, production etc.,.

Marketing as a corporate management function has taken on a strong strategic orientation which is manifested in a shift in the firm's focus away from the customer and the product to the external environment. It has been argued by Hayes and Abernathy (1980), Simon, (1984), and Wind and Robertson (1983), that the firm must cater for its customers within the context of the firm's environment. The term environment includes, among other things, competition in both domestic and foreign markets. Therefore, the term international competitiveness has gained recognition by the top management of many multinational corporations (MNCs).

This chapter is divided into three sections as follows.

#### Section 1 Competitiveness

- 1- The Definition and Nature of Competitive Advantage.
- 2- Positioning and Generic Strategies.
- 3- The Economic Dimension of Competitive Advantage.

## **Section 2 The Organisational and Managerial Approaches**

1- The Organisational Approaches.

2- The Managerial Approaches:

## **Section 3 The Components of Competitive Performance**

1- Quality Specification.

2- Distribution.

## **SECTION 1**

### **INTERNATIONAL COMPETITIVENESS**



# SECTION 1

## INTERNATIONAL COMPETITIVENESS

### INTRODUCTION

During the past two decades, the phenomenon of international competitiveness has gained increased recognition by individual companies and countries seeking to market their products abroad successfully. For an individual company, it is recognised that the ability to improve or at least maintain its relative competitive position is essential to its survival as a viable company; while for a nation, the improvement of its relative competitive position will affect to a great extent the rate of economic growth and consequently the standard of living of its population. Alternatively, as a nation's competitiveness declines, its economic growth together with the standard of living of its population will decline accordingly.

In the area of fresh produce marketing abroad the term competitiveness has not gained the deserved interest especially within developing countries whose economy is predominantly dependant on export revenues from such produce.

In this section the focus will be on three issues. These issues are:

- 1- The definition and the nature of international competitiveness on both macro and micro levels.
- 2- Positioning and generic strategies.
- 3- The economic dimension of competitive advantage.

### THE DEFINITION AND NATURE OF COMPETITIVENESS <sup>1</sup>

Competitiveness is a complex, multi-faceted and interlinked concept and cannot simply be examined in terms of independent factors such as price, cost, profit, quality...etc., rather it is the outcome of a combination of such factors, because different blend of factors produce different results. Commission of the European Communities (1983). Nevertheless, Murray (1981) asserted that, it is worthwhile spending time, and money to

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<sup>1</sup>Reviwing the term competitiveness is based to a little extent on the research works of El-Morsy and Arafa.

analyze and grasp the meaning of the term competitiveness and to get to grips with some of its implications.

In the main, competitiveness is examined at two levels- macro level and micro level.

On the macro and micro levels two sets of issues are tackled. They are:

1- The definition and importance of international competitiveness.

2- The key influences on competitiveness.

## **THE MACRO LEVEL OF COMPETITIVENESS**

Competitive advantage<sup>2</sup> at the macro level refers to an industry or a country position relative to other industries and countries international position.

### **The definition and importance of the term competitiveness**

Starting with the definition of the term international competitiveness, the focus will be on two definitions, both revolve around the term competitive advantage as the corner-stone of raising a particular nation's standard of living.

Rugman (1987) referred to the term comparative advantage as the core of international competitiveness by noting that: "A broader definition of international competitiveness is required, one which relates to the welfare of the nation's consumers. The real thing is comparative advantages."

The above corresponds with that of Scott (1985) who defined competitiveness as: "A nation state's ability to produce and distribute goods and services in international markets in competition with goods and services produced by other countries, and to do so in a way that earns a rising standard of living."

The main flaws of prior definitions are :

1- They imply the existence of fair inter-country competition, this meaning that countries are competing with one another on an equal footing. Protectionism, in the form of economic blocks and trade barriers, is becoming more common in both developed and developing countries. Although, very often such restrictions have a reverse impact

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<sup>2</sup>The term competitive advantage and comparative advantage is used within this study as synonymous.

on foreign trade transactions they are very crucial to the survival of developing countries' economy.

2- Rugman and Scott based their definitions on the premise of free trade economies which are characterised with a huge number of similar sized companies. This premise does not hold true as a relatively large number of industries are dominated by a few number of large sized corporations operating in an oligopolistic competition environment. In oligopolistic competition, companies place the profitability goal on top of their corporate objectives. This is consistent with Karnani (1984) who concluded from his game-theoretic model of oligopolistic competition that, "profitability is an increasing function of market share". In other words, a superior cost or/and differentiation position leads to a larger market share, which in turn leads to higher profitability.

Scott (1985) took the issue of international competitiveness a step further by suggesting three critical aspects of comparative advantage of the USA. First, it is trade based; that is, the export performance of a nation is considered relative to that of others. Second, it is a performance based concept; that is, the ability of a nation to earn a higher standard of living by production and marketing skills, rather than by international borrowing. Third, it is a dynamic concept as it evaluates the manner in which a nation seeks to increase and distribute its welfare over time, given its international and domestic commitments.

Then again, the term competitiveness on the country level can be looked at from two different angles. The first refers to the country's trading performance which in turn measured in terms of a country's market share of world exports of manufactured goods and to what extent its market has been penetrated. The second covers the price and non-price elements affecting trade performance. (OECD, 1978)

Attention has now to be given to the evidence which shows the importance of macro factors for international competitiveness :

1- Rugman (1987), claimed that, unlike USA and Western countries, Japan and the Newly Industrialised Countries (NICs) are not wasting their efforts on the improvement of internal social welfare. Rather they are engaged in the manipulation of their natural comparative advantages towards a more productive industrial sector. Such explicit government-driven competitive strategy has already turned these traditional labour abundant economies into one of the world's most efficient producers of technologically

intensive goods and services. The same author argued that, in the case of Canada, a sensible national strategy is the one that builds upon the abundant resources of the nation, such that resources-intensive products will be exported. He stressed that, it is necessary for any country to have some value added in the trade of resources which can be implemented when companies are organised to process and market raw material-based product lines, rather than simply to export the resources themselves.

2- Baker (1979) was more specific in his advice to developing countries which seek to achieve the transition from an agrarian to an industrial economy. He advised these countries to embark first upon the relatively simple industries such as textiles ...etc., "which make use of domestic raw material and can be established with a comparatively small investment in machinery, compensated by a more extensive use of labour than would be found in an advanced country."

However, with respect to fresh produce, developing countries should specialise in exporting fresh produce without major processing of such products except those necessary to preserve the produce in a good condition until it reaches the consumer's hands. The reasons for this are that these countries lack the technological know-how, expertise and the market information necessary to set up successful resource-based industries. In addition, these countries have gained a considerable reputation as exporters of such produce.

3- A common theme of recent studies of U.S. competitiveness relative to emerging Asian rivals is the central role played by technology in determining the world market share of the nation in each industry. However, businessmen showed that marketing, management and planning skills can be just as important as high technology in determining the strategic focus and positioning of the firm. Rugman (1987)

4- In the case of developing countries which are rich in natural resources and agrofood with relatively large populations it would be foolish to forgo their natural comparative advantage in the hope of achieving competence in globally competitive high technology markets. A strategy based solely on competence in high technology is inappropriate for these countries. It is a matter of concentrating attention on those areas where these countries possess relative competitive advantage.

## Key influences on competitiveness on the macro level

Recognising the importance of innovation, high quality products and profitability for success in international markets focuses attention on these factors which influence international competitiveness. Abernathy, Clark and Kantrow (1983), provided a framework which permits an examination of the key influences on competitiveness. This is shown in Diagram (3.1) below.

Diagram (3.1): Key influences on competitiveness

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	HARDWARE	SOFTWARE
MACRO	Public policy	Environment
MICRO	Production capacity	Corporate management

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Source: Bradley, (1985) "Key Factors Influencing International Competitiveness", Journal of Irish Business and Administrative research, Vol. 7, No. 2.

Under the macro level the key influences- public policy and environment- are examined, whilst the key influences on the micro level- production capacity and corporate management- will be tackled later.

Public policy and the environment are macro influences. Public policy includes factors such as the fiscal and monetary system, taxation, capital markets, savings and the state support system. The environment is mainly the socio-economic environment which includes factors such as the level of industrialisation in the country, the education system, regulation and culture. Macro influences are believed to have a prevalent, long-term effect on competitiveness and changes in their tangible influence are slow to manifest themselves Bradley (1985).

### Public Policy

The role of government in international trade problem areas has increased substantially nowadays because of the erosion of market share of most developing and some developed economies as a result of their inability to maintain their competitive positions in world markets. The reasons for this are: (i) The widening economic gap between developing and

developed countries. (ii) The rapid economic development and export growth of Japan and newly industrialised countries. (iii) The world trade has been dominated by large economic blocks such as the EEC, COMECON and more recently the proposed American/Canadian economic integration treaty.

The above reasons call for direct and active role of government in the area of international trade and competitiveness, therefore, it is not surprising to notice that governments in many Western countries are becoming more and more involved in international trade activities.

Magaziner and Reich (1982) referred to the importance of the government role for American industry. In their words, "the competitive strength of the economy as a whole requires a coherent set of public policies for improving competitive productivity in industry, otherwise, American businesses will find it increasingly difficult to achieve competitive leadership in today's international environment".

A similar view was reiterated by Taylor (1981) when he called for the British government to play a more positive and direct role in sustaining their industrial competitiveness. This role is most needed in the areas of the new product development and innovative projects.

However, in the case of Ireland, Bradley (1985) classified the term public policy support into two categories, direct and indirect. He considers the indirect public policy support as the most appropriate form for international marketing in Ireland, because "the indirect public policy intervention through a state support system presupposes considerable grasping of the strategic and operational marketing needs of the firms. In addition, it presumes a considerable understanding of the response behaviour of firms".

One of the most common methods of government intervention is Research and Development (R&D) which sometimes takes the form of using universities and governments laboratories. Gibbons and Johnston (1974) touched this point when they claimed that, laboratories produce what is described as 'Public Good', since they provide a significant portion of the inputs of knowledge and information necessary for industrial scientists and engineers working on development activities to solve the practical problems they encounter.

The operation of the state support system in regard to the provision of R&D grants was discussed by Gannon (1985). He studied a number of industrial policy initiatives at sectorial level in Ireland which have impinged on export market development. In this regard Gannon examined the effect of technology transfer and the role of IDA grants on the product-market composition of exports over the period of 1976-1983. He concluded that public policy support has been successful in attaching firms into the modern sector and these firms have gained share in the export market at the expense of traditional and resource based industries. Nevertheless, he found that a number of firms in traditional and resource based industries have gained share in mainland EEC markets. He anticipated extra demands for specialist marketing skills at the firm level in such industries.

Contrary to prior findings, Rugman (1985) suggested that state involvement in R&D impedes to some extent international trade and competition. He argued that once international competitiveness is thought to be determined by a one to one mapping with the degree of technological intensity, the inevitable policy implication for the state is to increase levels of R&D in the chosen sectors and subsequently increases its intervention in the economy. Such man-made strategies, he concluded, contain protectionist elements which contradict with market forces, comparative advantage and the discipline of international competition.

A quite similar view was reiterated by Levitt (1960), in his article "Marketing Myopia" when he claimed that, giving too much attention in R&D results to orientation of management towards product rather than towards people who consume it. In addition, he claimed that government subsidies and guaranteed military orders in the electronic industry led to "a total devoid of the marketing effort."

Another area which requires governmental intervention is the establishment and maintenance of infrastructure. It is proven that the quality and the coverage rate of infrastructure has direct and significant impact on competitiveness. For instance, an adequate and efficient transportation and storage system will facilitate quick and cheap distribution of products. Availability and cheap raw material will contribute to lower production costs, while effective communication networks are crucial to the dissemination of new products. (European Management Forum, 1981)

As an example of a state involvement in economic policies, Christensen, Rocha and Gertner (1987) in their empirical investigation of the factors influencing export success of Brazilian firms, have identified four distinct phases of the government system of financial incentives to stimulate the export of manufactured products together with the more traditional exports of food commodities and leather products. The first phase, from 1964 to 1968, was characterised by exempting exported products from taxes and certain other charges. In the second phase, from 1969 to 1975, the government gave credits of an equal value against taxes on domestic sales in addition to low-interest loans for exporting, encouraged the formation of trading companies and made large investments in export-related infrastructure such as ports, transportation etc. The third phase, 1976 to 1979, was characterised by protectionist reactions in some of the importing countries as they imposed surcharges to counter these very generous export incentives. The fourth phase, 1980 and thereafter, witnessed the reduced availability of certain incentives to test the commitment and capability of firms to export. The total value of the incentive as a percentage of exports dropped almost in half by 1980.

In general terms, the government's most important role is to get the economic framework right. This involves providing the kind of stable policy framework which is vital for a healthy and profitable industrial base (Bowe (1977)). For instance the continuing change in trade systems and procedures is one of the major obstacles which hinders the export growth of developing countries.

In the area of fresh fruit and vegetables, unlike developing countries, developed countries have set up cool stores and even established marketing boards to market their produce abroad while others confined their activities to promotion and market research to boost exports of such products.

### **Environment**

A fundamental challenge to management is how to understand the competitive environment. This is the base from which to develop strategy, and it has been recognised in the UK at last, with the establishment of centres for business strategy in many business schools to study business policy and competitive strategy.

The importance of international environment stems from its direct impact on the strategic options facing the firm and, as a consequence, affects the kind of structure most appropriate for international marketing operations (Bradley, Hession and Murray, 1985).



However, in the view of Bradley, (1985) "it is not the marketing environment itself that is important but the firm's ability to cope with it, to predict it, to comprehend it, to deal with diversity and to respond promptly to it".

Therefore, not surprisingly, business environments have become a crucial element in competitor analysis models. Boston Consulting Group (1972) which have used matrices as a tool for competitor analysis, plotted competitive position on one axis and environmental attractiveness on the second axis Hussey (1978). In addition, Hussey (1979), has introduced the concept of the risk matrix where environmental risks are plotted against environment attractiveness. Environmental risks comprises inflation, government control, energy, exchange rates, raw material availability, pressure groups, natural hazards and political issues.

Wilson, (1984), argued that, the strategy requirements in any business are ruled by the competitive environment. He suggested two factors which give managers a sense of the nature of that environment: The first, is the size of the advantage that can be created over competitors; the second is the number of ways in which that advantage can be created.

(Kim, 1986) categorised the term environment into two distinct components: first, the immediate business environment which includes current competitors, existing technologies, products and markets in which the firm operates. Second, the general environment which includes general social, economic, political and technological changes.

Bradley, (1985) suggested that, the environment facing international firms can be examined under four headings, a- stability, b- complexity, c- integration and d- competition. Unlike domestic markets, foreign markets are highly dynamic because they are very sensitive to factors such as foreign governments' economic and political policies and changes in customer demands. In addition, foreign shippers tend to compete more on product complexity rather than product simplicity. Furthermore, overseas markets tend to be diverse because customers nowadays are being served by a wide range of products spread over a wide geographical area. Finally, international markets' environments are characterised with intensity of competition as exporters are obliged to compete with both domestic and other overseas shippers.

External environment is even more important than internal ones for firms seeking to market their products abroad. In the view of Kim (1986), at least three major

phenomena seem to have contributed to the corporate managers' realisation of the significance of the external environment. These phenomena are: First, the trend towards global competition, which emerged in the 1970s has become increasingly dominant in the 1980s. Many companies world wide are now required to contend with foreign competitors who have different cultural, economic, administrative and physical resource bases. Second, since the business environment has become increasingly volatile the buffer between a firm and its environment has eroded. (Lorange, Morton and Ghoshal, 1986). The shortening of product life cycles, the trend towards deregulation of businesses and increased convergence of technologies have heightened the need for early detection of environmental changes and a quick response to those changes. Finally, technological and managerial capabilities are diffused across societies and firms. In most industries, major competitors have become virtually indistinguishable in terms of their operations.

## **THE MICRO LEVEL OF COMPETITIVENESS**

### **The definition and importance of competitiveness**

Comparative advantage on the micro level refers to the firm's relative position with other competitors which -within this research- is measured in terms of the quality of management particularly its ability to meet the consumer's demand for quality specification, continuity of supply, promoted and branded products, with a reasonable price.

In general terms, competitive advantage on the micro level is looked at from three angles.

- i- The management perception of its products, distribution and technological and financial resources.
- ii- Others claimed that behavioural variables have direct impact on export growth.
- iii- Scholars who thought competitive advantage stems from the manipulation of generic strategies such as cost, differentiation and focus. Some of the writers have asserted the importance of organisational and managerial aspects as prime sources of differentiation whilst others have asserted the importance of specialisation as a major technique to reduce cost.

Hereafter, some evidence is provided to show the importance of comparative advantage on the micro level:

1- Competitive advantage has been looked at as a major factor in determining whether the firm's management takes the initiative in stimulating exports. Tesar, (1975). The same author measured this as a composite, involving management's perception of whether or not the firm's product has unique qualities; management's perception of whether or not the firm has technological, marketing, financial or price advantages, whether or not the firm possesses exclusive information about a foreign market or customer, whether or not the firm has a patented product, and whether or not the firm has an efficient distribution network. Similarly, Snavely, et al (1964) found evidence that management's confidence in the firm's competitive advantage related to whether the firm had national distribution, and to whether the firm's product was patented. However, Hamel and Prahalad (1984) agreed with previous findings; they have introduced the term 'competitive market focus'. The authors claimed that, "the issue of global competitiveness aims to develop a better competitive market focus and to improve international distribution and market penetration strategies."

2- Similar results were reiterated within a number of empirical research works on the exporting behaviour which have sought to delineate a set of firm characteristics that appeared to facilitate a firm's involvement and subsequent performance in exporting (e.g. Cavusgil, Bilkey and Tesar, (1979); Kirplani and Macintosh, (1980)). They claimed that these conducive characteristics seem to be attributable to either one or a combination of the company's products, markets, technological know-how and resources.

3- Cavusgil (1976), took the issue of export performance a step further by suggesting that, behaviourial variables internal to the firm have a definite impact on firm's export activity and consequently its competitive position. He assumed that understanding export behaviour at the organisational level is required for at least two reasons: First, an assessment needs to be made of the problems and opportunities for management in accomplishing growth through exporting. Secondly, the formulation of an effective policy for stimulating exports, an acute need for many nations, specially developing countries, calls for a basic understanding of the characteristics associated with export activity at the firm level.

4- Porter (1985) looked at competitiveness from a micro prospective when he focused on the business unit level and how it can build up a competitive advantage through the manipulation of three generic strategies, cost leadership, differentiation and focus.

In addition, the same author sees competitive advantage grows fundamentally out of value a firm is able to create for its buyers that exceeds the firm's cost of creating it. "Value is what buyers are willing to pay, and superior value stems from offering lower prices than competitors for equivalent benefits or providing unique benefits that more than offset a higher price."

5- Similarly, Hamel and Prahalad (1984) have employed Porter's competitive strategy approach to creating and sustaining competitive edge. However, with regard to differentiation they have focused on the managerial and organisational factors as major elements in creating competitive edge. The authors identified three type of responses which are taken by Western firms to arrest their declining degree of international competitiveness. a- USA and European firms pursue low cost strategies of globalisation whereby they attempt to minimise world wide factor costs and improve the quality of their products. b- Western companies have attempted to improve their organisational effectiveness through paying attention to improving the managerial style and corporate culture of the firm. c- Western firms need to develop a better competitive market focus, by which they will improve their international distribution and market penetration strategies.

6- Baker (1979) emphasised the point that, because of the limitation to Britain's natural endowment, there is much to be gained by British firms through specialisation and exchange.

7- Similarly Crookel (1984), stressed the point that Canadian companies were starting to specialise in their Canadian production so that their costs are internationally competitive and therefore export heavily into world markets. The same author claimed also that, specialisation had emerged as a result of the growing power of global strategies on the account of national ones. This is attributable to the evolution of world products which is accelerated by satellite television and the modernisation of global communication systems.

8- Rugman (1985) in his study of twenty of the largest Canadian MNCs, found that what bound these companies is the underlying commonalty of their resource- based nature. Canadian MNCs are fundamentally different from those of the USA, Japan and Europe. While the latter group depends upon high technology as a source of their advantages, most Canadian MNCs are resource- based and have a history as exporters of primary products.

## Key influences on competitiveness on the micro level

According to diagram (3.1), production capability and corporate management are the micro influences on competitiveness. Production capability refers to infrastructure, plant, equipment and machinery. Whilst corporate management refers to marketing, production system, administration and organisation. Bradley (1985)

### Production Capability

Production capability and technology on their own are not sufficient for building up competitiveness in a particular country or industry, instead they must be accompanied with management capability. Bradley, (1985) argued that, technology alone is not the measure of a nation's competitive strength. Rather, strategies for national competitiveness need to be management- based.

Similarly, in terms of diagram (3.1) the role of technology is a hardware consideration having consequences at both the macro and micro levels. Rugman, Lecraw and Booth, (1985) suggested that, many of the largest 500 multinational enterprises in the world rely on manufacturing and/or marketing technology to generate the firm specific advantages in the assets transferred internationally. However, Martyn (1985) through his analysis of the various case studies of enterprises in food industry, concluded that " it is the combination of production capability and corporate management which guarantee success and not solely the possession of superior production capability".

Similarly, Rugman (1985) argued that, the role played by technology in strategies for national competitiveness is greatly complicated by the existence of multinational enterprises. Large MNCs compete with one another across groups of product lines, and many of these multinationals rely on technology to generate their firm's specific advantages. However, possessing a bundle of such competitive advantages, in which ability to raise capital, exploit scale and scope economies and use distribution channels are all important.

The researcher agrees with Martyn's and Rugman's findings concerning the importance of both corporate management and production capability in building up competitive edge. However, in the case of fresh produce business which does not demand that sort of intense and high technological know-how, the managerial dimension is a dominant factor in fresh produce marketing success. This view was confirmed by O' Mahony,

(1985) who referred to cases of many firms which have survived by capitalising on their relative advantages other than those associated with high technology.

(Gold, 1983) highlighted the need for substantial changes in managerial priorities and policies, in staff capabilities and in organisational arrangement plus heavy investment in new facilities and equipment to gain technological edge, the absence of which has been a major source of declining competitiveness.

The same author suggested that, effective efforts to regain technological competitiveness require:

a- top management commitment to this objective.

b- development of an array of improvement targets based on objective, competent and comprehensive evaluations of the current and prospective technological advantages and disadvantages of each sector of production as well as each major component of the firm's product-mix.

c- establishing organisational arrangements.

i- to continue monitoring relative competitiveness and its determinants.

ii- to evaluate alternative technological innovations proposed as means of progressing towards established targets.

iii- to appraise the performance of adopted innovations periodically as the basis for uncovering developing shortcomings or additional potential.

iv- to ensure effective integration of various technological improvement efforts so as to maximise mutual reinforcement and to minimise maladjustments.

#### **Corporate Management:**

Previous discussion showed that the key to growth and prosperity in a world which is characterised with rapid change, constant technical development and competitive challenge lies in management efficiency. Countries which are in danger of losing the race, such as UK and the USA, should develop superb managerial skills and translate these skills into effective management actions.

Scott's (1985) model is representative of many US studies which have focused upon the "soft" managerial aspects of strategic policy, rather than solely upon the 'hard' issues of economics and productivity. In terms of the Abernathy, Clark and Kantrow matrix it is necessary to concentrate upon the company level (micro) and software aspects of corporate management for answers to US competitiveness, rather than upon country level (macro) and hardware aspects of economic policy. The micro-software cell of the matrix shown in diagram (3.2) indicates that issues in organisational structure, corporate culture, training of human resources and internal allocative decisions are vital to the success of a firm.

Similarly, (Bradley, 1983, and Domegan, 1984), claimed that many of Ireland's international marketing shortcomings lies in the micro software cell of the matrix. That is, because corporate management has failed to adapt to new global standards. To increase competitiveness at this level requires major improvements in the management of internal change in firms attempting to internationalise (Bradley, Hession and Murray, 1985).

Diagram (3.2): The micro and macro influences on competitiveness

		Structure Hardware	Infrastructure Software
	Country Macro	(A) Economic Policy	(B) Social Policy
	Company Micro	(C) Supply Capability	(D) Corporate Management
(A) Economic Policy	Fiscal/Tax, Monetary, Trade, Political, Industrial Policy; Capital Markets; Labour		
(B) Social Policy	Culture; Traditions; Religion; Values; Behaviour		
(C) Supply Capability	Markets; Vertical Integration; Plant/ Equipment Decisions; Capacity Location; Technology		
(D) Corporate Management	Organizational Structure; Executive, Labour Training; Capital Budgeting/ Allocation		

Source: Rugman, M. M., "Strategies For National Competitiveness", Long Rang Planning, Vol. 20, No.3, 1987 p 93. Adapted From Abernathy, Clark and Kantrow, "The New Industrial Competition", Harvard Business Review, September-October, pp. 68-81, (1981).

In addition, O' Mahony (1985) argued that because of the weakness at the corporate management level, many Irish firms in traditional industry have failed to adopt appropriate strategies and structures in the face of the environmental discontinuity associated with joining the EEC.

Hayes and Abernathy (1980) argued that the USA lack of competitiveness is attributed mainly to the management factor. They suggested the following behavioural aspects of the American management as the major causes of their economic decline.

- Unwillingness to make longer term and risky investments. Managers put excessive emphasis on short-term financial returns and paying too little attention to the firm's long-term prosperity.
- An overanalytical management style that favours "number crunching" and portfolio management over hands-on operating experience.
- A market-driven orientation that is cautious and lacks initiative. Firms prefer safe product extensions instead of gambling on potential block buster innovations. Similarly many USA firms prefer also to market their products domestically rather than penetrating foreign markets.

Stopford (1984) claimed that, Europe's problems have concentrated on the micro-level software cell of the matrix, where corporate management has failed to adapt to new global standards. He suggested that, due to the global nature of competition, a company or a country, to increase competitiveness, will require major improvements in the management of internal change, representing in more effective world-wide distribution systems, as well as more geocentric thinking by managers.

In the case of developing countries which are gifted with rich natural resources that can offset to some extent their shortcomings in managerial and technological capabilities, the government is required to play a more positive role in aiding both public and private sectors and co-operatives in building on these natural resources. The government's role covers areas relating to setting up cool storage facilities, improving means of transportation, aiding growers and/or marketers with promotion and market research funds, participating in training programmes to improve their personnel managerial capability.

## **POSITIONING AND GENERIC STRATEGIES**

The ability of a country or a company to create and sustain competitiveness both at home and abroad depends to a great extent on two fundamental strategies, a) the position a firm or a country has chosen for its products or services and how the consumers perceive the chosen position in the market-place, or in other words, their image of the product or service in question. b) the generic strategies employed to create and sustain competitiveness and consequently, consolidating the consumers' image towards a particular product or service.



Positioning means different things to different people. To some it means the segmentation decision. To others it means selecting which product features to emphasise (Aaker and Shansby (1982)). Bradley and Mealy (1982) suggested that the term position or positioning have been frequently used to mean image except that the latter does not imply competition. Aaker and Myers (1982) defined the term image as "the total impression of what a person or group of people think and know about an object."

Aaker and Shansby (1982) suggested six approaches to positioning strategy. Positioning by 1- attribute, 2- price/quality, 3- use or applications, 4- product user, 5- the product class, and (6) the competitor.

In determining the positioning strategy the authors suggested six steps:

- identify the competitors.
- determine how the competitors are perceived and evaluated.
- determine the competitors' positions.
- analyze the customers.
- select the position.
- monitor the position.

Day (1984) claimed that, the outward evidence of competitive advantage is positional, based on some combination of differentiation, cost superiority, or operating in a protected niche. In addition, he took this issue somewhat further by suggesting ways of achieving positional advantages.

- The first type of advantage is a superior delivered cost position associated primarily with size or scale of operation and tight cost and overall control.
- The second positional advantage is a differentiated offering. Many ways are available to favourably distinguish a business or its products in the eyes of its customers or users. These ways are:
  - creating a unique product or service that is perceived by customers and distributors as clearly superior in value for the price.
  - providing a superior service through speed responsiveness to orders or ability to solve customers problems.
  - utilising a strong brand name.
  - providing superior product quality that, in turn, enhances customer loyalty and lowers customer sensitivity to price.

- attaining wide distribution coverage, including areas in which few alternatives are available.

The concept of generic strategies for gaining competitive advantage has recently received considerable attention in the field of business policy (Kiechel, 1981). Hall (1980), after studying in depth the two top performing companies in eight different competitive industries, concluded that the successful strategies of the chosen companies share strong common characteristics, irrespective of the particular industry. All leading companies in Hall's sample had achieved either a low cost position or a meaningfully differentiated position. Similarly, Porter (1980) argued that strategic advantage can be gained through differentiation and/or overall cost leadership.

Coyne (1986) put the following conditions for a meaningful strategy of competitive advantage:

- Customers perceive a consistent difference in important attributes between the producer's product or service and those of his competitors.
- That difference is the direct consequence of a capability gap between the producer and his competitors.
- Both the difference in important attributes and the capability gap can be expected to endure over-time.

Day (1984) illustrated the importance of the human factor as a prime source of competitive advantage when he classified sources of advantage into two groups:

1- Skills are distinctive capabilities of key personnel that truly set them apart from competition. Such capabilities could embrace:

- specialised knowledge of segment needs.
- customer service orientation.
- application experience.
- trade relationships.
- fast and flexible response capability.

2- Resources are more tangible requirements for advantage and come in many forms.

Among the possibilities are:

- distribution coverage.

- financial structure and access to capital.
- shared experience with related business.
- low cost manufacturing and distribution systems.
- ownership of raw materials sources or long-term supply contracts.

This part closes with the presentation of a systematic approach to competitor analysis, this approach can be applied not only to competitors analysis but also to consumers and suppliers.

Wiseman and MacMillan (1984) summarised the key steps for making competitor analysis as follows:

1- What is the strategic target?

Suppliers                      Customers                      Competitors

2- What strategic thrust can be used against the target?

Differentiation                      Cost                      Innovation

3- What strategic mode can be used?

Offensive                                      Defensive

4- What direction of thrust can be used?

Usage                                      Provision

5- What information system skills can be employed?

Processing                      Storage                      Transmission

Prior discussions reveal a consensus among scholars of international business that two generic strategies must be used to accomplish a competitive edge, cost leadership and differentiation. However, Porter adds the focus factor which implies segmentation. These strategies are essential in creating value for a particular firm's buyers which in turn aides those buyers in sustaining their competitive advantages and ultimately enhancing the competitive strategy of a particular industry and country as a whole.

In addition, cost leadership and differentiation, the two major components of generic strategy, hold true in industrial and manufactured products. This is not the case with fresh produce because the scope of these elements, particularly differentiation, is too narrow and the available options are difficult to implement. This is due mainly to the long time lapse between breeding new varieties and their being ready for human-being

consumption. In addition, the quality and quantity grown depend mainly upon climatic conditions.

Finally, one of the main flaws of the Abernathy, Clark, and Kantrow's model is that it does not recognise the importance of natural resources as a crucial factor in creating competitive advantage and consequently enhance international competitiveness of a particular industry or country. However, this issue has been tackled recently by some scholars of international business such as Rugman and Gannon. In addition, this model neglects the issue of organisational aspect as a complementary factor to managerial approaches.

## **THE ECONOMIC DIMENSION OF COMPETITIVENESS**

Having discussed the nature of competitiveness and the major factors affecting it in international trade, the main purpose of this part is to give an overview of the traditional trade theories.

Moyer (1984) claimed that understanding theories of international trade is useful not only to public policy makers but also to businessmen. These theories aid public policy makers to grasp how public policy is affected by factors of international trade. In addition, they help the businessman to appreciate the rationale for public policy decisions.

In the traditional trade theory, the various sectors of production are classified according to their use of different factors of production and therefore countries are rated according to their possessing these factors. Consequently countries will be competitive in those industries that use their most abundant factors of production intensively.

This theory is based on the assumption that free trade leads to mutual economic gains among trading nations. It is this assumption that represents the starting point for economic debates about the appropriate policy responses to the competitive difficulties of individual firms, industries and countries. c.f. Zysman, and Tyson (1983)

After this introduction and since, the subject of "Theories of International Trade" was examined extensively in the research works of El- Morsy (1986) and Arafa (1986), the researcher will provide only a brief study of the theories of international trade particularly those related to comparative advantages.

Adam Smith (1760) unveiled the fallacies of the mercantilism system that focused upon the economic power of the state and thought this power could be enhanced by accumulating the state treasury through a favourable balance of trade stimulated by export subsidies and import duties.

In Smith's view a country might possess natural or other resources that simply were not available in some other countries. This would enable the country to produce certain products absolutely cheaper than they could be produced in other countries, when costs are measured in terms of physical amount of labour or other inputs required to produce a unit of output.

The objective of trade in Smith's opinion was to maximise national real income. In view of the principle of absolute advantage, Smith maintained that no nation should produce at home what would be cheaper to import. If a foreign country can supply us with a commodity cheaper than we can produce it at home it is better to buy it from that country with some production in our own country and employed in a way in which we have some advantage.

Smith assumed that a nation would have a cost edge in at least one merchandise which it could export in exchange for other commodities. But suppose that a nation did not have an absolute cost advantage. Here the theory of comparative advantage can produce an answer.

In view of the principles of the comparative advantages, Ricardo (1817) argued that there is nothing particularly favourable about exports being greater than imports, and what really matters is the principle that a nation specialises in the production of those commodities for which production costs are comparatively low and imports commodities for which production costs are comparatively high. It is Ricardo's achievement to illustrate (in terms of a simple two country-two commodities- one factor of production model) that trade is mutually profitable even when one nation is absolutely more or less productive in terms of every commodity. The cost of indirectly producing a country's imports through specialisation in its exports is less than if the country directly produced the importable commodity at home. (c.f. Meller, 1975)

In other words, according to the principle of comparative advantage, a country should produce and export those goods in which it has the greatest comparative advantage, or

the least comparative disadvantage, and import those goods in which it has the least comparative advantage, or the greatest comparative disadvantage.

The political economy of the Ricardian model of comparative advantage is instructive for problems of world trade policy and welfare. Ricardo did not constitute the theory of comparative advantage out of an intrinsic interest in theory per se, but devised it in response to a real public policy issue. He wanted the import duties on corn to be removed in order that the cost of living for labour could be lower, and hence wages lower and profits higher, so that there might be greater capital accumulation, more employment, and growth of output. Ricardo's theory of comparative advantage was therefore not confined to only positive economic analysis, but also has welfare implications. Sraffa (1975)

It is also interesting to observe that Ricardo used a labour theory of value, and by expressing the real cost of production in labour-time, he was able to stress the subjective costs associated with production- the disutility of labour time - while focusing on the other side on gains from trade through "increasing the mass of commodities and, therefore, sum of enjoyment per unit of his real value (the disunity of labour value)".

## Summary and Conclusions

The objective of this section was to examine two major issues a- the definition and nature of competitiveness and b- positioning and generic strategies.

This section began with defining the term competitiveness and its importance on both macro and micro levels.

On the macro level, competitive advantage refers to an industry or a country's position relative to other industries and countries international positions.

1- The research works focus attention on three major issues for achieving competitive advantage a- natural resources, b- technology and c- organisational and managerial aspects.

(i) Some research works concentrated on the manipulation of a particular country's natural resources to develop a competitive edge over other countries which do not possess such resources. Therefore by specialising in the production of resource- intensive products, resource- rich countries can improve their international competitiveness.

Additional point is the type of manufacturing processes which these countries should add to their natural resources. The factors which should be considered making the appropriate decision are, 1- the country's stage of development 2- the type of product targeted for export.

As developed countries have both the technological know-how and managerial capability, they are in a good position to process almost all types of products. On the other hand, developing countries which lack both the technological know-how and managerial capability should specialise in the production of semi-manufactured products based on their abundant resources whether they are labour or natural resources.

In the area of fresh fruit and vegetables various countries specially developing ones should not invest in major processes other than those needed to preserve the produce in good condition until it is consumed.

(ii) The technology factor is considered by developed countries as a crucial factor in determining their international competitiveness as is the case with the USA, but in order to get the full benefit of technological know-how it must be accompanied with appropriate marketing, management and planning skills.

2- On the macro level the key influences on competitiveness are, public policy and environment.

(i) In public policy, there is a growing tendency towards governmental interventions in international trade to improve their export performance and international competitiveness.

The literature review showed two different views on government intervention. Those which called for more government intervention in the form of R&D and establishing and maintaining infra-structures. And views that considered government intervention as protectionism which conflicts with the discipline of international competition. Such intervention results in management's orientation towards product specification rather than the customers' needs.

In general terms, governments, especially in developing countries are required to play a more active role ranging from establishing and maintaining infrastructures and providing exporters with export credits to helping them with promotional activities and gathering market intelligence about foreign markets.

(ii) International marketing environment has a direct impact on the strategic options facing the firm. The environment can work for or against the interests of the firm. The success of the firm depends on its ability to predict the environment, to comprehend it, to cope with it and to respond promptly to it.

Environment can be classified into two groups: (a) Immediate business environment which includes current competitors, existing technologies, products and markets, and (b) General environment which includes, general social, economic, political and technological changes.

The micro level, refers to the firms relative position among other competitors producing similar products or substitutes.

1- The research works considered the company's own characteristics as a major factor in determining its competitive edge. Such characteristics embody unique products, technological know-how, financial capability, distribution coverage, pricing policies and even possession of exclusive information about foreign markets. In addition, a number of research works concentrated on the export behaviour of the firm. It has been claimed that the behavioural variables internal to the firm have a definite impact on the firm's export activity and its competitive position. The reasons for that are, these variables help the firm to explore the problems and opportunities associated with accomplishing growth through exporting and assist it in the formulation of an effective policy for stimulating exports.

2- With regard to the key influences on competitiveness on the micro level there are also two factors. These factors are production capability and corporate management:

Building up competitive advantages on both macro and micro levels requires production and technology factors accompanied with management capability. In this respect research works can be classified into three groups according to the type of business and the intensity of competition. These groups are:

(i) Those which considered technology as an overriding factor in generating the firm's specific advantages particularly in a technology-driven products. Most MNCs which manufacture such products operate in oligopolistic situations.

(ii) Those which placed both technology and management factors on equal footing but recognised that, depending on the type of business either can outweigh the other. For



instance, in the case of electronic industry the technology factor outweighs the management factor, whilst fresh produce industry is more management orientated.

(iii) Those which considered the management as an important factor in creating competitiveness among the various countries. The reasons given are: (a) technological know-how can easily be transferred from one country to another and can be adopted to local environments quite easily. To reap the full benefits of such technology countries and MNCs should adapt managerial and organisational practices to the prevailing environment. (b) many of the shortcomings associated with the poor performance of countries have been attributed to poor managerial and organisational factors.

3- It is worth mentioning that three major generic strategies have been employed to create and sustain competitive advantages. These strategies are cost, differentiation and focus. Moreover, it has been suggested that cost can be reduced substantially through specialisation in the production of resource-intensive products. Finally, the organisational and managerial approaches have been used as a means for differentiating a particular company from its competitors.

Previous discussions have shown that, the managerial and organisational aspects are overriding factors in determining a particular company's or country's international competitiveness as they optimise the utilisation of both natural resources and technology. Therefore, the following two sections are devoted to the examination of the organisational and managerial issues

## **SECTION 2**

### **ORGANISATIONAL AND MANAGERIAL APPROACHES**

## SECTION 2

### ORGANISATIONAL AND MANAGERIAL APPROACHES

#### INTRODUCTION

Having discussed the definition and the nature of competitiveness and the key influencing factors on both macro and micro levels together with generic strategies required to achieve competitive edge, the main purpose of this section is to build on what has already been established in previous section concerning the importance of organisational and managerial aspects in the utilisation of both technology and natural resources.

The application of the concept of managerial and organisational approaches to export activity has gained significant importance. Cavusgil (1984) suggested that variations in export activity can be explained to a significant extent by organisational and management characteristics.

This section is devoted to examining two major issues:

- 1- The organisational approaches.
- 2- The managerial approaches.

#### 1 – THE ORGANISATIONAL APPROACHES

##### Introduction

The establishment of a proper international marketing organisation is a crucial issue for international marketing. The objective of such an organisation is to develop a structure that allows the firm to respond to the variations in each served market while utilising the company's experience from other markets and products.

In recent years, only a few articles, either conceptual or empirical, have addressed organisational issues in marketing literature. Corey (1978) concentrated on the organisation of a single marketing activity, while that of Buell (1975), Hanan, (1974), and Young and Nelson (1982), have focused on a single structural form such as product

management. As a result there is little in terms of conceptual development or empirical evidence that gives insight to marketing managers in the area of developing appropriate organisational structures. (Ruekert and others, 1985)

One of the worst dilemmas in the internationalisation processes of international and multinational companies is the lack of system in the organisational charts of international management units. This deficiency "is simply a reflection of the existing uneven state of development, and the different volumes of activity within the various geographical areas, functions and product lines". (Lovell (1966)). Two other problems are the measurement of organisational performance and the relationships between the HQ and subsidiaries.

Therefore, the following three interlinked issues are tackled:

- 1- The organisational structure.
- 2- The organisational performance.
- 3- The relationships between the headquarters and subsidiaries.

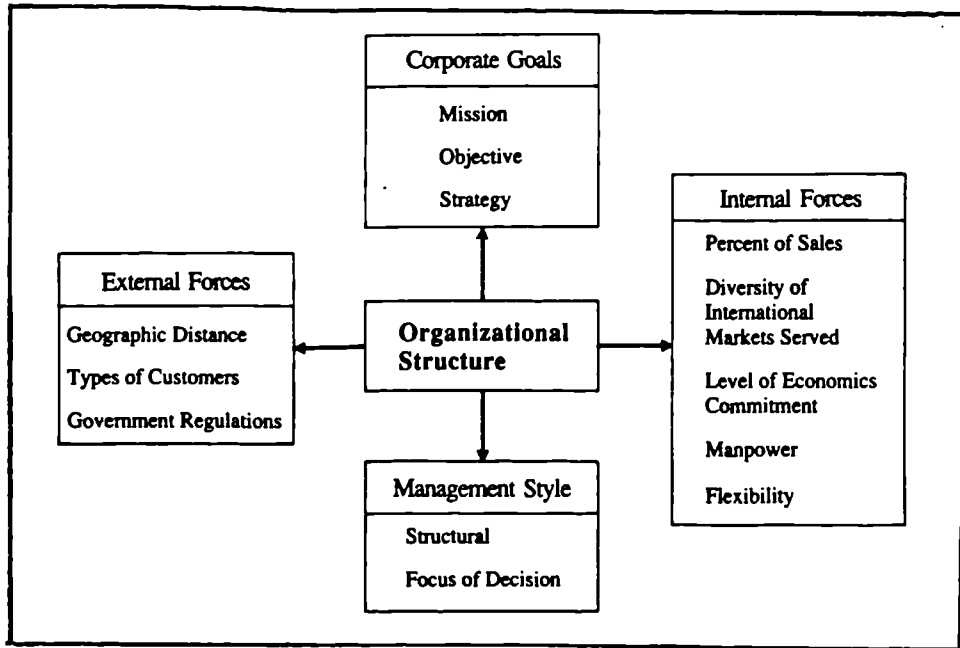
### **The Organisational Structure Concept**

The traditional approaches to organisational structure in marketing have focused on issues relating to planning, execution and monitoring marketing tasks. Marketing scholars commonly identify four broad types of organisational forms: functional, product, market and matrix organisations (Weitz and Anderson 1981).

The type of organisational structure most suitable to a particular firm depends to a great extent on the kind of product marketed and its life cycle, customers, the number of subsidiaries and their locations, government regulations, the management philosophy and belief towards overseas expansion, control...etc.,

In more detail, Jeannet and Hennessey (1988) suggested that, the ideal organisational structure should be a function of the products or services to be sold and the external/internal environment.

Diagram (3.3): Factors affecting organisational design



Source: Jeannet, J.P., and Hennessey, D.H.; International Marketing Management, Strategies and Cases, Houghlan Mifflin Company, Boston, USA, 1988.

Diagram (3.3) illustrates the elements that affect organisational structure: These elements are:

a- External Forces.

1- Geographical distance. Many problems associated with geographical distance have been solved because of the employment of advanced communication techniques. Nevertheless, these technologies are unable to solve the time differences between countries.

2- Types of customers. Understanding the targeted consumers' needs will enable companies to choose the appropriate organisational structure. "The more homogeneous the consumers with respect to the product or service the easier it will be for a firm to consolidate its efforts."

3- Government regulations. Such regulations include local involvement and ownership which may require an organisation to have local decision- making group.

b- Internal Forces.

1- Percentage of international sales. Establishing an export department, an international division or a world-wide organisation is dependant upon the percentage of international sales to the total sales of a particular company.

2- Diversity of international markets served and the level of economic commitment. As the number and diversity of markets increase, the organisational structure necessary to manage the marketing efforts will become more complex. Also the financial capability of the company affects the complexity of the organisational structure and control exercised on affiliates.

3- Flexibility. Flexibility is an essential element for the future possible re-organisation of the company.

c- Management Style .

1- Focus of decision. If all decision- making responsibility is centered in the HQ, then the organisational structure should reflect such a focus. Alternatively, if decision making is decentralised the organisational structure should be modified accordingly.

2- Corporate objectives. The organisational structure should reflect both the short term and long term goals of a company.

It has long been proven that there is a correlation between the extent of expansion abroad and Chandler's organisational structure. Fouraker, and Stopford (1968) claimed that corporations which have few related products and are organised by function, have not expanded to integrated operations abroad. On the other hand, corporations with many product lines generally have a product divisional structure, and have undertaken substantial expansion abroad. Chandler (1962) noted that some industries lie between these two clear cut cases (agriculture, oil, rubber, etc;) and are laced with dotted line relationships between functional and product organisation which, one might conjecture, would add ambiguity to problem definitions. Rutenberg (1970)

In more detail, Jeannet and Hennessey (1988) identified five type of international organisations as follows.

1- Companies without international specialists. This type involves companies which begin exports without founding separate export departments.

2- International specialists/export department. This type of organisational structure ranges from a part time specialist to founding an export department.

3- International division. This pattern emerges when sales to overseas markets become more important and complex. This division will be responsible for the development and implementation of an international strategy. Kahler and Kramer (1977) pointed out that in this type of organisational structure all overseas operations are brought together under a single management structure. Some services may be shared with the domestic operations but it acts primarily as a separate unit.

4- World- wide organisation. A world-wide focus will result in a world-wide organisational structure. In this respect there are four types of organisational divisions as follows.

i- geographic organisational structure. The major advantage of this type of organisation is that it allows a company to understand local culture, economy, politics, law and competitive situation.

ii- world-wide functional organisations. According to this type of organisation, each functional manager would have world-wide responsibility for this function. The application of this type requires a company with homogenous product lines, with little variation between products or geographic markets.

iii- world-wide product organisation. According to this type of organisation, the product manager is responsible for the performance of their organisational unit which includes marketing, planning and in some cases production. This type is most suitable in the case of companies with several unrelated product lines. Kahler and Kramer (1977) suggested that in the world-wide organisation, the division between home and international is eliminated and a global perspective is adopted for resource allocation and opportunity spotting.

Within these structures the company is organised geographically or along product lines with varying degrees of autonomy allocated to operating units.

iv- Matrix organisation. In this type of organisational design both the product and geographical management components are put together in one structure.

5- Strategic business units (SBUs). "SBU is an organisational group of people supporting products and technology that serve an identified market and compete with identified competitors."

Organisational problems face every company, especially those seeking to conduct business abroad. Some of these companies have applied the trial and error method, while others have followed a systematic approach to setting up their organisational structure not only for the marketing division but also for the company as a whole.

Wills (1974) suggested five systematic steps in his attempts to identify the type of organisation structure likely to be most effective in filling the organisational gap as the marketing tasks confronting the organisation evolve or are totally transformed. The steps in this process are as follows:

1- identify the future marketing tasks for the company organisation structure over the relevant planning horizon.

2- observe and measure the company's organisational status quo today.

3- prepare an inventory of organisational theoretical knowledge that is germane to the company's situation and environment.

4- develop and describe an organisational structure in the light of this knowledge, which is most likely to achieve the tasks identified in step (1).

5- examine the possibilities and implement the best alternative approach towards moving from the status quo towards the pattern identified in step (4).

The same author suggested that these processes can be embodied in the organisational development (OD), but he preferred to call it organisational transfer (OT) since it encompasses greater dynamics to the process than the conventional (OD). In addition, it introduced the time dimension to the planning activity and sought to identify and build organisations which will cope simultaneously with present, intermediate future, and long-term future marketing tasks.

However, there are general rules governing the setting up of organisational structures of various companies. The application of these rules varies from one country to another mainly due to differences in culture and business practices.

Schollhammer (1971) in his analysis to the similarities and differences in the organisational structure of multinational corporations based in the USA and four European countries, found five dimensions of structural characteristics. These dimensions are: (1) basic organisational orientation, (2) structure of the relationships between the corporate headquarters and their foreign operating units, (3) the degree of centralisation/decentralisation, (4) the standardisation of procedures, and (5) organisational flexibility.



The same author concluded that structural characteristics of MNCs of different national origins showed a high degree of similarity in some respects, but also showed substantial differences in other ways. Although all the firms in the sample are faced with essentially the same set of organisational alternatives, they tend to react to them differently. For example, unlike American MNCs, the European-based multinational firms de-emphasise the dichotomy between international and domestic business operations in their organisational set-up. MNCs in both Europe and USA show a high degree of decentralisation; however, in the case of US firms, limits of discretionary authority tend to be more clearly specified. The European multinationals enjoy greater autonomy than their American counterparts but organisational flexibility is somewhat higher among US firms. In both groups, however, organisational dynamics are to a large extent externally induced rather than internally planned and generated.

Also, Tung (1979) examined, among other issues, the relationships between three environmental characteristics (complexity, change rate, and routineness of problem/opportunity states) and perceived environmental uncertainty, and organisational variables. He concluded that these three environmental characteristics were shown to be significant predictors of variations in perceived environmental uncertainty, departmental structure, time perspective taken in planning and frequency of changes to plans.

Keeping abreast with the continuing changes which have been taking place in global environments and businesses abroad requires the various MNCs and exporters to apply the contingency approach to the structure and performance of marketing activities at the various organisational hierarchy.

Ruebert and others (1985) have developed a contingency approach to the structure and performance of marketing activities at the work unit level as well as higher levels within organisations. According to the contingency approach, all business units encompass a variety of different activities which should be categorised according to (1) characteristics of the task itself, (2) the nature of the environment in which it occurs, and (3) the relative importance of alternative performance dimensions (i.e., short run efficiency versus adaptability and longer term effectiveness).

## **The Relationship Between Organisational Structure and Performance**

In recent years there have been a number of attempts to examine the relationship between structure and performance. The most common are, transaction cost analysis, and organisational design.

Transaction cost perspective. Transaction cost perspective developed by Williamson (1975), is primarily concerned with the relative efficiency of internal versus external organisation of activities and with the conditions affecting the efficiency of the two organisational forms.

Since the organisational structure is an important element of any international business programme, the corporate management should commit itself to a particular organisational form of export, hiring outside firms or doing the job itself.

In this respect, Brasch (1981), asserted that manufacturers ought to make some commitments to an organisational form of export. He emphasised that while export activity can be initiated on impulse, at some point a manufacturer must make some commitment to an organisational form which can provide continuity and sound management practice to its international business programme. The same author suggested that a company in organising its international business activities, has the choice of assigning responsibility for international business development to an outside firm or of doing it itself. Whichever route it chooses, it can follow either a minimal commitment approach, or a major commitment approach. There are four basic strategic options:

- a- A minor commitment, internally managed international marketing effort.
- b- A major commitment, internally managed international marketing effort.
- c- A minor commitment, externally managed international marketing effort.
- d- A major commitment, externally managed international marketing effort.

Which of these alternative international market strategies is selected depends upon certain company's and product's variables, such as:

- 1- the ability to commit either human or financial resources to the international marketing function.
- 2- the attractiveness of the probable difficulty in overcoming market barriers; and
- 3- the possible return on investment in international marketing effort.

In line with prior findings the following conclusions can be drawn:

First: The evolution of international trade practices adopted by international and multinational companies have followed prior findings. These firms initiated their business abroad through export and after they established a strong foothold, some of these firms got involved in international business via direct investment and joint - venture.

Second: The organisational patterns adopted by exporting companies also followed the same pattern, in so far as some of the firms started their exporting activities through individual contacts with importers. This was followed by appointing local agents in the host countries. Finally, after having established a foothold in the market country, some of these companies proceeded to setting up their own marketing offices or affiliates.

This is also, to great extent, in line with the research findings of (Cavusgil, 1980, Gronhaug, 1977, and Piercy, 1981) who argued that the vast majority of the firms they examined approach international business involvement in an experimental manner, committing resources for the newer management tasks gradually. Coupled with the uncertainty associated with the profitability of initial involvement, lesser familiarity with export marketing functions lead to a cautious type of management. This is true also, to some extent, of the strategies adopted by US firms to overseas operations. McDonald (1961), identified three broad approaches:

1- Random Approach: A selection of "virtually change factors" such as personal preference, government inducement or acquisition opportunity which leads to market choice.

2- Country by Country Approach: This involves systematic investigation of particular markets with a view to arriving at a priority list.

3- Global Approach: This is an integrated evaluation of the corporation's long term objectives allied to resource and location decisions geared to goal achievement.

According to the first approach a company is not expected to make a major commitment. The commitment increases gradually when a company goes from one approach to another.

System-structural perspective. The system-structural perspective is based on the research works of Zey-Ferrell (1981) and Weber's (1974) notion of bureaucracy. It is concerned with the impact of organisational structure on the performance of the social system. The performance is viewed as a multidimensional construct involving system effectiveness, efficiency and adaptiveness. Effectiveness involves the degree to which

organisational goals are achieved, whilst efficiency considers the relationship between organisational outputs and the inputs required to reach those outputs. Finally, adaptiveness reflects the ability of the organisation to adapt to changes in its environment. Ruekert and others (1985).

Although, the components of system-structural construct are crucial to achieving organisational goals, the adaptation factor is of some importance when a particular company proposes to conduct business abroad.

In this respect, Buatsi, (1986), examined the nature and extent of organisational adaptation of international marketing involvement by comparing the domestic and international marketing strategies of firms. The results demonstrated significant differences between the domestic and international marketing operations of firms. These differences including the product/market strategies and the commitment of human resources. Also a significant degree of adaptation has been observed because firms pursue both standardised and nonstandardised marketing strategies in their international operations, although the orientation is generally towards standardisation. The study revealed that the degree of adaptation to international markets varies from one firm to another even though the principal product is generally the same in both domestic and major export markets. In some instances there are differences in the principal export product as well as the state of the principal product on the domestic and export product life cycles which are not necessarily the same because of the time lag between the introduction of products in these markets. Furthermore, multi-channel distribution strategies are generally used by firms to varying degrees at home and abroad. Differences also exist between the prices charged compared with competitors' at home and abroad. Finally, the types of problems firms experience in their efforts to adapt to international marketing suggest the need for greater human resource development.

Hayden (1968) claimed that the type of organisational form most suitable for export must be adjusted to any changes in doing business abroad. He called for U.S. companies to make many adjustments in many functions in order to do business successfully abroad. In the area of organisation, AMA's survey on problems of operating overseas found the following difficulties to be particularly serious in the judgement of respondents:

- 1 - Determining whether to organise along regional lines or as a highly centralised corporation.

- 2- Keeping abreast of local political and economic changes and maintaining correct relations with local officials.
- 3- Costing technical know-how and management skills contributed by the parent company on a continuing basis to subsidiaries abroad.
- 4- Maintaining proper organisational relationships between home and overseas offices and plants.
- 5- Determining optimum amounts of autonomy for managers abroad.

### **The Relationships Between the Headquarters and Their Subsidiaries**

Autonomy is an important element of the structure of an organisation; it relates to the division of decision-making authority between foreign subsidiaries and the parent company. A number of authors of international business (Chandler (1962), Brooke and Remmers (1970) and Stopford and Wells (1972)), found a close relation between the pattern of allocation of decision-making authority (structure) and strategy.

Similarly, Brooke and Remmers (1972), pointed out that the parent company is often torn between two conflicting tendencies: a desire to adopt closed system of which the most important decisions are taken by the parent company and a need to adopt an open system in which the affiliates are granted as much decision-making authority as possible. The HQ of the parent company will have to choose between these two conflicting tendencies according to the prevailing circumstances in the HQ and external environments of the overseas subsidiaries.

Generally speaking, the pressures to centralise can be attributed to factors internal to the firm whereas the pressures to decentralise come mainly from the outside. In addition, the decision to centralise or to decentralise particular functions at headquarters depends on: see Garnier (1984)

- 1- The type of the function performed: Many functions call for centralisation. Such functions are: (a) Production and its relevance to the international product cycle theory- a firm will not invest in overseas production facilities until its products reach the maturity level in the home market (Vernon and Wells (1976)). Then a firm will come under pressure to rationalise and specialise its overseas operations and subsequently to increase intra- company exchange of raw materials and finished products. This in, turn, will bring additional need for centralisation particularly with activities associated with planning and coordination. (b) Finance: Most parent companies require that all

important financial decisions particularly those which have long term implications be made at the headquarters. (c) Functions such as marketing and advertising are decentralised but with standardised industrial products the pressure would be for centralisation.

2- The product and geographical diversification also plays an important role in the centralisation issue. Chandler (1962) and Brooke and Remmers (1970) noticed that there is a close tie between the product diversification strategy of MNCs and the tendency among parent companies to allow their foreign subsidiaries to formulate their own policies. As such, product and geographical diversification call for more decentralisation of decision making.

3- The philosophy of the management team at HQ plays an important role in the centralisation and decentralisation related decisions.

4- The pressure from overseas affiliates and their environments is particularly for more decentralisation. This is based on the ground that foreign environments (customers, governments, suppliers, etc..) vary from the domestic one. Therefore, local employees should be allowed more autonomy to enable them to understand their environment and respond adequately to it.

Gestetner (1974), focused on two basic approaches: "centric", with operations organised around a strong central administration and "non-centrist" with considerable devolved authority. Rutenberg (1970), suggested four archetypes of the relationship between headquarters and its subsidiaries. These four archetypes are:

Archetype 1, A polycentric headquarters with ethnocentric subsidiaries, i.e there is no headquarters intervention, so there are as many corporate strategies as there are subsidiaries.

Archetype 2; A geocentric headquarters and ethnocentric subsidiaries. The headquarters role is to manipulate and persuade the subsidiaries to follow specific policies.

Archetype 3: The headquarters is ethnocentric and authoritarian, so the subsidiaries react by becoming xenophobic and resent the one-way stream of communication from headquarters. One of the flaws of this type of international Headquarters is that it imposes foreign notions of strategy, efficiency and organisation on the overseas branch. (Business International Corporation 1976).

In Archetype 4, collaboration and mutual understanding are possible because both headquarters and its subsidiaries maintain geocentric world views. The focus is on interpersonal relations and conviction, rather than organisational structure.

## **2- THE MANAGERIAL APPROACHES**

It has been mentioned before that corporate management plays a crucial role in determining a particular company's and/or industry's competitive position. The rest of this section is devoted to examining the impact of managerial approaches on competitive positions and export successes.

The managerial approaches most commonly used in studies of micro-marketing see marketing as the "performance of business activities which direct the flow of goods and services from producer to consumer or user in order to satisfy customers' needs and accomplish the company's objectives" McCarthy (1968).

More specifically, Kirpalanti, (1983) outlined the managerial issues in international marketing activities as follows:

- Whether to centralise or decentralise sectors of international marketing activities?
- To what extent should products and/or communication themes be adopted for foreign markets?
- How should products be positioned in foreign markets?
- What brand name policy should the international firm follow?
- How should the products be priced; and how distributed?
- What should be the international firm's policy on the sale of its technology?
- How should the key determinants of international marketing effectiveness be managed?
- How should the international marketing effort be controlled?

Under the heading of managerial approaches two issues are examined:

- 1- The impact of managerial elements on the export success.
- 2- The measurement of management performance.

## **The impact of managerial elements on the export success**

Since this research is concerned mainly with examining competitiveness on the micro level, the vast proportion of this section is devoted to examining the managerial approaches most common on the business unit level.

During the past two decades, relatively few studies have investigated potential managerial determinants of export behaviour at the firm level. Nevertheless, they have provided valuable insights into the internal dynamics of exporting firms.

The main theme of these research works revolves around three major points:

- 1- Foreign market orientation at board and senior management level and their commitment to export activity.
- 2- The exporter's orientation, marketing orientation versus selling orientation,.
- 3- The impact of the improper application of managerial approaches on the export success.

First: Many attempts have been made to identify the key determinants of export success—both external and internal. Above of these factors is the foreign market orientation at board and senior management level as well as the management's willingness and commitment to export.

Cavusgil (1976) proposed four broad categories of influences at the organisational level that are likely to correlate to export behaviour. These categories are:

- i- Differential firm advantages. These can be attributed to either one or a combination of the firm's products, markets, technological know-how and resources.
- ii- Managerial aspirations for business goals. Management's keenness in pursuing basic business goals such as profits, growth and diversification can be crucial to export success.
- iii- Favourability of management's expectations. This relates to decision-makers' subjective evaluations of how attractive exporting is for their company. How favourable these expectations are, influences firm's export behaviour.
- iv- Extent of resource allocation to exporting. Many scholars asserted that interest and commitment at the top management level to allocate resources to export is a critical determinant of export behaviour among firms (e.g. Cunningham and Spigel, (1971), Weinrauch and Rao, 1974)).



Similarly, many investigators have asserted that interest and commitment at the top management level are critical determinants of export behaviour among firms (e.g. Cunningham and Spigel, (1971); Hunt, Froggatt and Hovell, (1967)). Weinrauch and Rao, (1974) examined factors like the management favourable orientation, deliberate interest and willingness to allocate sufficient resources to export- related activities. Their findings indicated the importance of the management element on export performance or as they put it "involvement in exporting requires the company to devote financial and human resources and management attention to carrying out tasks that are new to the firm and for building the effectiveness of the marketing approach in identifying effective competition based solutions to these problems."

Foreign market orientation of managers as a determinant to export success cannot be observed directly. Like any other construct, it has to be determined through a series of indicators.

Based on a review of the relevant literature, Dichtl et al (1984), proposed that the construct "foreign market orientation" be based on four indicators: psychic distance, attitudes toward exporting, subjective managerial characteristics and objective managerial characteristics. (Schlegelmlich and Ross, 1987)

Psychic distance refers to the degree to which foreign markets are perceived to be strange. As such, this indicator comprises objective and perceived differences in language, culture, industrial development, business practices, etc. (Simmonds and Smith, 1968; Johanson and Vahlne, 1977). Attitudes towards exporting refers to whether the export activity per se is perceived to be desirable, (Simpson, 1973; Bilkey and Tesar, 1977) Subjective managerial characteristics, include indicators of risk preference, rigidity and willingness to change Dichtl et al (1984). Objective managerial characteristics, comprise directly observable socio-demographic data.

The first three of the four indicators of foreign market orientation of managers lie on psychological/attitudinal measures, whereas the fourth is based on "hard facts". While the importance of the former group of indicators is clearly accepted (Reid, 1981), psychological/attitudinal differences cannot readily be observed. This poses problems for governmental export promotion agencies, in that they usually have to ignore these factors despite their potential usefulness in deciding where limited resources should be allocated.

March (1977), related the problems faced by the majority of firms and the managers to their:

- a- Psychophysical distance from the environment.
- b- Sociophysical distance from the culture.
- c- Technological distance from industry.
- d- Insulation of decision makers.

Bilkey (1978) suggested that, export management should be kept in level with the firm's position in the export development process, which from the firm's perspective is a learning process. A firm that has never exported should logically at first concentrate on gaining basic export performance.

The same author concluded from reviewing the literature that the three steps required to accomplish that are,

a- Beginning with the psychological closest markets. As success is achieved in such markets, the firms should extend exporting to the nearest psychologically closest foreign markets and so on. Then, as adequate experience is gained, the firm should focus on markets which are considered to be the most attractive and develop them in depth.

b- Motivation for exporting which should be the firm's long- term growth and development rather than short term gains.

c- Management should match its firm's profile with those of successful exporters as a guide to its export potential.

Schlegelmilch and Ross (1987) focused their study upon analyzing the impact of objective managerial characteristics on export success. Specifically, they examined factors such as formal education, linguistic abilities and experimental background to test whether these three types of readily observable managerial characteristics are associated with a number of different performance measures.

The results of their analysis indicated a relationship between two groups of independent variables- formal education and language proficiency- and two measures of export performance- growth and export profitability. In contrast, the results do not show a direct relation between these variables and export intensity.

These results should be taken with some caution as the chosen sample was relatively small. In addition, the study focuses exclusively on the UK tool machine industry and therefore, it raises the question of the findings' transferability to other industries.

Danels and Arpan (1972) took the discussion a step further by examining certain management practices and policies of expatriate firms of various nationalities operating in the same national environment. The purpose was to give insights into the environmental conditions at home which affect divergences in operations and flexibility of practices when conducting business abroad.

The authors classified their findings into two categories: Pre-investment and post-investment.

a- Pre-investment findings: Regardless of the firm's nationality, management was initially reluctant to move their resources abroad. Proximity of language, geography and customs (risk minimisation rather than profit or sales maximisation) were the most important motivations for the location of the first foreign investments. The same authors claimed that the desire to operate in areas of common language and customs helps explain the dominant position of US, UK and Canadian firms in the English-speaking countries and that their export potential is greater in these countries than in other language areas.

b- Post-investment findings: The research has resulted in mixed conclusions. For instance, home country influences were often a cause of management differences, but seldom were they the only cause. Other major influences were the number of different countries in which the firm operated, the size, diversity and the degree of integration of international operations, as well as the degree of competition in the firms' buying and selling markets.

Second: The marketing orientation of management as opposed to selling orientation has long been proven to be an important factor in determining a particular company's competitive performance both at home and abroad, Levitt (1960) and Baker (1979).

These findings were confirmed empirically by Cooper and Kleinschmidt (1985) who claimed that the export strategy a firm chooses is closely linked to the export performance results it achieves. In terms of relative impacts, they are as follow:

a- A marketing versus a selling orientation is associated with a much stronger export growth; 130% versus 26% growth.

b- a marketing versus a selling orientation is linked to a higher export intensity; 49.3% versus 36.9% of output.

c- a world versus nearest neighbour orientation is tied to a somewhat stronger export growth; 75% versus 51% growth.

d- a world versus nearest neighbour orientation is associated with a somewhat higher export intensity; 49.2% versus 41.5% of sales.

All but the last relationship were statistically significant, but interactive effects between the strategic directions were not significant.

Pinder (1984) suggested implicitly that the key element to the Japanese success is that the Japanese management is more marketing oriented than that of other developed countries. He argued that, the Japanese challenge to other developed societies is based on distinctive management practices which make them formidable competitors. These distinctive practices take the form of the quality of Japanese management and its ability, in co-operation with the workforce, to apply the new technologies and market intelligence in producing products with the specifications needed by customers.

Finally: The literature review reveals that most problems which encounter MNCs can be attributed mainly to the management element. For instance:

Simposon (1973) placed greater emphasis on the quality of management. In his study of 50 exporting and 70 non-exporting manufacturing firms, he found that 69% of non-exporting companies admitted that they could export. He concluded that their real reason for not doing so was due mainly to managerial apathy. This conclusion has led various analysts to focus on the quality of management as an important factor in exporting.

A study done by the experts of the U.S. Department of Commerce of the impediments which inhibited current and potential exporters from maximising their foreign market potentials. They have identified the following impediments:

a- The negative attitude that exporting is too risky and complicated and therefore not potentially profitable.

b- Lack of information on the mechanics of exporting, and lack of information on foreign markets, business practices and competition.

c- Lack of adequate personnel, financial and other resources which are necessary to have management commitment and interest in selling to overseas markets.

d- The reluctance of foreign buyers to deal with unfamiliar U.S. firms, as well as buyers

lack of knowledge of U.S. products and technology, and  
e- Foreign government policies and assistance in export promotion (U.S. Department of  
Commerce, 1977).

Cavusgil (1984) commenting on prior findings said, the striking feature of the above observations is that major barriers to export growth seem to lie within the firm and its management. Three of the five impediments cited above are related to factors internal to the firm. The same author argued that these observations are not surprising in view of the fact that external factors such as exchange rate, level of domestic and foreign demand, relative rates of price- level increase and commercial policy have proved to be poor predictors of firms' export behaviour.

Research into the consumer electronic and auto industries by Abernathy (1982) shown that the key factor underlying the decline in U.S. competitive performance is poor management. The same author concluded that, "there were no deficiencies in the U.S. technological capabilities, nor were there structural barriers in the industry to hinder innovation. There were no direct capital shortages to stand in the way, nor was inflation a problem in the 1950's and early 1960's". The main reason for this problem, he maintained, is that the management lacks innovative capability. In addition, in the case of the automobile industry the same author proposed that the main cause of production discrepancy between America and Japan lies in the management of people or as he stated, "it is a people problem rather than a hardware or capital problem."

Pinder (1984) suggested that the European problem in relation to Japan is not so much a technological gap as a management gap. In order to fill this gap much of the Japanese experience needed to be learned.

Rugman claimed that USA productivity problems can be attributed more to micro management failures than to macro-level government policies. He proposed "renewed competitive strength will depend upon the ability of the management to build up US technological strength. In particular, technology-driven product innovation needs to be fostered by US managers."

The same view was reiterated by O'Toole (1981), who claimed that, USA economic problems are not really the result of an inadequate investment, improper governmental regulation or excessive taxation. They are a result of applying inappropriate managerial philosophies, rather than economic policies.

Scott's model of declining US competitiveness suggested that it is an amalgamation of four factors:

- i- macroeconomic mismanagement, leading to an overvalued dollar;
- ii- mismanaged business with a focus on short term financial performance rather than long run productivity improvements;
- iii- a set of incoherent US policies and institutions that need to be replaced by an explicit industrial policy;
- iv- the impact of Japan and the NICs in which the role of the government is to support business than social goals.

### **The Measurement of Management Performance**

Since the quality of management plays an important role in creating and sustaining competitive advantage, it is essential to examine how the management performance is measured.

Some writers claimed that export performance is a function of managerial and market characteristics. Cooper and Kleinschmidt (1985) suggested that studies concentrating on export marketing have investigated the myriad of managerial and market characteristics associated with a firm's propensity to export. Performance measure such as export sales as a proportion of total sales, fall into four categories:

1- Management expectations and perceptions, including perceptions of export risk (Abdel-Malek (1974), and Neidell (1965)), export expectations of top management (Abdel-Malek (1974), Neidell (1965)) export cost expectations (Daniels (1976), Philpot (1975)) and management expectations of export profitability (Abdel-Malek (1974), Neidell (1965)). In addition, several studies indicated that management's keenness in pursuing basic business goals such as profit, growth and diversification can be crucial to export market performance. (Hunt, Froggatt, and Hovell (1967))

2- Market variables, including size of foreign markets (Fenwick and Amine (1979), Hirsch (1974)), domestic market share McGuinness (1978), level of competition in foreign markets McGuinness (1978); trade barriers (Hirsch, (1974), Kackerm (1975)); and physical and psychological distance to foreign markets (Abdel-Malek (1974), Khan (1978), McGuinness (1978))

3- Differential advantages and resources of the firm, including product advantages and product adaptation (Cavusgil (1976), Piercy (1981)); technological advantages (Cavusgil (1976), Daniels (1976) and McGuinness (1978)); and distribution advantages (Khan (1978), and Kleinschmidt (1982)).

4- Firm demographics, including size of firm (Cavusgil (1976), and Daniels (1976)); firm ownership (Daniels (1976), and McGuinness (1978)); and years of export experience McDougall (1975).

Based on Bilkey's (1978) review of the literature, the measurements of management performance were grouped into three : First was peer evaluation as to which firms were most efficient and which firms best performed product planning, advertising, market research and sales administration functions. This method of management research found that exporting firms tended to be evaluated more highly than non- exporters (Perkett, 1963). A second measure of the quality of management had respondents evaluate their own managements. This approach tended to rate the management of exporting firms as being more aggressive than the non-exporters (Doyle and Schammer,(1976)). A third measurement of quality of management included: a- managers attitudes and activities, b- the firms functions and organisations structure compared with c- accepted good management practices. (Tooky, (1964), Cunningham and Spigel, (1971), Tesar (1975)).

## **Summary and Conclusions**

This section was concerned with two major issues:

- 1- Organisational approaches and,
- 2- Managerial approaches.

### **The organisational approaches**

Under this title three issues were tackled: (1) the organisational structure, (2) the organisational performance and (3) the relationship between the HQ and subsidiaries.

1- The organisational structure: There are four organisational forms which have been commonly used, functional, product, market and matrix organisations. Factors affecting the choice of a particular form were classified into three groups. (i) external forces, (ii) internal forces, and (iii) managerial style.

In addition, the differences in culture and business practices prevailing in the home country have a positive impact on the chosen organisational structures. Such differences can be attributed to (i) the basic organisational orientation, (ii) structure of the relationships between the corporate HQ and its foreign operating units, (iii) the degree of centralization/decentralization, (iv) the standardization of procedures, and (v) organisational flexibility.

In order to keep abreast with changes in international environments MNCs should apply the contingency approach to the structure and performance of marketing activities at the various organisational hierarchies. The application of this approach requires the various marketing activities to be categorised according to (i) the characteristics of the task itself, (ii) the nature of the environment in which the task is performed, and (iii) the relative importance of alternative performance dimensions.

Based on these three conditions, the organisational structures most suitable for export must be adjusted to environmental changes particularly in external environments. Consequently, companies should make some adjustments in many functions in order to do business abroad successfully.

2- With respect to the relationships between the organisational structures and performance, two measures are broadly used. They are:

(i) Transaction cost analysis. This system is concerned mainly with the relative efficiency of internal versus external organisation of activities. It is also a make or buy decision. Factors influencing the chosen option are the financial and human resources available and the extent to which the market barriers can be overcome. These options range from a minor commitment, internally managed international marketing effort to a major commitment and externally managed international marketing effort.

(ii) The system- structure perspective: This is concerned with the impact of organisational structure on the performance of the social system which, in turn, is viewed as a multidimensional construct involving system effectiveness, efficiency and adaptiveness.

3- The relationships between the headquarters and their subsidiaries. This part addressed the question of how the decision making authority is divided between foreign subsidiaries and the parent company.



Factors affecting this decision are: (i) The need to centralise specific functions such as production and finance. On the other hand, functions such as marketing and advertising call for decentralisation. (ii) The pressure from overseas subsidiaries is for more decentralisation. Since, foreign environments vary from domestic ones subsidiaries should be delegated more autonomy to take the appropriate decisions suitable to the prevailing circumstances.

On the question of the type of the relationships between the headquarters and subsidiaries Rutenberg (1974) suggested the following types: (i) a polycentric HQ with ethnocentric subsidiaries. (ii) a geocentric HQ and ethnocentric subsidiaries and. (iii) a HQ is ethnocentric and authoritarian, so subsidiaries react by becoming xenophobic and resent the one-way communication from the HQ. (iv) both HQ and subsidiaries are geocentric.

### **The managerial approaches**

This sub-section was concerned with examining the managerial approaches at the micro level (firm) rather than macro level (country and industry). The research works in this area identify the following major points:

1- The key determinants of export success comprises a set of external and internal factors of the firm. Among these factors are foreign market orientation of senior management as well as their willingness to allocate sufficient financial and human resources to export- related activities.

The management orientation can be based on four indicators: (i) psychic distance, (ii) attitudes toward exporting, (iii) subjective managerial characteristics and (iv) objective managerial characteristics.

Some writers concentrated on the impact of formal education, linguistic abilities and experimental background on export success. They found the first two characteristics correlated with export profitability and growth. Others have proven that proximity of language, geography and customs were important factors for the first foreign investment's location.

The orientation of the management in terms of marketing export orientation turned to be an important factor in determining a particular company's export success. Therefore,

it is claimed that one of the major key elements to the Japanese success is the management orientation to export marketing.

2- The improper application of managerial approaches are considered to be the main factor for the declining international competitiveness of the USA and some European countries.

The bulk of the research works have indicated that most of the problems which MNCs have encountered can be attributed to managerial deficiencies. This conclusion was confirmed by a study of the US department of Commerce in which it was proven that three of the five major impediments to success are management related. They are (i) the negative attitude towards export activities (ii) lack of market intelligence of foreign markets and, (iii) poor availability of personnel, financial and other resources. In addition, the USA and Western Europe's declining competitiveness was ascribed to the application of inappropriate managerial philosophies rather than economic policies.

3- On the question of the measurements of management performance, there are three measures of management performance. (i) Peer evaluation. This measure is concerned with identifying firms which are most efficient, and these which best perform product planning, advertising and market research. (ii) The second measure is associated with having respondents evaluate their own management. According to this measure, respondents tend to describe management of exporting firms as being more aggressive than non-exporters. (iii) The third measure of quality management includes managers' attitudes and activities, the firms functions and organisations structural compared with accepted good management practices.

It was also suggested that export performance measure such as export sales as a proportion of total sales is a function of managerial and market characteristics. These characteristics are, (i) management expectation and perception of export risk, cost, and profitability; (ii) Market variables such as the size of both domestic and overseas markets, level of competition and physical and psychological distances of foreign markets; (iii) differential advantages and resources of the firm and (iv) firm demographics which include the size of the firm and its ownerships and years of export experience.

Some authors proposed that four steps are required to accomplish export performance. These are (i) firms should begin with psychologically closest markets, then after adequate experience has been gained, the firm should focus on the most promising ones, (ii)

motivation for a long term export growth and development (iii) matching the firm's profile with the profiles of successful exporters and (iv) the quality of management. It is claimed that the quality of management is the most decisive factor in export performance.

Within this research the quality of management is measured in light of its ability to meet the demands of developed markets in terms of quality specifications, continuity of supply, promotion and branding. Therefore the rest of this chapter is devoted to tackling the major components of competitive performance, namely, quality specifications and distribution.

## **SECTION 3**

### **THE COMPONENTS OF COMPETITIVE PERFORMANCE**

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### THE COMPONENTS OF COMPETITIVE PERFORMANCE

#### Introduction

Having examined international competitiveness and the organisational and managerial approaches to export marketing, this section is devoted to tackling the components of competitive performance, in particular, quality specification and distribution. The former is mainly representative of managerial approaches whilst the latter is representative of organisational approaches.

Increasing international competition and rising customer expectations are forcing supplying countries to emphasize product quality, continuity of supply, promotion and brand development and pricing.

These key elements to success can be employed in many different ways, the objective of these elements being to meet the consumers' needs. According to International Fruit World (1983), these needs are:

- freshness.
- quality (inner value and attractive appearance).
- ready to eat.
- product information.
- packages of reasonable size and weight in self-service.
- reasonable pricing level.

Retail trade also demands particular services from suppliers and wholesalers so that they can serve the needs of their customers. The retailers therefore insist on:

- quality.
- packaging which is attractive, standardised and suitable for transport.
- convenient size of packages with daily fresh produce.
- clearly defined image of the produce and its country of origin.
- sales support by means of publicity, quality and product information.

In this section the two major components of competitive performance are discussed.

They are:

1- Quality Specification.

2- Distribution.

## **1- QUALITY SPECIFICATIONS**

### **Introduction**

Few challenges have created as much interest among managers as the current quality revolution. Managers are abruptly awakening to the fact that today's consumers have tasted quality, and that if the firm is to be successful it must accept quality as the fundamental strategic weapon for the future ( Ross and Shetty, (1984)).

Under this heading two major issues are examined:

a- The definition and importance of quality specification, and

b- The measurements of quality specifications.

### **The definition and importance of quality specification**

The word quality is used in many contexts. Quality control is usually associated with the closeness of manufactured products to specifications required by their customers and/or national and international standards.

Garvin (1984) looked at quality specification from two interlinked perspectives, viz: (a) the objectives of quality control and, (b) the attributes of quality specification.

a- The objectives of quality control

1- Quality is conformity to requirements. This means that the final product has to be produced in line with the quality specifications and standards which have been set for the product in question either by customers, a national or an international body.

2- Quality is fitness for use. This is based on the assumption that different users have different needs. Therefore, quality does not mean quality in absolute terms; rather, it means that the product has to be designed and manufactured according to the specified needs of the individual user or segment of users. This approach is attached mainly to industrial products.

3- Quality is innate excellence: Different users demand varying quality, standards and designs. This provides a standard of quality by which other products are measured.

b- The attributes of quality specification:

Garvin (1984) suggested eight dimensions of product quality which, in his view, provided a framework for the term quality. These dimensions are:

- Performance "primary product characteristic".
- Features.
- Reliability (frequency of failure).
- Conformance (match with specifications).
- Durability (product life).
- Serviceability.
- Aesthetics (fits and finishes).
- Perceived quality (reputation and intangibles).

To be a market leader in terms of quality specifications does not necessarily mean one must be on top with regard to all prior dimensions. Rather a firm is likely to be more successful if it pursues a strategy of concentrating on a small number of dimensions which meet most demands of a particular segment.

In the area of fresh fruit and vegetables marketing the term quality specification comprises inner value, external appearance, level of ripeness, size of the product, packaging and more importantly, freshness.

The word 'freshness' is becoming increasingly important nowadays, to both the consumer and the trader. The former demands a healthier lifestyle, whilst the latter is constantly endeavouring to supply consumers with as fresh a product as possible.

Turning now to examining the importance of quality specification it can be observed that:

The term quality is gaining importance for three reasons. They are: (i) the impact of quality specification on market share and as a technique for controlling costs; (ii) the changing expectation of customers in favour of high quality specification and (iii) the severity of competition as MNCs compete against foreign companies which sometimes enjoy preferential treatment from their governments.

Profit Impact of Marketing Strategies (PIMS) data showed that high- quality products and services increase sales and market share. Schoeffler et al (1974) claimed that quality improvement is an influential tool for gaining market share.

Also, Buzzell and Wierseman, (1981), in their endeavour to establish the link between advertising, price, product quality and market share, drew the following conclusions:

- changes in product quality had the strongest relationship to changes in market share;
- advertising had only a modest relationship to share changes; and
- price changes had no connection to share changes.

Young (1985) claimed that the focus on quality is actually one of the best ways to control costs through reducing the expenses associated with responding to bad quality.

### Measurement of Quality Specification

Quality control measurements can be classified into two interlinked groups: (a) qualitative and (b) quantitative. The former is based on opinions and perceptions whilst the latter is based on hard facts.

Young (1985) employed a qualitative approach and suggested some possible quality measurements for marketing functions: These functions are:

- Customer satisfaction.
- product/market definition.
- introduction efficiency.
- Forecasting accuracy. and finally,
- sales support effectiveness.

The qualitative approach to quality specification is based mainly on customer's satisfaction and management perception of quality.

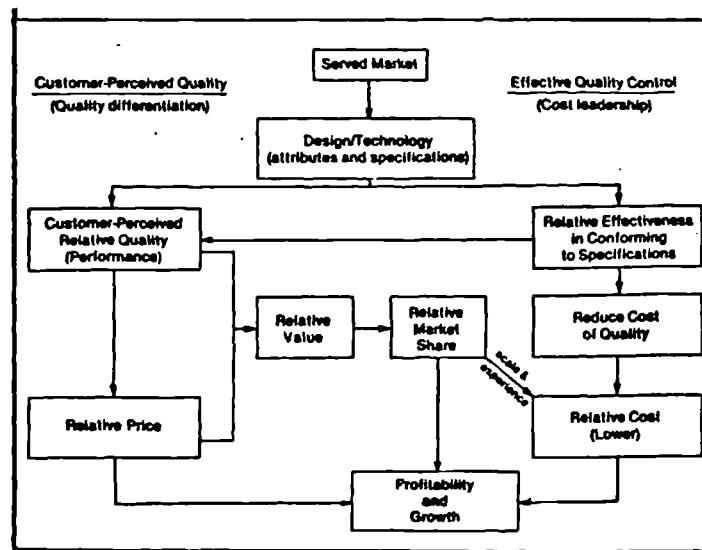
With regard to the consumer's satisfaction, Bradley and Klavans, (1985) suggested that there is a crucial relationship between customers' perceptions of the way products perform and the prices products can command. That is why it is important to know how customers rate one's products and the possible change of such a rating.

Diagram (3.4) illustrates how profitability and growth are driven by quality. There are two views of quality- external and internal. The external views involve customer-



perceived quality which is linked to value and customer's satisfaction. The internal view of quality focuses on statistical quality control and conformance to specifications.

Diagram (3.4): How quality drives profitability and growth



Source: Bradely, T. G., and Klavans, "Formulating a Quality Improvement Strategy", *Journal of Business Strategy*, Vol. 5 No. 3, 1985, pp 23.

The same authors concluded that, effective quality control helps profits in two ways: (1) it improves customer- perceived quality by increasing the percentage of shipped products that conform to specifications and (2) quality control reduces the cost of manufacturing through helping companies to make their products right the first time.

On the question of the management's perception of quality, Crosby (1979) suggested five measurements for determining a company's quality, management maturity and the attention that top management pays to quality. These measurements are:

- (1) management's understanding and attitude.
- (2) quality organisation status.
- (3) problem identification and prevention.
- (4) control of cost of quality.
- (5) quality improvement actions.

Management's commitment to quality specifications has been proven to be an important element for a successful quality scheme. Ross and Klatt, (1986) measured five of ten dimensions of a good quality management programme. These dimension are:

- top management attitude and attention.
- focus on the customer.
- prevention of defects.
- measures and standards, and
- involvement of people in quality control.

The authors' conclusions are drawn from their study of a total of 107 respondents who

represent a cross-section of small business firms located in the USA. The respondents were asked to indicate their opinion and perception of quality management practices on a scale of 1 to 10. The results of the survey are summarized in table (3.1).

Table (3.1): Ranking of five dimensions of quality management practice within their own organisations by 107 respondents from 92 smaller business firms.

	Top management attitude and attention	Focus on the consumer	Prevention of defects	Measures and standards	Involvement of people in quality
<i>Retail</i>					
At present	5.1	6.8	5.2	5.1	4.8
It should be	8.8	9.3	9.1	9.2	9.2
(Difference)	(3.7)	(2.5)	(3.9)	(4.2)	(4.4)
<i>Manufacturing</i>					
At present	7.1	7.0	6.5	6.6	5.7
It should be	9.4	9.3	9.3	9.3	9.1
(Difference)	(3.7)	(2.3)	(2.8)	(2.7)	(3.4)
<i>Financial</i>					
At present	5.8	5.9	4.7	4.3	4.3
It should be	9.5	9.5	8.2	8.2	8.2
(Difference)	(3.7)	(3.6)	(3.5)	(3.9)	(3.9)
<i>Hotel/Restaurant</i>					
At present	5.3	6.0	3.9	4.2	4.7
It should be	8.8	9.2	8.7	8.7	9.2
(Difference)	(3.5)	(3.2)	(4.8)	(4.5)	(4.5)
<i>Health</i>					
At present	6.6	8.0	6.1	6.0	6.0
It should be	8.5	9.3	8.6	8.9	9.3
(Difference)	(1.9)	(1.3)	(2.5)	(2.9)	(3.3)
<i>Other</i>					
At present	4.7	6.4	4.9	5.3	5.2
It should be	8.7	8.9	8.2	8.1	8.9
(Difference)	(4.0)	(2.5)	(3.3)	(2.8)	(3.7)

Source: Ross, J, E and Klatt L, A., "Quality: The Competitive Edge", Management decision Vol. 24, No. 5, 1986, pp13.

Garven (1986) concluded from his study of quality related issues in both American and Japanese companies that, U.S. and Japanese manufacturers face not only different types of quality problems, but may also be approaching the task of quality management quite differently. The Japanese supervisors displayed a strong management commitment to quality as their thinking is organised around process control and production management. In addition, although these companies still faced quality problems, supervisors believed that most problems arose outside the shopfloor, primarily in the area of product design and purchased parts and materials.

By contrast, U.S. supervisors attributed the largest proportion of their firms' quality problems to deficiencies in the workforce. A deep concern for quality was thought to be lacking among workers and also among managers. Overall U.S. supervisors believed that quality was a secondary objective for manufacturing, lagging well behind the primary goal of meeting production schedules.

Hutchins (1986) stressed the importance of the consensus style of management in dealing with quality problems. Most Western companies do not have such style. It is far more usual to find an "individualistic" style in operation. In many firms, inter-department conflict is often more severe than that they counter in the market-place.

The same author proposed two effective means by which a change in style of management can be brought about:

- (1) The development of management task force groups, and
- (2) The formation of a company-wide steering group which spans all functions and all levels.

The successful transmission of this quality message as well as the adoption of organisation-wide strategy for quality improvement can be crucial in an organisation's competitiveness in the market-place and in the way its actual and potential customers respond to it.

Attention has now to be given to the research works associated with the quantitative approach of quality control. These works employed quantitative techniques for measuring quality specification. Such techniques are, profitability, market share, growth, productivity, return on investment and profit.

Ross and Klatt (1986) claimed that all available evidence points to the conclusion that profitability, market share and growth are all a function of quality. Businesses selling high quality products and services are generally more profitable than those with lower quality. Both return on investment and profit as a percentage of sales increase as relative quality increases.

The same authors concluded from their study that the difference between current and desired practices of the employees perceptions is 'focus on the customer'. This suggests that concern with customer's needs is greater than other dimensions of quality management.

In order to implement the 'focus on customer approach', companies should adopt effective quality strategies which involve all levels of staff and should be supported, planned and directed by managers at the top of the organisation. (Hutchins 1986)).

The relative importance of quality specification varies from one industry to another and from a customer or segment of customers to another. Therefore, the term 'focus on customer' requires each company to define precisely its target customer and try its utmost to provide him with the best available quality in the market-place.

Results derived by Shetty (1987) indicated that, strategic focus on quality is one of the best ways to improve profitability and to gain a sustainable competitive edge. The same author cited the following reasons why many companies do not place more emphasis on product quality:

- (1) Detrimental effect on costs and productivity.
- (2) The lack of data concerning costs attributes to poor quality.
- (3) The perception that there were few opportunities by which quality could improve productivity.

Garvin (1984), attributed the inability of American businesses to regain the stature they once possessed to their failure to understand the impact of product quality on profitability and competitiveness. By contrast, (Prentice (1984)) claimed that Japan's constant research for superb quality has led to higher productivity and lower cost with increased labour satisfaction. Another study related to (PIMS), has provided more quantitative data which shows the relationship between quality and profitability (Schoffler, Buzzel, and Heany, (1974)). The authors based their quality ratings on executives estimates of the proportion of sales that consist of:

- Products clearly superior to those of their direct competitors.
- Those of equal quality. and,
- Those of inferior quality.

The study concluded that both the return on investment and net profit as a percentage of sales rose as quality increased.

Fairman (1985) highlighted the link between product quality and profitability when he suggested that quality can increase profits through lowering costs, increasing sales and improving the firm's competitive position.

Shetty (1987) analysed the impact of product quality on costs. He concluded that, poor quality increases costs associated with maintaining quality standards during production. It also increases external cost associated with warranty and liability claims of defective products. He concluded that, quality reduces costs by:

- Reducing scrap, rework and additional labour.
- Reducing work in process, inventory, material handling and capital equipments.
- Improving the utilization of tools and product equipment; and
- Reducing warranty and liability claims.

Shetty and Buehler (1983,1985) showed that the experience of large number of companies indicated that quality development can improve market position and profitability. They concluded that:

First, firms which use product quality as a competitive strategy do not always agree on how to implement this aim, but most identify certain conditions that are essential for success. These conditions are:

- Top management commitment and their recognition of quality as a strategic issue.
- The recognition that employees are the key to implement the required standards.
- The establishment of quality standards and measures of performance.
- Use customer-driven quality standards. and finally,
- Use total quality management to achieve results.

Second, high quality gives firms a competitive edge that is much more likely to assist them to improve their market share. In addition, companies can acquire a competitive edge through improving quality and subsequently creating something that is perceived as unique throughout the industry.

Finally, despite the fact that there are many ways to differentiate products, superior quality is one of the most commonly used approaches.

The researcher agrees with the preceding findings concerning the importance of quality and its impact on market share, growth, productivity and profitability. Nevertheless, factors such as continuity of supply, service, promotion and the pricing policies employed, individually or collectively, by a particular company, are also of great importance in determining its competitive performance.

## 2- DISTRIBUTION

### INTRODUCTION

Factors influencing the structure of the distribution system in a country are economic growth, the personal disposable income, quality of the infrastructure and environmental elements such as the cultural and physical environment and the legal/political system. The environmental elements are considered as major criteria in differentiating domestic from international distribution.

To show the importance of the distribution function, the relationships between distribution and international competitive performance of a particular company or country are presented.

Slijper (1978) suggested that distribution plays an important role in establishing a competitive edge over competitors. In addition, McDougal and Stenning (1975) concluded from their study that suitable distribution facilities were among the major elements which led to high exporting performance in foreign markets. Consequently they have proven a correlation between distribution and export success. Also, a study done by Industry Market Research (1978) concluded that, distribution facilities are important in achieving high competitive performance of British industry in foreign markets. NEDO (1977) and Tookey (1964), proved that gaining competitive advantage correlates partly with a particular company's ability to choose and motivate overseas agents. Blackwell (1982) proposed that market coverage and careful selection of distributors play an important role in determining the competitive performance of a particular company or country. He stated that, " in an environment of technological parity, effective market coverage becomes even more important in determining competitiveness and choosing the best channels to serve specific market segments become a critical and complex decision."

In this part, three major issues are examined,

a- Channel functions.

b-The choice between company- owned distribution channel and independent intermediaries.

c- Selection and motivation of intermediaries

## CHANNEL FUNCTIONS

During the past 70 years, economic and marketing advocates have realized and examined the concept of marketing functions (e.g. Lewis, (1969)). Marketing functions have been defined as "the major specialized activity or group of related activities that are related to the objective of the entire marketing process". Like marketing, channel functions can be defined as "groups of activities or tasks that must be undertaken within channels of distribution" Cron and Levey (1984).

Dommermuth and Anderson (1969) classified the channel functions into three categories as follows:

- Transaction: Transaction deals with activities associated with the movement of products from the producer to customer. It also deals with the separation of ownership and therefore it contains activities relating to buying and selling as well as order initiation, processing and completion.
- Inventory: Inventory is concerned with activities associated with holding goods between the time of production and the time of sale to the final consumer.
- Promotion: Promotion includes all persuasive information about the nature of goods and services and their relationship to the potential user's needs.

All these functions must be performed by at least one channel member if the channel is to operate properly. Indeed, the role of each member in the channel is defined in line with its extent of participation in each of these functions which, in turn, depends mainly on the type of product, customer and the market country. Brown, Lunsch, and Muehling (1983) suggested that, lack of agreement concerning the role of each member of the channel is the underlying reason for potentially dysfunctional conflict and the use of power.

To illustrate the impact of the type of product and market country on the functions performed by distributors, two examples are given :

First, in a study of food broker role function, Teas, Evans, and Horrell, (1982) suggested that the food broker's functions include the management of product, promotion, price, physical distribution, order processing, trade and general channel administrative activities. Furthermore, the broker is an important communication link between the manufacturer and other channel members concerning: (i) the introduction of new

products, (ii) co-ordination of advertising operations. (iii) informing channel members of special allowances, (iv) giving advance notice of late and short shipments, and (v) conveying market intelligence from the channel members to the manufacturer.

Second, the role of channel members varies from one country to another. It was reported that, in some countries, wholesalers provide a warehouse function, taking orders from retailers and shipping them in appropriate quantities. Wholesalers in Japan provide not only the basic wholesale functions but also share risk with retailers by providing financing, product development and even occasional managerial and marketing skills. (The Economist, January 31, 1987, pp. 62.)

The problems encountered by distributors in performing their functions properly have an impact on the various channel members particularly manufacturers. These problems have great impact on decisions relating to the selection and motivation of distributors as well as the choice between company- owned distribution channel or independent distributors.

Narus, Reddy and Pinchak (1984) identified five principal problems encountered by industrial distributors. These problems are:

- 1- unstable economic conditions.
- 2- intense competition among distributors.
- 3- high sales call costs.
- 4- low employee productivity, and
- 5- manufacturer-distributor relationships problems.

On the managerial implications of these problems, the same authors argued that, there is little that can be done either by the producers or by the distributors to influence the economy. To reduce the negative aspects of competition, manufacturers should learn to compete on non-price bases which include offering better services and a wide range of products targeted to particular market segments. Costs associated with sales call can be reduced substantially by a more limited use of outside sales force, greater reliance on the inside sales and greater uses of direct mail. Improving employee productivity can be achieved through increased employee training and incentive compensation. Finally, manufacturer-distributors working relationship problems can be sorted out through manufacturers' generous approach to aspects such as the amount of inventory which can



be returned annually, the return of defective products and a more extensive use of written sales agreements.

## **THE CHOICE BETWEEN COMPANY- OWNED DISTRIBUTION CHANNEL OR INDEPENDENT DISTRIBUTORS.**

The question of choosing between employing a company- owned distribution channel, or contracting distribution to an independent organisation has been the core of major debate among economists and international marketing advocates. To an economist, this is a question of vertical integration in which the choice is between primarily captive agents (company sales-force and company distribution division) or primarily independent intermediaries (outside sales agents and distributors). To a manager, this is the "make or buy" issue. The company system being the "make" option and the independent channel the "buy" option (Anderson and Coughlan (1987)). Robinson (1978) called these make-or-buy issues "one of the most debated and critical areas in international business". This is because ownership gives the entrant control over his international distribution channel, and its link to potential customers. Ownership also brings responsibility, commitment and attendant risks (Ahamed (1977)). In addition, channel choices, once made, are often difficult to change. Hence, the question of whether or not to integrate foreign distribution can have a large and long term impact on the success of a firm's international operations. (Robinson, 1978)

On the question of the advantages and disadvantages of employing company- owned distribution channel or independent distributors, Anderson (1985) identified the following advantages of appointing outside agents:

- As representatives handle a wide range of products of many manufacturers, they can reduce sales calls considerably.
- By employing outside agents the manufacturers can obtain a trained sales force. immediately and virtually without incurring fixed costs.
- Unlike company- owned salesteam, outside agents are unlikely to transfer and thus they provide a continuity and excellent knowledge of customers.

Rosson and Ford (1980) suggested that for many exporting companies overseas distributors are a key element to success in marketing their products abroad. Whilst most companies would prefer to run their own overseas marketing operations, a number of

factors militate against this choice. These factors are: (i) low sales volumes in individual markets, and (ii) high start up and running costs of overseas branches Duguid and Jacques (1971)

Anderson (1985) identified the following advantages for using company- owned employees: (i) direct sales forces are believed to offer better control and (ii) unlike outside agents, company's own people are considered more willing to carry out non-selling tasks and they are more appropriate for pushing new products.

Rosson and Ford (1982) suggested a number of benefits and costs associated with the manufacturer-overseas distributor (MD) arrangement. The main gain is that by employing an overseas distributor, a manufacturer can reduce the costs associated with sales and control and he can obtain immediate representation. With regard to the disadvantages of overseas distributors, they suggested that the distributor is a company that is independent of the manufacturers and therefore his goals and interests seldom match that of the manufacturers. "For this reason, the way in which certain marketing activities are performed by the distributor- for example, sales coverage, product servicing and providing market information- may fall short of the exporter's expectations."

Davidson (1982) identified foreign governments' pressures to employ local agents by MNCs- whenever they are available- particularly to distribute mature products in foreign markets and -where there are plentiful- well-diffused products. In these cases a foreign firm may have difficulty persuading the host government that it needs to set up its own distribution branch. The same author also identified culture as an important element for opting for a particular type of channel outlet. He said that an integrated channel may be more difficult in countries culturally dissimilar to the U.S. because American management techniques may not transfer readily to the foreign environments.

Some writers of marketing proposed that in many cases, circumstances determine the choice of independent distributors or company- owned outlets. Shapiro (1972) examined one circumstance- company size- as a determinant. He reported that the prevailing view among managers is that small companies should start with independent distributors, go direct to gain control when they reach moderate size, and switch back to independent distributors when they become large. The assumption is that large firms are cumbersome, bureaucratic, ineffective and inefficient in running export sales departments.

Hlavacek and McCuistion (1983) identified the following characteristics for a product to be suitable for independent distributors. These attributes are:

- large potential customer base.
- a stockable item.
- small quantity sales.
- rapid delivery and service.

Williamson (1981) contented that, a priori the entrant is better off choosing an independent channel. This choice enables the entrant to tap the benefits of a distribution specialist in the foreign market. These benefits include the economies of scale and scope that the independent distributor obtains by pooling the demand for distribution services of several manufacturers. Further, by avoiding integration, the entrant avoids some of the disabilities of bureaucratic governance structure in particular, organisational politics. Williamson (1979).

Anderson and Coughlan, (1987) used the marketing, international management, and economic literature to generate a list of factors affecting organisational forms (integrated or independent) chosen by the companies under study in various foreign markets. They model this choice as a function of transaction cost consideration and transaction specific assets.<sup>3</sup>

The transaction cost analysis addresses the question of when a function is more efficiently performed within a firm (vertical integration) vs. across independent entities (market contacting). Whilst 'transaction-specific assets' is based on the assumption that unlike general purpose assets (e.g., machinery, capital, communications skills), which can be easily transferred across applications, transaction-specific assets are intended for particular set of customers and therefore valuable only in a narrow range of alternative uses. Transaction specific assets includes specialised knowledge and working relationships which are developed over time by the agents, either employees or independents, distributing the brand in question (Williamson (1979)).

Williamson (1981) and Klein, Crawford, Alchin, Armen (1978) proposed that firms can better monitor and motivate their difficult -to- replace distribution agents if the agents are employees rather than outsiders. Hence, where task-specialized knowledge and

<sup>3</sup>The issue of the relative efficiency of international versus external organisation of activities was examined in some detail under the title 'organisational approaches', pp 100-103.

relationships are important, firms should opt for integrated distribution channels. Anderson (1985) suggested that the selling function tends to be integrated when two transaction-specific kinds of knowledge are important: brand knowledge and confidential inside information.

In a nutshell, the literature suggested a model of overseas distribution channel choice depending on many factors. In this model, integration of the distribution channel function is more likely to prevail when the following conditions exist. (See Anderson and Coughlan (1987)):

- 1- the greater the level of transaction-specific assets in sales force,
- 2- the less mature the product category,
- 3- the higher the service level associated with the product,
- 4- the more differentiated the products in the product class,
- 5- the less prevalent the legal restrictions constraining direct foreign investment,
- 6- when an integrated distribution channel is already in place ( the converse is true for the case of a non-integrated channel),
- 7- the more closely related the product to the company's core business,
- 8- the importance of trade secrets relative to patents in protecting the technology,
- 9- the more competitors have integrated distribution channels in the foreign markets,
- 10- the more similar to U.S. the culture of the country being entered.

## **SELECTION AND MOTIVATION OF DISTRIBUTORS**

When a marketer opts for independent distributors to handle his products abroad, he must select from available alternatives those intermediaries best able to serve his needs, products, markets and customers. In addition, he must provide sufficient inducements to attract capable middlemen and to ensure that they act and continue to act in his best interests.

Starting with the selection of intermediaries, the marketing literature on channel choice has a relatively long history, with most of the articles dealing with the nature of the manufacturer-distributor relationship (competitive or cooperative). For instance, some early research works e.g, Artle and Bergulnd (1959); Baligh and Richartz (1967) concentrated on the vertical interactions within a channel (co-operative) rather than on competitive reactions between manufacturers (competitive).

Gill and Allerheiligen (1981) explained the forms of distributive co-operation as follows:

- 1- Horizontal co-operation, co-operation among channel members of the same type, i.e. retailers co-operating with retailers.
- 2- Inter-type co-operation, co-operation among channel members of different types at the same channel level, i.e. discount stores co-operating with department stores.
- 3- Vertical co-operation, co-operation among channel members at different levels in the channel, i.e. manufacturers co-operating with wholesalers.
- 4- Channel system co-operation, co-operation among systems, in which a channel system for one product co-operates with a channel system for a second product.

Etgar (1978) suggested that, where the market is competitive at both the manufacturing and distribution levels, a manufacturer can use forward integration to differentiate his product by providing a higher level of service at the distributive level than would an independent distributor.

Distributors selection has gained greater importance for at least four reasons.

First, developing good working relationships with intermediaries takes a long time (Hlavacek, McCuiston, (1983)) and, therefore, entry barriers are raised (Evans, and Berman, (1982); Ross (1983)). As a result, once the contracts have been struck, it is often difficult to shift from one relationship to another (Majaro (1982), Terpstra (1983)). Hence dependable selection procedures are necessary to help avoid selection errors which can be very costly and damaging to the company's image.

Second, careful selection of intermediaries is also necessary because many channel members are small organisations, owner- managed and, therefore, they may lack managerial and market knowledge, market coverage and sales force capabilities (Sibley, (1981), Stern (1982), and Shipley (1984)). Therefore, the producer must choose distributors who are most suitable to his products and associated services as well as his market and targeted consumers.

Third, it has been claimed that "the majority of export sales in the free world today are conducted through independent distributors" [Business International no date, pp. 1]. Consequently, a great deal of attention has to be given to the selection of the right distributors.

Fourth, independent intermediaries, are not owned by the manufacturer and so has limited control over their activities (Rosenbloom, (1978), Webster, (1976), and Stern, (1982)). This has a critical bearing on selection because many middlemen have needs, philosophies and objectives that differ and often conflict with those of manufacturers (Etgar, (1979), Mallen, (1964), Rosenberg, (1971)). Most notable among these potential source of limitation on commitment is that intermediaries tend to act primarily in the interests of their customers and only secondarily on behalf of their suppliers (McVey, (1960), Webster (1975)).

Before a particular company embarks on the selection of intermediaries, it has to develop a distribution strategy consistent with other corporate strategies such as product, pricing and communications.

Jeannet and Hennessey (1988) proposed the distribution strategy should be developed in light of:

1- Distribution density. Density refers to the amount of coverage required for the product in question, particularly, the number of outlets required to provide the desired coverage.

2- Channel length. This includes the number of channel members involved in moving a given product to the market.

3- Channel alignment and leadership. The area of alignment deals with the structure of the chosen channel members to achieve a unified strategy.

4- Distribution logistics. This term involves the physical flow of products as they move through the channel.

Since the company has developed a clear distribution strategy, now it must tackle the selection of distributors issue.

In this regard the marketing literature provides two inter-related elements to the selection of distributors.

First, the guidelines which should be followed by marketing managers who wish to strengthen their distributors performance and at the same time supplement their weaknesses with a strong 'missionary' sales organisation. Hlavacek and McCuistion

(1983); and Webster (1976) suggested three guidelines manufacturers should follow in selecting intermediaries. These are:

1- selecting the products distributors will sell. This requires the firm to develop a statement of the role of customer service, product availability, price and technical support in the total product market positioning of the firm. In addition, manufacturers should recognise that buyers characteristics and selling techniques required for their products change according to the stage of the product life cycle.

2- choosing the distributors. This entails the firm to assess the capabilities of intermediaries for fulfilling their role in effectively marketing the products in question.

3- evaluating their performance. This requires the producer to evaluate the performance of the chosen distribution members as well as assessing the appropriateness of various policies guiding his relationships with distributors. In addition, the producer should develop policies which govern his relation with distributors. Such policies address (i) supplying information about buyers and their geographical location. (ii) serving large accounts either by the distributors or the producer himself and, (iii) distributors training and support system.

Second, selecting an agent or distributor calls for careful preparation of the selection processes. Fitzpatrick and Zimmerman (1985) suggested that there is a wide range of choices in distribution approaches and the firm should evaluate available options in light of the following criteria.

- 1- Control.
- 2- Customer needs and market coverage.
- 3- Cost to the customer.
- 4- Company objectives.
- 5- Competition.

Hereafter, a brief reference to some of these criteria is presented.

First, the level of control: If the product is highly technical or difficult to sell, tight control over all the steps of distribution is desirable. Ahamed (1974) examined in some detail the control factors which both the producer and dealer may exercise. He assessed the control a foreign firm exerts over its USA affiliate and the affiliate's control over the remaining members of the channel of distribution, namely the affiliates' franchised

dealers. He concluded from his study that American affiliates of foreign automobile manufacturers, both successful and unsuccessful, operate with a substantial degree of independence from their parent-companies. In addition, successful automobile affiliates tend to be those who exercise a substantial control over their respective franchised dealers. Finally, he suggested that, a high market penetration ratio raises the ability of the affiliate to control its dealers.

Second, customer need and market coverage: Customer's needs relate to the customer's form and time sensitivity requirements, whilst coverage refers to the need for a wide geographical or customer-type representation.

Manufacturers should think of different types of distributors to serve different or specialised market segments (Hlavacek and McCuiston (1983)). Also, Hutt and Speh (1981) proposed that middleman selection should emphasise unique customer requirements rather than absolute geographical coverage. However, Shipely (1984) concluded from his empirical research that, sales and market factors are the most commonly cited as selection variables by respondents. Indeed middlemen's market knowledge and market coverage were the two most widely acknowledged selection criteria, with each of them being cited by 75% or more of all respondents. This was followed by the number and quality of sales personnel.

Third, company objectives: Company's objectives refer to established objectives for market share or profitability. These may be the 'givens' the international marketer has to work with. In light of these objectives the company must co-ordinate distribution strategy and other corporate strategies and decide on the role of distribution in achieving the company's corporate objectives.

Finally, competition: The manufacturer should keep a close eye on his competitors' activities to find out whether they have already established an acceptable distribution pattern or whether they are proposing changes in their distribution strategy to gain competitive advantage.

Attention has now to be given to the motivation of intermediaries. Distributors' motivation has gained greater importance because of the limited control the producers can exercise over independent middlemen. Therefore, producers have to do their best to gain middlemen's loyalty and commitment. (Shipely, 1984) pointed out that, although



careful selection can help in this aspect, manufacturers must take positive steps to stimulate and motivate and hence attract and retain effective middlemen.

Rosenbloom, (1978) emphasized that a 'special effort' is required to motivate middlemen- efforts which exceeds that necessary to motivate producers' own employees. In addition, he suggested a motivation programme must comprise of three components.

- a- identify channel members' needs and problems.
- b- provide the support appropriate to those needs and problems.
- c- exert the leadership necessary for a highly motivated team of middlemen.

Keeping channel members motivated is an important aspect of international distribution strategy. The motivation techniques include, (i) providing financial incentives in the form of higher- than average gross margin, (ii) inviting intermediaries to annual conferences and when introducing new products, (iii) providing monetary incentives in the form of commission and fees, (iv) undertaking a strong advertising support either through national advertising or cooperative advertising, and (v) training of the channel members' employees can also lead to obtaining increased co-operation. (See Jeannet and Hennessey (1988)).

Similarly, studies among intermediaries have found that, manufacturers willingness and ability to supply distributors with accurate support is a crucial factor in their motivation programme. The kind of back up required varies with organisations and circumstances. Such a backup programme involves a combination of personal selling, advertising or promotional support and training of middlemen personnel on such matters as sales, product or market knowledge, financial management and inventory management. (Bobrow (1976) and Webster (1975)).

The middlemen can be motivated in four main methods, viz: (i) attractive financial rewards, (ii) effective two-way communication, (iii) sales and management support and (iv) a constant future business relationship.

Beeth (1988) asserted that the only way the producer can keep a good distributor is to work closely and well with him. The same author suggested that, each company should view its business from the distributor's angle who, first and foremost must make money for himself. Therefore, a firm must not only keep the good distributors but also keep them good. This is not always easy because there are many demands on the distributor's time from other lines of products and from clients with interests and problems outside

the producer's field. Sibley (1979) referred to another important method for motivating intermediaries that is to assure them of a constant business relationship with the producer.

This part closes with providing an example of how the Japanese motivate their distributors.

The Japanese in their attempt to recruit and motivate the large number of outlets required to sell the rapidly rising export volume offer good business opportunities package including the following: (See Stone, (1984))

- Heavy advertising and promotional allowance to create buyer brand awareness.
- High availability of stocks and spare parts and prompt delivery.
- Favourable terms, such as high gross margins, substantial discounts and extended credit.

## **Summary and Conclusions**

The objective of this section was to examine two components of competitive performance.

- 1- Quality specification.
- 2- Distribution.

### **QUALITY SPECIFICATION**

This part was concerned with examining two major issues: (a) the definition and importance of quality specification and, (b) the measurement of quality specification.

The objectives and attributes of quality specification vary according to inter and intra product class differences and customers of these products. For instance, the definition of quality specification varies between consumer or industrial products, between electronic and non- electronic products and between foodstuff and non-foodstuff.

The importance of quality specification stems from the changing expectations of the consumers and the intensity of competition. In addition, good quality specification has significant impact on the market share, profitability, growth, cost reduction, productivity and labour satisfaction.

There are two types of techniques used in the measurement of quality specifications- qualitative and quantitative. The former is based on the customers' opinion and perception of the quality offered which, in turn, affects the prices products can fetch. Qualitative measurement is also based on management's perception of quality specification and the extent to which workforce is involved in quality specification programmes. Quantitative methods are concerned with the impact of improved quality on profitability through reducing costs and increasing sales, market share, growth, productivity and return on investment.

## **DISTRIBUTION**

Under this title three issues have been examined.

- 1- Channel function.
- 2- The choice between company- owned outlets and independent distributors.
- 3- Selection and motivation of intermediaries.

The following points can be drawn from the literature review:

Factors associated with distribution are crucial to determining competitive performance. Such factors are: (i) suitable distribution facilities, (ii) proper selection and motivation of intermediaries and (iii) market coverage.

### **The channel functions**

The relative importance given to channel functions varies from one product to another and from one country to another. Dommermuth and Anderson (1968) identified three major categories, transaction, inventory and promotion.

Since the channel functions are interlinked, it is claimed that lack of agreement concerning the role of each member of the channel is the underlying reason for potentially dysfunctional conflict and the use of power.

### **The choice between company- owned distribution and independent distributors**

The choice between company- owned outlets and independent distributors can be looked at from two angles, economic and managerial. From an economic point of view, it is vertical integration, as the choice will be between captive agents as opposed to outside sales agents. From a managerial point of view it is a choice between buy or make.

The advantages of appointing outside distributors are the reduction of sales cost and avoiding high start up and running costs of overseas branches. In addition, manufacturers can benefit from trained sales force of the distributors and their knowledge of the market. Also, manufacturers are obliged to employ local distributors to avoid governmental restrictions. Moreover, cultural dissimilarities between home country and host country call for employing outside agents. Finally, employing overseas distributors is preferable in cases of a large customer base, stockable items, small quantity sales and rapid delivery and service.

The main advantages of adopting company- owned outlets approach are associated with control and the emphasis given to non-selling tasks and pushing new products.

Two techniques can be employed in the choice decision -the transaction cost analysis and transaction specific assets. The former addresses the issue of when a function is more efficiently performed within the firm or by outside agents, whilst the latter includes specialised knowledge and working relationships. Where task- specialised knowledge and relationships are important, firms should opt for integrated distribution channel.

#### **The selection and motivation of intermediaries**

Most research works on the channel choice are associated with the relationships between the manufacturers and distributors (co-operation versus competition).

The choice of distributors is of great importance because developing relationships with distributors is costly and takes a long time. Many distributors are small and lack managerial and marketing knowledge. Independent distributors are not owned by manufacturers and, therefore, they have limited control over distributors' activities who tend to act primarily in the interests of their customers. Finally, the distribution strategy ( distribution density, channel length, channel alignment, and distribution logistics) must be consistent with product policies, pricing and communication strategy. For the above reasons the choice of improper distributors would affect not only distribution strategy but also other corporate strategies and consequently the implementation of corporate objectives.

The guidance which should be taken into account by marketing managers when choosing distributors are:

- Selecting the product and its life cycle, price, customer service and technical support.

- Assessment of distributors' abilities to fulfil the producers' objectives.
- Choosing the distributors in light of the following criteria, control, coverage, cost, company objectives, customers needs and competition.
- Evaluating the distributors performance and assessing the appropriateness of various policies guiding producer's relationships with distributors.

On the question of distributors' motivation which has gained importance because of the limited control producers can exercise over independent middlemen.

The motivation strategy should take into account the following factors.

- Identify channel members' needs and problems.
- Provide the support appropriate to these needs and problems.
- Exert leadership necessary for highly motivated team of middlemen.

Motivation techniques include financial and monetary incentives, promotional support, annual conferences and training of distributors' employees on aspects such as, sales, product, market knowledge, financial management and inventory management.

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## **CHAPTER FOUR**

### **RESEARCH METHODOLOGY, POPULATION AND SAMPLE**

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### RESEARCH METHODOLOGY, POPULATION AND SAMPLE

#### Introduction

The objectives of the research call for a qualitative description of organisational and managerial approaches for marketing imported fresh fruit and vegetables within the UK, rather than quantitative analytical techniques. Further, quantitative techniques are inappropriate given the limited number of organisations involved in fresh fruit and vegetables business. Finally, the nature of the data collected which cannot be exhibited in numerical form and consequently cannot be analyzed by using quantitative techniques.

In this chapter the following issues are examined:

- 1- The Reasons Behind the Choice of Fresh Produce as a Topic of This Study.
- 2- Population and Sample.
- 3- Qualitative Analysis.
- 4- Development of the Questionnaire.
- 5- Data Collection.

#### **The Reasons Behind the Choice of Fresh Fruit and Vegetable as a Topic of This Study**

The area of fresh fruit and vegetables marketing within the UK was chosen as topic of this study for the following reasons:

- 1- In terms of consumer expenditure on fresh fruit and vegetables, the UK was considered as a representative of developed markets. This is due to the fact that, consumer expenditure on food within Europe represented a considerable percentage of the total spending on goods and services. It accounted for 23% during 1975- 1982, whilst consumer expenditure on fresh fruit and vegetables as a percentage of food expenditure accounted for 15% during the same period.



These percentages are fairly representative of those of the UK. Consumer expenditure on food as a percentage of the total spending on goods and services accounted for 18% during 1975-1982, while the household spending on fruit and vegetables as a percentage of food expenditure accounted for 17% during the same period.<sup>1</sup>

2- A considerable percentage of fruit and vegetables exported by both developed and developing countries under study went to developed countries 82% and 67% respectively. In addition, the UK absorbed 34% of the EEC total imports from developed countries and 31% of EEC total imports from developing countries.<sup>2</sup> Clearly, the UK is a major importer of fresh fruit and vegetables within the EEC.

3- A substantial proportion of the UK consumption of fresh fruit and vegetables is from imports. Examples for fresh fruit are, citrus, banana, grapes and exotics which accounted for 100%, peaches and nectarines 95%, apricots 92% and apples and pears 59% each. For vegetables, capsicums accounted for 99%, tomatoes 51%, onions 47%, cucumbers 39%, celery 27% and cauliflower 9%.<sup>3</sup>

4- For many supplying countries, the UK represents one of their biggest market for fresh fruit and vegetables. For example, Cyprus sends around 66% of its exports to the UK, Israel and Kenya with 28% each, Australia with 21%, Egypt with 19%, France and Spain with 5% each.<sup>4</sup>

5- Countries under study have supplied the UK with most of its total imports of fruit and vegetables.<sup>5</sup>

6- Some of the countries under study have had long historical trade links with the UK. Such countries have established long lasting relationships with trade members and consequently their products have gained the preference of both trade members and consumers. A number of these countries have long been specialised in satisfying the demands of their expatriate nationals. Examples are, Cyprus, Kenya, Israel, India and Pakistan.

7- The head offices of 50% of overseas operational and promotional subsidiaries which belong to marketing boards and promotional and advisory boards respectively are situated in the UK. From these offices the rest of Europe is served. Examples are: The

<sup>1</sup> - Source: The Euromonitor food report, 1984.

<sup>2</sup> Source: The United Nation, Commodity Trade Statistics, (1975-1982).

<sup>3</sup> Based on Custom and Excise Statistics, during 1975- 1984.

<sup>4</sup> Source: Based On The United Nation Commodity Trade Statistics, 1975-1982.

<sup>5</sup> Source: Based on Custom and Excise, (1975-1987).

Citrus Marketing Board of Israel, The Israeli Agricultural Exporting Company, the South African United Fruit Company, The South African Citrus Co- operative Exchange, The New-Zealand Apple and Pear Marketing Board, The Spanish Citrus Management Committee and The Australian Apple and Pear Corporation. In other words, the UK provides an excellent opportunity to study the competitive performance of exporters of fresh produce. The only overseas office which is head- officed outside the UK is OCA.

### **Population and Sample**

The analysis is based upon an investigation of fifteen countries, both developed and developing, which are the prime foreign suppliers of fresh fruit and vegetables to the UK. More importantly the chosen observations cover virtually all organisational and managerial approaches which are believed to have been adopted by overseas shippers of such produce.

The data was collected through semi-structured interviews with managers of eighteen overseas operational and promotional offices as follows:

a- 100% of the heads of overseas operational offices which belong to export marketing boards were interviewed. There is a total of eight such offices.

These overseas offices are: The Citrus Marketing Board of Israel, South African Citrus Co-operative Exchange, The South African United Fruit Company, New-Zealand Apple and Pear Marketing Board, Moroccan Marketing Company, Cyprus Co-operative Organisation, The Israeli Agriculture Exporting Company and The Sunkist Growers Incorporated.

The interviews were conducted predominantly with the general manager, the marketing manager, sales manager or advertising manager of overseas operational offices.

b- 84% of the UK promotional, advisory offices and/or centres were included in the sample. There is a total of six of such offices. They are, The Spanish Citrus Management Committee, Food and Wine from France, The New-Zealand Kiwi Fruit Information Bureau, Australian Apple and Pear Corporation, The Greek Export and Development Company of Agriculture Products, and the Italian Trade Centre.

The interviews were conducted mainly with the heads of these offices.

c- Four of the commercial consulates were embodied in the sample. These consulates represent the major exporting countries of fresh fruit and vegetables which do not have either overseas operational offices or promotional offices. These are, the Egyptian, the Kenyan, the Chilean and Pakistani commercial consulates.

The interviews were conducted with the commercial counsellors and/or commercial attaches.

d- Other organisations. There are two such organisations, the fruit importers association and the ministry of agriculture, fishery and food.

The questionnaires and covering letters were addressed to the heads of overseas offices by whom the interviewees were chosen. The choice of a particular manager within overseas offices did not affect the quality or the quantity of the data collected for two reasons: (i) The heads of different departments within each overseas office work together as a team rather than as heads of autonomous departments and, therefore, each of them acquires a fair idea of the marketing activities performed by the organisation he or she represents. (ii) The respondents consulted relevant heads of departments during the interview by telephone whenever this was needed.

The data were collected during the period of July 1984 to October 1985. However, the overseas trade statistics covered the period of 1975/1987 with the aim of highlighting the changes in competitors positions during as long a period of time as the data availability allowed. Each interview with operational office lasted around 90 minutes while interview with promotional office took around 60 minutes.

Following up telephone calls were made with overseas offices in late 1988 and at the beginning of 1989 to get an update of any major changes in their marketing practices. The only fundamental change was associated with AGREX which was replaced by an advisory board under the same name and consequently, a second interview was conducted with the office in question.

Table (4.1) illustrates the names of organisations and the titles of persons interviewed.

(Table (4.1): Names of Organisations and the Titles of interviewees.

NAME OF ORGANISATION	TITLE USED	TITLE OF PERSON INTERVIEWED
<u>1- MARKETING BOARDS:</u>		
- Citrus Marketing Board of Israel.	CMBI	Sales Manager
- South African Co-operative Citrus Exchange.	SACCE	Advertising Manager
- South African United Fruit Company.	UNIFRUCO	Operational Manager & Planning Manager
- New-Zealand Apple And Pear Marketing Board.	NZAPMB	Marketing Manager
- The Israeli Agriculture Exporting Company.	AGREXCO	Sales Manager
- Moroccan Marketing Company.	OCA&OCE	Sales Manager
- Cyprus Co-operative Organisation.	CYCO-OPS	Managing Director
- Sunkist Growers Incorporated.	SUNKIST	UK Agent.
<u>2- PROMOTIONAL AND ADVISORY BOARDS</u>		
- Spanish Citrus Management Committee.	SCMC	Managing Director
- Food And Wine From France.	FWF	Product Manager
- New-Zealand Kiwifruit Authority.	NZKFA	UK Ad. Agent
- The Greek Export And Development Company of Agriculture Products.	AGREX	Assistant Manager
- Australian Apple And Pear Corporation.	AAPC	Head Of UK Office
- Italian Trade Centre.	ITC	Marketing Manager
<u>3- COMMERCIAL CONSULATES</u>		
- Egyptian Commercial Consulate.	ECC	Commercial Attache
- Kenyan Commercial Consulate.	KCC	Commercial Attache
- Chilean Commercial Consulate.	CCC	Commercial Attache
- Pakistani Commercial Consulate.	PCC	Commercial Attache
<u>4-OTHERS</u>		
- The Fruit Importers Association.	FIA	Secretary
- Ministry Of Agriculture, Fishery And Food.	MAFF	Senior Inspector

The interviews focused upon the organisational and managerial related aspects. Such aspects are the organisational structure and the actual responsibilities of overseas offices. In addition, the questionnaire covered the manager's view of the key elements to success in the area of fresh fruit and vegetables business . Finally, the various marketing activities performed by overseas operational and promotional offices were examined. Such activities are distribution, pricing, promotion and market research.

### **Qualitative Analysis**

Since this research is a descriptive study of the organisational and managerial aspects adopted by countries supplying fruit and vegetables, it is essential to provide a brief reference of the definition of qualitative analysis and the differences between qualitative and quantitative methods together with the advantages and disadvantages of qualitative methods.

Bogdan and Taylor (1975) defined qualitative methodologies as "research procedures which produce descriptive data: people's own written or spoken words and observable behaviour".

On the question of the differences between qualitative and quantitative methods, Wallace (1984) suggested that, qualitative research produces data that is verbal and behavioural rather than numerical and statistical. That sort of data helps in understanding the 'whys' and 'hows' of market dynamics.

The same author suggested that Quantitative research is designed to answer a research question in terms of numerical quantities. " Quantitative research produces numbers that are projectable, that can be statistically analyzed, and from which percentage, means, correlations and averages can be derived."

Finally, with respect to the advantages and disadvantages of qualitative analysis (Miles and Huberman (1984)) proposed that qualitative data is attractive. It constitutes a source of well grounded, rich descriptions and explanations of processes occurring in local contexts. In addition, qualitative data are more likely to lead to serendipitous findings and to new theoretical integrations.

Williams (1985) indicated that, the analysis of qualitative material is very time consuming and the methods of analysis are not well formulated. Therefore, the analyst is faced with a bank of qualitative data with very few guidelines for protection against

self-delusion. It also presents unreliable conclusions to scientific or policy-making audiences. Finally, there is a serious question of sampling involved because even if the study goes beyond the classic single case to multiple-site study, the bulk of data makes it unlikely that a sample of more than a few dozen cases can be managed.

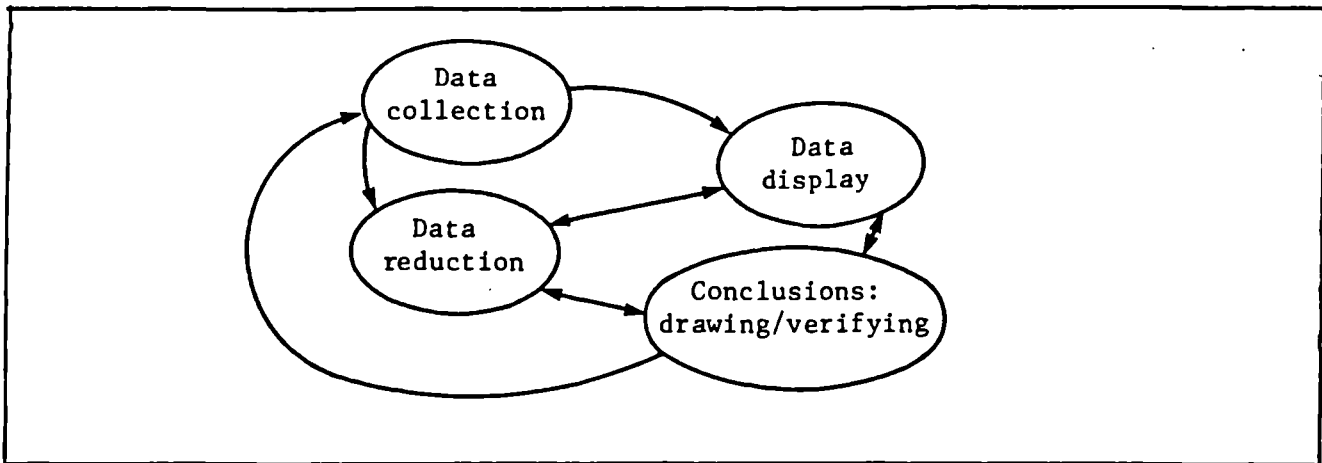
To avoid such problems, a pilot study was conducted by the researcher to identify the organisational and managerial approaches adopted by overseas shippers. In light of the results of this study a questionnaire was designed to explore the managers' perception of such approaches. Also, the researcher in his endeavour to ensure that the required data had been collected from the specified observations conducted the interviews himself. In addition, tables were laid-out to clarify and summarise the findings of the research. Moreover, the researcher used some indicators to judge the competitive performance and export orientation of overseas shippers. For instance, palletisation and the type of employment, and labelling were used as major indicators of overseas shippers' performance in terms of quality specification and branding respectively, whilst market research was used to judge the orientation of overseas shippers. Finally, trade statistics were also used to measure the change of competitive performance of overseas shippers together with the media expenditure statistics which were employed to judge whether or not the media used corresponded with the managers' perception of promotional targets.

The data associated with qualitative method is generally in words rather than numbers. The researcher, therefore, faces difficulties in analyzing the huge amount of data obtained through this method, Miles and Huberman (1984) suggested that data analysis should consist of three concurrent flows of activity: data reduction, data display and conclusion drawing/verification as is outlined in diagram (4.1).

1- Data reduction, refers to the process of selecting, focusing, simplifying and transforming the 'raw' data that appears in written-up field notes.

2- Data display, the term display is defined as "an organised assembly of information that permits conclusion drawing and action taking." The authors suggested that better displays help to validate qualitative analysis. The displays include many types of matrices, graphs, networks and charts.

Diagram (4.1) Components of data analysis: Interactive model.



Source: Miles, M, M., and Huberman, A, M., (1984) Qualitative Data Analysis. A Source Book of New Methods Sage Publication, London, New Delhi.

3- Conclusion drawing/verification, from the beginning of data collection the qualitative analyst must decide what things mean, note regularities, patterns, explanations, possible configurations, causal flows and propositions. The final conclusions may not appear until data collection is over.

#### **Development of Questionnaire**

Under this heading three issues of interest are tackled. These are: (i) sources of ideas for the questions, (ii) the type of question used, and (iii) the logic behind the chosen questions.

(i) The sources of ideas for questions: There are three prime sources of ideas: 1- relevant literature which covers competitiveness, organisational approaches and finally, managerial approaches. 2- relevant periodicals of the fruit and vegetables business such as Fruit Trade Journal, EuroFruit and International Fruit World. 3- discussions with the secretary of the Fruit Importers Association and a number of trade members. In light of these discussions, the researcher made some modifications to the original questions. In addition, such discussions enabled the researcher to learn about the use of the terminology common in fresh fruit and vegetables business.

(ii) The type of questions used. Given the qualitative nature of the research, the type of questions most suited to the objectives of the study are open- ended questions, because they generate more information by allowing respondents free expression of ideas.

To get the full benefit of this type of questionnaire, the researcher decided to conduct personal interviews with managers of overseas operational and promotional offices. The aim was to gather the required data and at the same time to reduce the rate of refusal among overseas offices. The sole overseas promotional office which refused to participate in this study was the Dutch Fresh Fruit and Vegetables Information Bureau.

(iii) The logic behind the chosen questions:<sup>6</sup>

Q1 was intended to provide the necessary information required to establish a comprehensive idea about overseas operational and promotional offices. Such information covers aspects relating to: a) the historical evolution of each overseas office to find out whether or not the date of starting business in the UK has impact on its competitive performance, b) the products handled by each overseas office and the marketing season of each product.

Q2 was intended to explore how the UK was viewed by different overseas operational and promotional offices. Was it looked at on its own or as a part of Europe and what were the reasons behind the chosen approach?. The importance of this question derived mainly from its implication for meeting continuity of supply requirement and the impact of the chosen approach on the organisational structure of overseas office as will be explained in sections 3 & 6 of chapter 5.

Q3 was aimed at identifying the key elements in achieving competitive performance in the area of fresh produce and how the managers of overseas operational and promotional offices perceived the relative importance of the elements of competitive performance. Such elements are quality specification, continuity of supply, promotion, branding and pricing. The rationale behind this question was to measure the extent to which the managerial and organisational aspects adopted by overseas operational and promotional offices correspond with the perceived relative importance of each element of competitive performance as are illustrated in questions 4,5,6,7,8&9.

Q4- was sought to explore the organisational structures of different overseas offices and their responsibilities. The aim was to examine the extent to which the organisational structures and the actual responsibilities of the various heads of departments correspond with the perceived relative importance of each component of the competitive performance referred to in Q3.

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<sup>6</sup>The questions asked are presented in appendix (1).



Q5, 6, 7, 8, 9 were aimed at examining the managerial approaches adopted by the various overseas operational and promotional offices in their endeavour to improve or at least to maintain their competitive performance in terms of high quality specification, continuity of supply, promotion and brand development and pricing.

Q 5 was asked in order to examine the managerial aspects relating to implementing high quality specification. Such managerial aspects cover areas pertaining to packaging and palletisation, grading and quality control. The logic behind this question was to examine the importance given to each of these tasks and the extent to which such importance corresponds with the managers' perceptions of the quality specification factor referred to in question 3.

Q6 was intended to examine the managerial aspects pertaining to continuity of supply. Such aspects cover areas relating to the functions performed by the panelists and how these functions changed over time. In addition, the market coverage was tackled. The market coverage was measured in terms of the number of panelists and their geographical locations. Moreover, the criteria used in quota allocation among panelists were examined. Furthermore, the criteria used in terminating the service of a particular panellist and the choice of a new one were investigated. Also, the methods used in monitoring the panelists' performance were tackled. The rationale for prior sub-questions were to explore why different overseas offices employ different managerial approaches associated with implementing both the time and geographical dimensions of continuity of supply. Finally, the managers sensitivity towards their panelists handling competitive produce was examined. The rationale behind this sub-question was to examine the characteristics of overseas operational offices which prevent or discourage the panelists from handling competitive produce even though it is illegal for overseas offices to restrict the panelist's business scope.

In the main, the logic behind Q6 was to examine the significance given to each dimension of continuity of supply and the extent to which this significance corresponds with the managers' perception of continuity of supply referred to in Q3.

Q7 was about promotional activities. This question was divided into the following sub-questions: The estimation of promotional budget. The rationale was to examine the approaches used by different overseas offices in estimating promotional budgets and to explore the role played by both overseas offices and the headquarters in this respect. In addition, the focal targets of promotional activities were tackled together with how

promotional budget is allocated among these targets. The aim was to know the relative importance of both trade and consumer advertising and whether or not the size of promotional budget is sufficient to fulfil the chosen target. Furthermore, the criteria used in terminating the service of advertising agency and the choice of a new one were examined together with the advertising media employed. The rationale was to explore the criteria used and whether or not these criteria reflected the physical attributes of fresh fruit and vegetables. Also this question sought to explore whether or not the chosen media corresponded with the perceived focal target and the size of promotional budget. Finally, the managers' perception of the importance of generic advertising and the steps which have been taken to put this concept into action were examined together with the problems which have impeded the application of this concept.

Q8 dealt with issues relating to market research. Very similar to question 7, this question explored the estimation of market research budget, and the role played by both overseas office and the HQ in this respect and how the budget is allocated. In addition, it examined the targets of market research. The aim was to know the extent to which the chosen targets corresponded with those of promotion. Finally, the criteria used in terminating the service of a market research organisation and the appointment of a new one were explored.

Q9 aimed at examining the pricing policies adopted by overseas shippers.

### **Data Collection**

One of the important methodological differences between the use of self-administered questionnaires and gathering data by interview is the presence of the interviewer and the possible interactional effects that can influence both the quality and the quantity of the interviewee's response. The interview, like the questionnaire, can vary from a highly structured event to a very unstructured conversation. (Adams, and Schvaneveldt 1985).

Williams (1985) claimed that in-depth interviews vary considerably in the degree of their depth; some subjects require a great deal of skill and insight on the part of the interviewer; others are less demanding and one can employ an interviewing approach that is more structured than a true 'depth' interview. The latter is often referred to as "semi-structured"; the interviewer may be supplied with a rather detailed topic guide or with a skeleton questionnaire in which the questions are specified but a great deal of space is provided for written down, detailed and lengthy answers. A semi-structured

questionnaire may be used when some of the flexibility and detail of qualitative research is required in conjunction with the opportunity to aggregate answers for quantitative analysis.

Interviews as a data-gathering device have many advantages. Such advantages are: (a) explanation- as the interviewer can explain the purpose of the study, and respond to any questions a respondent might have; (b) co-operation rate- while the typical low return rate of the mailed questionnaire is one of its main limitations, with the interview the response is assured as the interviewer can establish rapport with the respondent, which leads to trust and willingness to participate; (c) quality data- as the interviewer can assess people's mood, probe, clarify and seek additional information in a variety of ways; and (d) the communication process- there is good evidence that people enjoy talking (Converse & Schuman, 1974), as the interviewer comes prepared with questions to ask and hopefully the respondent is in a frame of mind to want to respond to such questions. Stewart and Cash (1982).

The data used in this research was collected through semi-structured interviews. The main reasons behind this were the diverse nature of the organisational and managerial approaches employed by the various organisation patterns and even within each pattern. For instance, there are considerable differences between marketing boards, promotional and advisory boards and commercial consulates. In addition, there is also intra-pattern differences due mainly to the variations in the degree of their involvement in marketing and/or promotional activities and their business scope. Furthermore, semi-structured questionnaire coupled with personal interviews were used to ensure that required data were obtained from the intended interviewee. Finally, the chosen sample is small and therefore it was inevitable to employ a semi-structured questionnaire as it yields large volumes of exceedingly rich data necessary for the application of qualitative methods. Walker (1985) argued that such huge amount of data can only be obtained from a limited number of individuals.

#### *Data Recording Methods:*

Two considerations influenced the choice of tape recording, where possible, for data recording:

1- Other methods of recording a free flow of talk are laborious for the interviewer.

2- Concern with the meaning of actions and communications to the research subject argued for the level of capture of verbal expression which is most facilitated by tape recording.

Tape recorded interviews were completed with 9 people; in the remaining 9 interviews tape was not used, either because of interviewees refusal or because it would have inhibited the interviewee's freedom of discourse. In those cases, shorthand notes was made during interviews to serve as reminders, then a written up detailed description from memory afterwards.

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**CHAPTER FIVE**

**THE MANAGERIAL AND ORGANISATIONAL APPROACHES**  
**ADOPTED TO ACHIEVE COMPETITIVE PERFORMANCE**  
**(THE RESEARCH FINDINGS)**

## CHAPTER FIVE

# THE MANAGERIAL AND ORGANISATIONAL APPROACHES ADOPTED TO ACHIEVE COMPETITIVE PERFORMANCE (THE RESEARCH FINDINGS)

### INTRODUCTION

This chapter argues on the basis of the research evidence that, quality specification, continuity of supply, pricing, promotion and brand development are the prime components of competitive performance within developed markets.

The main theme of this chapter revolves around providing answers to the following two sets of questions.

1- What is required for competitive performance in terms of quality specification, continuity of supply, pricing, promotion and brand development?. What are the organisational and managerial approaches adopted by countries supplying fresh produce to meet these requirements?

2- What implications do the export orientation of overseas shippers and consequently, the managerial and organisational approaches have for the competitive performance of countries supplying fruit and vegetables to developed markets?.

The approach employed in providing answers to the above two sets of questions will be the analysis of each of the competitive performance components in terms of the physical attributes. For example, quality specification will be simultaneously examined with perishability attribute, as well as continuity and seasonality of supply attributes. Finally, promotion and brand development will be looked at together with the difficulty of differentiating between sources of supply.

This chapter is divided into six sections:

- 1- The Components of Competitive Performance.
- 2- Managerial Approaches to Quality Specifications.
- 3- Managerial Approaches to Continuity of Supply.

4- Managerial Approaches to Promotion and Brand Development.

5- Managerial Approaches to Pricing Policies.

6- Organisational Approaches to Quality Specifications, Continuity of Supply, Promotion and Brand Development.



## **SECTION 1**

### **THE COMPONENTS OF COMPETITIVE PERFORMANCE**

#### **(THE RESEARCH FINDINGS)**

## SECTION 1

### THE COMPONENTS OF COMPETITIVE PERFORMANCE

#### (THE RESEARCH FINDINGS)

There is a consensus among the heads of UK operational and promotional offices and trade members, whether they are wholesalers or retailers, that quality specification, continuity of supply, promotion and brand development and price are the prime ingredients of competitive performance within developed markets.

However, two general points need to be emphasised:

Firstly, The planning manager of UNIFRUCO added the economic planning approach to fresh produce marketing as another factor in determining its competitive performance.

He stated that:

"What is required for competitive performance is a combination of quality specification, continuity of supply, promotion and branding. In addition, we are pioneers in economic planning approaches to fresh produce marketing. For this reason, most of our marketing decisions are based on economic factors through building up economic models."<sup>1</sup>

In addition, the head of AAPC identified the political factor as one of its key elements to competitive performance. He stated that "Australia is a very well thought of country in Europe and does not suffer from the political problems of some other southern hemisphere senders". Finally, the general manager of CYCO-OPs considered Cyprus's traditional trading links with the UK, which are based partly on its large immigrant population, as another factor of its competitive performance.

Secondly, although, the heads of overseas operational and promotional offices agreed on the components of competitive performance, there were some varying opinions concerning the relative importance of what was required for competitive performance within developed markets.

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<sup>1</sup>Quotations in single spaces are so written because of length. Those which are much shorter are written in double spaces.

Table (5.1): The frequency rate of the relative importance of the components of competitive performance.<sup>2</sup>

Rating Components	Rated (1)		Rated (2)		Rated (3)		Rated (4)	
	N	%	N	%	N	%	N	%
- Quality Specification	11	65	6	35	--	--	--	--
- Continuity of Supply	--	--	9	53	6	35	--	--
- Promotion	3	18	--	--	3	18	3	18
- Price	3	18	2	12	5	29	4	24

The variations in opinions of the heads of overseas offices, as shown in table (5.1), can be categorised into six groups as follows:

*a- The first of these groups is that of overseas offices which put the quality factor at the top of their priority list and consequently considered the price factor as a function of quality specification. Such offices are, SACCE, UNIFRUCO, NZAPMB and AAPC.*

1- SACCE gave the quality specification factor a relatively higher priority, while price was given a lower priority. The advertising manager had this to say:

"In any sort of fruit marketing, what is required for competitive performance is getting the right quality produce packed and distributed at the right time. The price tends to be important, but with the right quality specification delivered at the right time, a premium would not necessarily reduce consumer intake. In addition, you have to do other things such as promotion which builds up confidence in people's minds, you cannot build up confidence in people's minds; if the produce is not right... that is the hardest thing to get right with a commodity that is mainly produced by nature."

2- UNIFRUCO agreed with SACCE on the importance of quality specification and its impact upon pricing policies. The operational manager said that:

" For all trade members, whether they are wholesalers, retailers or importers, quality specification is an important feature ... We sell Cape produce at a premium price over our competitors. Our panelists handle our produce on a consignment/commission basis, that means they get a commission on the gross price. Therefore, the better the quality, the higher the price, and the greater the profit margin. The retailers are the same, they want to stock high value products in order to get high profit margins and at the same time meet the customer's demand for quality."

<sup>2</sup>The letter N stands for number. The total population was 18 and one observation answered 'did not know'.

3- Similarly, the marketing manager of NZAPMB voiced the opinion that: "The quality specification is of great importance because you cannot achieve the target price without supplying developed markets with competitive quality. Other key factors are continuity of supply and price."

4- A quite similar view was voiced by the head of AAPC office when he stated that: "The key elements to achieving a competitive position within developed markets are quality, good packaging and continuity of supply. The price is only of relative importance. If you supply the UK market with the right quality you will get the right price."

5- Similarly, a horticultural marketing inspector put greater emphasis on the quality specification as he stated that:

"I believe that quality and presentation are extremely important elements of competitive performance of various shippers because produce which is put in poor containers and is not presented well will not catch the consumer's eyes.... if the visual effect of the produce is good, people are more likely to buy it. However, the well prescribed and written specifications are extremely important in impersonal sale ,i.e sale by telephone, because the produce is sold unseen."

*b- The second group is that of overseas offices which put the quality factor at the top of the list but did not consider the price as a function of quality specification. These offices are in an oligopolistic situation because of their distinctive products. Such organisations are AGREXCO with new exotics, Sunkist with their upgraded oranges and CYCO-OPs with potatoes.*

1- The selling manager of AGREXCO, put the quality specification at the top of the list, followed by continuity of supply, then price and finally, promotional activities.

2- The managing director of CYCO-OPs, put quality specification -particularly freshness- as their top priority. He rated the price factor in second place followed by continuity of supply. He claimed that, CYCO-OPs potatoes are of a high quality, being multi-purpose tubers and an easily identifiable product being grown in reddish soil. In addition, their marketing season fills the gap between old English potatoes and the new season crop.

3- In the case of Sunkist, the UK appointed agent referred to the key elements to competitive performance as quality specification and continuity of supply, especially

when dealing with supermarkets. These are followed by the price which is influenced by all the supply and demand forces. With regard to promotional activities, he stated that: "If you have established a very good grading system coupled with a common brand name, you should run promotional campaigns. Depending on the size of the promotional budget, the advertiser can run consumer or trade promotion by using local or national media."

*c- The third group is that of overseas offices which encounter severe competition and therefore put the price at the top of the list. Such offices are, CMBI, OCA and CYCO-OPs in their citrus fruit season.*

Overseas offices handling products which encounter severe seasonal competition- such as citrus during the winter season- gave the price a relatively higher priority than other factors. Nevertheless, there has been a continuing increase in the reference prices<sup>3</sup> of citrus, which vary between 8% for satsumas and 21% for clementines.

1- The marketing manager of CMBI painted a bleak picture of the difficulties that citrus marketing encounters, as follows:

"The UK market is oversupplied with citrus especially in winter and the only two elements which matter are the price and volume. Prices of citrus in winter have not kept abreast with inflation. They are very low and the competition is very intense. The wholesalers suffer from financial problems and have to sell quickly. Retailers face the same problem, they work on a very high profit margin which means they have to buy cheap fruit and sell at a higher price. For this reason, shippers who offer their produce at lower prices have advantages even over those who have better quality specification and continuity of supply."

It was reported that, CMBI claimed to have studied UK market requirements very closely and to have brought deliveries correspondingly nearer to them. "The intelligence on which such progress is based has been helped by the fact that supermarkets, whose scale and sophistication make for effectiveness in market appraisal, now buy more than half the Jaffa consignments shipped to Britain." (Financial Times, 20 December, 1983)

2- Similarly, OCA put price at the top of the list. This was followed by quality, continuity of supply and finally, promotion and brand development.

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<sup>3</sup>Reference prices are established by the European Commission for certain sensitive commodities produced within the Community which are subject to competition by importers from third countries. These effectively operate at minimum import prices by placing a countervailing charge on imports from a third country at times when the entry price of the produce concerned from that country falls below the reference price.

3- CYCO-OPs with products other than potatoes, put the price at the top of the list followed by quality and continuity of supply and finally, promotion and market research.

*d- The fourth group is that of promotional and advisory offices which put promotional and marketing factors at the top of the list. These offices were allocated sizable promotional budgets. Such offices are, FWF, NZKFA and SCMC.*

1- The product manager of FWF put promotional activities at the top of the list. This is not unusual as its activities are mainly confined to promotion and market research. She said:

"I do not think there is only one key element, there are many key elements ... the marketing factor is important... We believe in promotional activities which help to move the produce fast because of the shortness of the season. With regard to apples - our main crop- it has many advantages over our competitors. Such advantages cover not only quality specification and conformity of taste but also, the availability of the produce all the year round due to our cool store facilities and finally, compared with competitive varieties, the French golden delicious is relatively cheap."

2- Similarly, the head of the UK advertising agency, handling promotional and market research activities on behalf of NZKFA, saw the key factor to competitive performance as consumer advertising and promotion. This is due, especially in the case of supermarkets and chain stores, to the need for retailers to optimise the use of store space as most have set up return rates per square foot of store space as a performance measure. In order to obtain adequate display space allocation, the supplier should convince large retailers of a sufficiently high level of advertising and promotional activities. Only then do the factors of quality, continuity of supply and price enter into the equation.

There is no doubt that, promotional activities, particularly educational promotion, are of greater importance with such an unattractive new product as kiwifruit than traditional ones. Nevertheless, promotional activities must be supported with high quality produce otherwise promotional efforts will go in vain.

A more comprehensive view of the key elements to competitive performance of NZKFA was that "The international success of the kiwifruit is attributable to the product and its marketing. The kiwifruit has an unusually long shelf life which is essential for export because it can be shipped by less expensive ocean freight and can be kept for many weeks on supermarkets shelves. Additionally, most of the marketing activities are undertaken by a central marketing organisation". (International Herald Tribune, Wednesday, April 10, 1985)

3- The general manager of SCMC put promotion and quality and presentation on top priority followed by continuity of supply.

*e- The fifth group is that of promotional and advisory organisations which gave promotional activities less weight. These offices were allocated insignificant promotional budgets. Such organisations are, ITC and AGREX.*

1- The marketing manager of ITC listed the key elements to success as quality specification, the price and finally promotional activities. However, at a later stage he stated that " we would prefer to promote our leather products rather than fresh fruit and vegetables".

2- A similar view was expressed by the assistant manager of AGREX<sup>4</sup> who rated the key elements of competitive performance as quality specification, continuity of supply and finally the price. With regard to promotion and market research, the assistant manager stated that, "we have not conducted any sort of promotional campaigns because we have not established a clear promotional strategy."

However, in the view of an ex-general manager of one of the leading marketing boards, AGREX does not represent any threat to other citrus shippers even after Greece had been admitted to the EEC. He had this to say "although Greece has a big advantage by entering the EEC, it does not represent any threat to other citrus shippers, because it has poor quality fruit, bad packaging and irregular supply. All of these aspects are essential for building competitive performance."

*f- The sixth and final group is that of countries which have not established either marketing boards or promotional and advisory boards. They did not consider promotion as a factor in their competitive performance. Such countries are, Chile, Kenya, Pakistan and Egypt.*

1- The Chilean commercial attache listed the key elements to competitive performance as quality specification and the price. At the same time he mentioned that Chilean produce always arrives into the UK in poor quality and this is "badly affecting our competitive performance". Additionally, there is unhealthy competition among the exporters and importers of Chilean produce. Therefore, Chilean produce achieves relatively low prices.

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<sup>4</sup>AGREX, the marketing board of Greek produce now disbanded as not complying with European Commission regulations on National Marketing Boards.

2- The Kenyan commercial attache listed quality specification and continuity of supply as the prime key elements to competitive performance.

3- A quite unusual view was expressed by the Pakistani commercial attache when he said " I do not know what are the key elements to success, but I think the exporter and importer determine the key elements to their competitive performance."

This is probably because this country has only limited experience of fresh fruit marketing.

4- In the view of the Egyptian commercial attache, the key elements to competitive performance are quality and continuity of supply.

The same view was reiterated by the head of Aratra, the main importer of Egyptian potatoes, who stated that, " we are very confident of a successful season, with excellent quality and continuity of supply to ensure that all parties connected with this trade will be fully satisfied". (Fruit Trades Journal, February 18, 1983, p 12)

## **Summary and Conclusion**

There is a consensus among the heads of the UK operational and promotional offices that quality specification, continuity of supply, promotion and brand development and price are the major ingredients of competitive performance within the UK.

The rating of these components depends predominantly upon two factors, 1- organisational patterns adopted by supplying countries. 2- the intensity of competition whether it is intra-country or inter-country competition.

1- The organisation patterns: Variation in organisational patterns affects the managers' perception of the relative importance of the components of competitive performance. This is brought out by the fact that the vast majority of managers of overseas operational offices which belong to marketing boards put quality specification at the top of the list followed by continuity of supply, promotional and brand development and finally the price. It is notable also that operational offices such as UNIFRUCO, SACCE, NZAPMB and AAPC considered the price factor as a function of quality specification.

On the other hand, managers of promotional offices which belong to promotional and advisory boards gave promotional activities a relatively greater weight than the other factors. The degree of importance given to promotional activities depends mainly on the



degree of their involvement in promotional and market research activities. This, in turn, was measured in terms of the size of their promotional budgets, as is shown in section (4). Consequently, promotional offices like FWF, NZKFA and SCMC put promotional activities at the top of the list.

2- The intensity of competition: The intensity of competition played an important role in the managers' perception of the relative importance of the components of competitive performance, especially, the price factor. The research evidence suggested that, marketing boards which encountered severe competition from other countries, inter-country competition, considered the price factor to be of greater importance. Examples are CMBI and OCA with their winter citrus. In addition, countries which encounter both inter-country and intra-country competition must face a pricing problem. Such countries are, Cyprus, Chile, Pakistan and Egypt with products other than potatoes.

On the other hand, overseas offices which dominate the market during their marketing season, and consequently encounter insignificant competition, have rated quality specification at top of the list. Such offices are, SACCE, AGREXCO and CYCO-OPs with potatoes.

## **SECTION 2**

### **MANAGERIAL APPROACHES TO QUALITY SPECIFICATIONS**

#### **(THE RESEARCH FINDINGS)**

## SECTION 2

### MANAGERIAL APPROACHES TO QUALITY SPECIFICATIONS

#### (THE RESEARCH FINDINGS)

#### **Introduction:**

Quality is an increasingly vital aspect in all countries supplying fresh produce and assumes greater importance especially in countries forced to compete against sources which are not only nearer to the UK but in some cases also enjoy tariff advantages.

In this section two major issues of interest are examined. These issues are:

- (1) The importance of quality specifications.
- (2) Managerial activities related to quality specification, particularly, packaging, grading and quality control.

#### **The Importance of Quality Specifications**

Quality specification was cited by 65% of heads of overseas operational and promotional offices as the prime factor in determining their competitive performance, and it was perceived in the second place by 35%. (Table 5.1)

This can be attributed to four reasons:

1- Customers in developed markets demanding high quality specification and, therefore, trade members (whether they are wholesalers or retailers) insist on being supplied with high quality products in response to this demand. Failing to meet such demands means the loss of the consignments and associated logistics costs and more importantly, the loss of consumers' and trade members' preference of the produce supplied by a particular country. For instance, it was reported in (Reuter, March 9, 1984, p 7), that, "a consignment of 1000 tonnes of Egyptian potatoes had been barred from entering the Netherlands after tests showed they were contaminated by brown rats." Of course such a situation affected badly the image of all Egyptian products not only in the Netherlands but also in the rest of Europe.

2- The tariff concession and geographical proximity enjoyed by the EEC member states, have required some third country exporters to make constant improvements to the quality specification of their products to differentiate them from those of competitors.

In this connection, the marketing manager of NZAPMB said: "Quality is an overriding aspect in all supplying countries, but takes on even greater importance in a country forced to compete against sources which are not only closer to Europe's main markets but in some cases also enjoy tariff advantages."

A quite similar view was repeated by the operational manager of UNIFRUCO when he stated that, "Our fruit has a great distance to travel and high freight rates, therefore, it is not worthwhile sending anything except first class quality produce."

The same view was presented by a horticultural marketing inspector, who considered competition as a major factor in obliging suppliers of both imported and home-grown produce to improve the quality specification of their produce. He had this to say:

"Because fresh produce exported by many countries has to travel a long distance, it must be in good quality to attain the price required to cover associated freight costs. Also, good quality produce supplied by such countries has made countries close to the UK as well as British growers to give greater attention to the quality of their produce. Otherwise their competitive performance will decrease ".

The distance which the product has to travel affects not only the managers' attitude towards quality specification but also the pricing policies applied by supplying countries.

In this context the head of AAPC office in London stated that,

"Prices received on European markets were comparable with our competitors' but the higher cost structure facing the Australian industry reflected in high shipping freights has reduced these prices to a level below the FOB prices achieved in the Middle and Far East. Therefore, Australia is the only country supplying apples and pears which apply a firm pricing policy."

3- According to both British and Common Agricultural Policy (CAP) regulations, imported and home-grown produce are subjected to quality control inspection. Consequently, every regulated produce is inspected twice at every stage of distribution, by inspectors from both Britain and the EEC.<sup>5</sup>

<sup>5</sup>Under the Common Agricultural Policy (CAP), exports to a member state of regulated products must be inspected to ensure they conform to the Common quality standards of the European Community. If found satisfactory, an export certificate will be issued to accompany the consignment throughout.

At import point EEC consignments may be inspected but third countries produce must be inspected to be allowed into the Community. The same produce is liable for inspection at wholesale markets and retail outlets, although it is unlikely that this is carried out at each stage.

4- Quality itself can be employed as an answer to one problem confronting the trade's often heard complaint about the danger of over-production. Market experts claim that: "There is no over-production on the market, there is too great a supply of low quality produce." Turning this concept around it could be maintained that when it comes to quality produce supplied as fresh as possible there are, as indeed there always have been, enormous opportunities. The demand is there, it is a question of making the most of it. (EuroFruit, 11, 1986).

## **Quality Specifications Related Managerial Aspects**

Quality specification related managerial aspects cover areas relating to:

- Packaging and palletization.
- Grading, and
- Quality control.

### **1- PACKAGING**

#### **Introduction**

The prime consideration in supplying developed markets with fresh fruit and vegetables, especially in cases where overseas markets are far from the point of production, is to offer the consumer the produce in fresh condition and absolutely free from damage. In this respect packaging assumes great importance. For many years, however, growers in countries like South Africa, New-Zealand, France, Israel, Australia, USA, Spain, the Netherlands and Italy have made great strides in improving their packaging growers in developing countries and even some developed countries stayed with their traditional packaging. Such packaging did not have the proper requirements for product protection; neither did it have the requirements for the appropriate product presentation which includes, among other things, the visual impact of good packaging.

#### **The Importance of Packaging**

The increasing importance of packaging is attributed to the following reasons:

- 1- It offers adequate protection to the product during its movement from the point of production until it reaches the ultimate consumer.

2- Packaging can be used to a much great extent to carry promotional messages and fulfil increasing consumer interest in specific product information, such as the product's country of origin and specific growing conditions.

3- The growing market share of supermarkets and chain stores in the fresh fruit business has necessitated improvements in packaging. These stores demand that the produce be re-packed in special packages of specific weight or number of fruits that meet both the consumers' demands and the trading system applied by these stores. Consumer packs may be bagged fruit or tray overwrapped with film.

4- Due to the importance of packaging and presentation, CAP specified the conditions which must be applied for any package entering any EEC member country. These conditions are:

- the contents of each package must include only fruit of uniform variety, size, ripeness and colouring. (Uniformity)
- packaging must be such as to give the produce suitable protection.
- any paper or other material used inside the package must be new and harmless to humans.
- no printing must come into contact with the fruit.
- packed containers must be free from leaves, twigs or other extraneous matter.

5- The growing usage of palletization has added considerable importance to packaging. It was reported that one of the major causes of damage to fresh produce during transit is the lack of standardisation in the use of pallets. The reasons given are, "even the best conceived carton or box cannot withstand excessive handling during transit, especially since the majority of produce does not arrive on its original pallet, but is re-packed at various distribution points en route." (EuroFruit, 12, 1987)

The main objective of palletization is to protect the package and its contents, ease of loading and unloading and to keep transport and handling costs at minimum level.

These advantages can only be fully implemented if the packages are designed to fit the standardised pallet size.

## The Research Findings

The research evidence indicates that leading marketing organisations have introduced considerable improvements to their packaging. Such improvements cover aspects pertaining to material, design, size and even colour. These organisations are, UNIFRUCO, SACCE, NZAPMB, Sunkist, OCA, AGREXCO and CMBI.

Anyway, overseas shippers can be categorised into three groups according to managers' perceptions of the importance of packaging and palletisation. These groups are:

*a- Marketing organisations which improved packaging and palletised their products in the country of origin. Such marketing organisations are, UNIFRUCO, NZKFA, OCA, CMBI, AGREXCO, Sunkist and FWF.*

1- The marketing manager of UNIFRUCO, stated that:

"As far as packaging is concerned we are leaders. We use very advanced material for all our packaging. Our packaging is designed not only to give maximum protection to contents, but also to facilitate its use as a merchandising tool. Our packaging fits precisely the standard pallets. We are the first board to be totally palletised. Throughout Europe, our packaging is identical, one standard package for each product."

The same view was reiterated by a horticultural marketing inspector who said:

"Undoubtedly, one can only say that Cape is really a market leader in packaging. They have improved their packaging all the time. They used to market their grapes in wooden boxes; now they are using a flat carton with plastic strengthener at the ends of the box. The packaging which 'Cape' was using five years ago, the Chilean grape producers are starting to use this year. Certainly, Cape packaging must be extremely costly."

2- NZKFA produce is palletised and containerised in New-Zealand. The pallets, however, are designed in such a way as to allow full utilisation of every fraction of the ship's spaces, thus avoiding an increase in shipping costs.

3- Similarly, in the case of OCA, 100% of its produce is palletised and packaging is designed to fit the standard pallets. In this context the sales manager stated that:

"On the vegetables side, I think we have good packaging; it is very strong and very attractive too. However, there is a lot of criticism of our citrus packaging. Morocco originated the so called "lid awareness" whereby the fruit was shown off on display. The problem with this form of packaging is that it is weakened by the transparent lid and is subject to damage in transit. With clementines -our main business- we use a wooden box."

4- In the case of CMBI the marketing manager claimed that palletization is a major factor in their quality programme. In 1984 over 50% of all exports were palletised and transported in top class refrigerated vessels.

In addition, CMBI keeps a close eye on what other competitors are doing in the area of packaging. In illustration of this point the marketing manager of CMBI pointed out that:

"Packaging is a very centralised business in Israel. We in the UK office have very little to say about it. We just pass on the reaction of the market to our packaging to the HQ. For example, we used to be on 20 kg boxes, now we have switched to 15 kg boxes. The reasons for that are our competitors were using 15 kg boxes. In addition, you get more money for smaller boxes because, curiously enough, people in this country do not sell by weight but by boxes. Finally, technical considerations dictate that smaller boxes allow for maximum utilisation of the pallet and consequently the utilisation of vessel spaces."

5- The UK- appointed agent of Sunkist mentioned that he did not have any influence over the packaging aspect but passes relevant information to the HQ in California. In addition, 100% of Sunkist produce is palletised in the country of origin.

6- The product manager of FWF indicated that, a few large French exporters, in their attempts to improve the quality of their produce, have palletised their produce. In line with customer demand they are also departing to smaller packs. The newly introduced 4 kg carton or wooden tray has proved popular for many summer fruits.

7- In the case of AGREXCO, the sales manager indicated that, 100% of AGREXCO produce is palletised in the country of origin.

*b- Marketing organisations which have improved their packaging and palletised their products in the country of entry for cost reasons. Such offices are SACCE, NZAPMB and AAPC*

These organisations expect in future to palletise their products in the country of origin because of the upward trend of dock labour costs involved in unloading ships' cargoes in the UK.

In this context the marketing manager of NZAPMB stated that,

"Palletization is a difficult objective to implement especially with countries situated at a great distance from the UK like NZ. The situation at the moment is that if we palletise our cargo in NZ, it means 20% waste in spaces or in other words 20% increase in freight charges.... For the time being, therefore, the produce is palletised at destinations....but we are pressing to get our produce palletised in NZ, because UK ports authorities have adopted a policy of reducing the dock labour-force and consequently unloading and palletising cargoes are costing more."



With regard to packaging, NZAPMB invented a new packaging which a single-layer, open cardboard tray, displaying the apples, which are protected by a perforated green plastic inner.

In the case of AAPC, the head of the UK office asserted that the corporation has made tangible improvements to packaging. Such improvements cover areas related to departing from the use of wooden boxes to cartons. They used to export pears unwrapped; now they are wrapped. In addition, the AAPC introduced a carton with an attractively designed inner to be used as a display unit in the shop.

*c- Countries which are perceived to have a poor packaging. Such countries are, Chile, Kenya, Pakistan and Egypt with the exception of potatoes.*

1- The Chilean commercial councillor referred to their packaging as quite primitive. However, he added that it is improving all the time and Chilean exporters are learning from their competitors.

2- In the view of the Kenyan commercial attache, Kenyan packaging has improved, although it is not as good as the South African or the Israeli.

3- In the case of Egypt, products other than potatoes are perceived to be of poor packaging.

In this instance, Aratra -the major importer of potatoes- claimed that, "for the first time we are experimenting with 15kg bags, which are of a most attractive blue colour and made of polypropylene".

The initial market reaction of this new bag was reported in Fruit Trades Journal as follows: "This bag has been welcomed by all, from the dockers at the port, through to the wholesale and the retail trade. All appreciate its better presentation, ease of handling at all levels from port through to independent or supermarket stores and its ability to ensure excellent quality standards throughout the distributive outlets". (Fruit Trades Journal, February 25, 1983, p 12.)

This sub-section closes with an examination of the relationship between packaging and cost.

It has long been known that factors related to quality specification such as packaging are an expensive business, therefore a brief reference to the relationship between packaging and the cost involved is presented.

The head of the NZKFA's advertising agency in the UK explained the impact of the cost factor on the packaging policy as follows: "Packaging is an expensive business, but as a matter of policy, we believe it is important to have the best possible packaging to protect the value of the fruit. The NZKFA packaging, which is primarily wooden boxes, is considered to be of high standard by every one in the trade."

Similarly, in the case of CYCO-OPs, the managing director had this to say:

"Packaging of all products is currently under review. Of course, the cost factor plays an important role in packaging related decisions. Also, how the quality of the produce is looked at by the board is a crucial factor too. If quality is looked at as an important factor, the packaging will receive a similar importance. Anyhow, some of our packaging is made in Cyprus and the rest is imported from Israel."

The ex- general manager of CMBI, agreed with CYCO-OPs concerning how the HQ attitudes towards quality specification influence packaging policies, especially in terms of the amount of money allocated to the improvement of packaging. He stated that: "Packaging is an important factor because it gives you an idea of what the growers think about their produce. If they believe it is of great importance; they will spend a lot of money and time improving their packages."

## **2- GRADING**

### **The Importance of Grading**

Grading is an important factor in successful fresh produce marketing for the following reasons:

1- Due to inter-country and intra-country differences in their preference for particular varieties, sizes and even colours, leading operational and promotional boards have given this function the attention it deserves. They then supply each country and even each region within the country with the required sizes and colours.

2- Supplying countries have to comply with the grading regulation issued by the EEC and applied by the UK Ministry of Agriculture. The implementation of these regulations is watched closely by specialised marketing inspectors who check the produce grade in both wholesale and retail markets for size and quality claimed.

3- There has been a gradual introduction of EEC quality grading for fresh fruit and vegetables on the British market since February 1973.

The advantages of providing standards for horticultural products are twofold. Davis (1987) notes that:

(a) It protects the buyer by providing an item of uniform and legally defined grade so that the buyer is aware of what he is buying and he may limit his inspection of grades to spot checking and,

(b) It brings about a general improvement in quality by the rejection by the producer or packer of all that is below the minimum standard.

### **The Research Findings**

The research evidence suggests that leading marketing boards such as UNIFRUCO, SACCE, NZAPMB, CMBI, AGREXCO and OCA considered grading policies both at home and abroad of great importance, while other countries and marketing boards have not given this task the attention it deserves.

1- The planning manager of UNIFRUCO stated that:

"UNIFRUCO has applied very tough grading standards, and conformity to quality standards has been maintained regardless of the geographical regions in which the produce is grown. I mean by that, Cape golden delicious; is a Cape golden delicious, it does not matter which geographical region the produce is grown.... We only export first class quality fruit."

However, it was reported in EuroFruit, February, 1984 that, "Cape exports of apples to Europe have dropped substantially during the past few years as a result of sizing problems".

If this was the case with UNIFRUCO which was considered by trade members as a market leader in responding to the demands of developed markets in terms of quality specification, continuity of supply, promotion and brand development, what would be the situation with other countries particularly developing ones?

2- In the case of NZAPMB, the marketing manager stated that: "Our grading policies now are in accordance with most countries' requirements. We are getting NZ to eliminate some of the unwanted sizes as they cost the same in freight and the trade members prefer larger sized fruit."

3- In the case of CMBI, although the sales manager admitted that grading is a major problem, he claimed there is a major scheme underway to improve the grading policies.

4&5- Both the advertising manager of SACCE, and the sales manager of OCA agreed with UNIFRUCO, NZAPMB and CMBI concerning the importance of grading policy and the efforts which have been made to fulfil the requirements of developed markets in this respect.

6- Similarly, in the case of AGREXCO, the sales manager claimed that, "the HQ in Israel provided the packhouses with close circuit television to monitor grading alongside a bank of information which registers each grower's outturn and quality performance."

7- Not surprisingly, in the view of the UK Sunkist agent, "the grading system is very sophisticated as Sunkist has used electronic eyes to grade its produce". That is because Sunkist serves the upmarket segment which requires a large sized citrus fruit.

8- In the case of countries whose promotional activities are carried out by promotional and advisory offices or commercial consulates, there are three examples.

(a) In the case of NZKFA, the head of the appointed advertising agency indicated that the NZKFA exports only top quality produce. He claimed that the board has applied very strict grading procedures through which no blemished fruit may be exported.

(b) In the view of the Chilean commercial attache, the grading policy has not been given the attention it deserves because there are no official grading standards to be followed in Chile. Instead each individual exporter is free to set his own standards.

(c) In the case of Egypt the various activities related to quality specification are carried out by both the exporters and importers. However, as the exporters have not got the knowledge of the requirement of developed markets, these activities are performed mainly by major importers operating in the UK. An example of this is, Aratra -the major importer of Egyptian potatoes- which set up a packhouse in Egypt to ensure good grading.

### **3- QUALITY CONTROL**

Basically, quality control has experienced constant improvements. As such, leading operational offices have introduced considerable improvements in quality control. These improvements include, employing permanent staff who respond promptly to any

customers' dissatisfaction and setting up laboratories to inspect a sample of each shipment for the purpose of ascertaining the shelf-life of each variety of produce.

In the main, overseas shippers can be classified into three groups according to whether or not they have set up technical departments (quality control departments) and the type of employment they adopted.

*a- The first group is that of overseas operational offices which have within their organisational structures technical departments which are staffed with permanent staff. Such offices are, UNIFRUCO, CMBI, SACCE and AGREXCO.*

1- In the case of UNIFRUCO, the produce is inspected in South Africa by independent inspectors. Having reached the UK, the produce is inspected once again, this time by UNIFRUCO own staff who examine the fruit both during the discharge of the cargo and at every location where stock is subsequently held.

UNIFRUCO introduced a quality incentive scheme whereby growers are paid according to the standard of their products. This scheme has proved a great success and has been intended to cover the whole range of products it handles. Apples and pears are inspected in Europe while other fruit types are kept in simulated conditions in South Africa. The reason for this is that a box of peaches cannot be inspected without damaging its contents. With freight rates so high, it would be uneconomic to carry out such inspection in the market country.

2- Similarly, in the case of CMBI, the sales manager stated that, most quality control activities are carried out in Israel. The board introduced a new concept into its quality control operations. It brought in a system based on the remuneration of producers according to the standard of fruit supplied for export and for assessment purposes. Samples were kept back in Israel under simulated conditions. As a result the board is able to bring onto the market first class quality with hardly any decay.

In addition, the board has its own offices and representatives at Newport and Sheerness, with inspectors checking the quality of the fruit on arrival.

3- In the case of SACCE, the advertising manager stated that, "a quality check scheme is run in Kent, at East Kent Packers, where a sample of every growers' fruit exported to Europe is inspected. Some are tested immediately and others are inspected within six weeks of the time of arrival, with the aim of ascertaining the shelf-life of the produce."

In addition, SACCE has established written quality standards, albeit confidential, while other marketing boards have verbal standards.

4- In the case of AGREXCO, the sales manager summarised the approach to quality control procedures as, "in a chain where each link performs an important role in preparation of the next, quality control stands out as being the over-riding factor. In each stage of quality control, AGREXCO applies the most stringent methods of quality control."

*b- The second group is that of overseas operational offices which do not have technical departments but a number of indigenous people are assigned to the UK to perform this task during their respective marketing seasons. Such offices are, NZAPMB, OCA, CYCO-OPs and AAPC.*

1- The marketing manager of NZAPMB, set out the sequences of quality control processes as follows:

"Our produce is inspected once it arrives at destinations. Then it is monitored from the cool stores right through into the retail outlets. Just because the produce is sold does not mean that our task is over. We go right through the shop itself and continue to look at ways of maintaining the quality of the fruit until it reaches the ultimate consumer. Notably, all these stages are done by New-Zealanders."

b- In the case of OCA, the produce passes through three stages of quality control. The first takes place before the produce is loaded into ships in Morocco. The second, on arrival at the destination. The third inspection is done within 24 hours from the time of receiving complaints. Notably all these stages of quality control are carried out by Moroccans.

c- Similarly, in the case of CYCO.OPs, quality control is undertaken by the government inspectors who inspect the produce (i) in the orchards, to make sure that the fruit has reached the right state of maturity; (ii) in the packhouses; (iii) at the air and sea ports on the island; and (iv) in destination, where the produce is checked on arrival by Cypriots who are assigned by the HQ to inspect the products.

4- In the case of AAPC, a horticultural officer is sent to the UK during the six monthly marketing season to inspect the quality of the produce on arrival to ports and then report his findings back to Australia.

*c- The third and final group is that of marketing organisations and countries which left the responsibility of performing this task in the hands of individual importers and exporters. Such organisations and countries are Sunkist, AGREX, SCMC, Chile, Kenya, Egypt and Pakistan.*

1- In the case of Sunkist the UK agent claimed that Sunkist's citrus fruit is considered by the trade as of high quality and it has a longer shelf-life. These elements are highly relevant when meeting the demands of European buyers. The agent himself is responsible for the produce's quality from the time of entry until it is sold to retailers.

2- In the case of AGREX, it was reported that, "despite an ideal climate for fruit and vegetable production in Greece, the quality and presentation of Greek produce often fails to compete with standards that Northern European supermarkets have come to expect from Italy, France and even Spain. Many Greek growers and officials will admit this privately and it is referred to by the EEC. Measures to improve quality and marketing techniques for agriculture produce can be expected to feature prominently as priorities in the 5 years plan." (British consulate in Athens Report, 1984)

3- In the case of SCMC, the Spanish produce is inspected by two institutions. One belongs to the Ministry of Agriculture while the other belongs to the Ministry of Trade. The inspection is carried out in two official quality check-points. For the Valencia region, which produces most of Spain's citrus (apart from lemons which do not receive the same sort of inspection) one based in Silla and the other is located further south at Janaca. However, the responsibility of inspecting the produce in the UK lies in the hands of the importers and/or exporters.

4- In the case of countries which have neither marketing boards nor promotional and advisory boards, there are three examples:

a- In the view of the Chilean commercial attache, "the quality specification of Chilean produce has not caught up with the requirements of developed markets. That is because quality control is undertaken by individual exporters without any governmental intervention. For this reason, the USA government sends a committee every year to Chile to inspect the produce destined for the USA."

b- The Kenyan produce is inspected by the horticultural Crops Development Authority. The main objective is to make sure that the produce exported by licensed exporters meets

international quality standards. However, there are many small non-licensed exporters who consequently do not comply with such quality standards.

The commercial councillor concluded that the problem areas include the quality, packaging, palletization, continuity of supply and the lack of promotional activities.

c- In the case of Egypt, quality control is carried out by government officers in ports of destinations, mainly to secure a fair remittance back to Egypt on exported products.

## **Summary and Conclusions**

The purpose of this section was to examine the managerial aspects associated with quality specification and their impact on the competitive performance of overseas shippers. To this end this section was divided into three sub-sections.

1- packaging and palletisation.

2- grading and,

3- quality control.

Based on the research evidence the following conclusions are drawn:

### **Packaging and Palletisation**

1- Basically overseas operational and promotional offices have no influence on the packaging policies except to pass to Parent Country Organisations (PCOs) the market reaction of packaging's sizes and colours available in the market-place plus the competitors potential moves in this regard.

2- Overseas shippers use one standard package world-wide for each commodity.

3- Packaging is of great importance not only because it protects the product from damage and being a good vehicle for carrying promotional messages, but also because it is highly related to palletisation as the package has to fit precisely the standard pallets.

4- As packaging is an expensive business, the relative importance of packaging depends to a great extent on the managers' perception of quality specifications. If the quality is perceived by managers as a prime factor in determining the competitive performance, packaging will be given equal priority. If not it will be perceived with a relatively low priority. Operational offices like UNIFRUCO, NZAPMB, NZKFA, AAPC, SACCE,



AGREXCO and Sunkist have given quality specification a relatively higher priority than other shippers and, consequently, have made significant improvements in their packaging.

On the other hand, operational offices like OCA, CYCO-OPs, CMBI as well as countries which do not have either operational offices or promotional offices mentioned some flaws in their packaging which consequently affected their competitive performance.

5- Palletisation has been used within this research as a major indicator of the quality of packaging. Based on this, the main conclusions which can be drawn are:

a- Overseas shippers which have made significant improvements to their packaging can be embodied under two categories, viz (i) Shippers which have palletised their products in the country of origin such as UNIFRUCO, NZKFA, Sunkist, OCA, AGREXCO and to some extent CMBI and FWF, and (ii) Those which palletised their produce in the country of entry because of cost reasons such as SACCE, NZAPMB and AAPC.

b- Countries which did not palletise their produce either in the country of origin or in the market country are characterized with poor packaging.

#### **Grading**

6- Grading was also perceived as an important factor in determining the quality mix because of the growing importance of market share of supermarkets and variety chains in the fresh fruit and vegetables business. These stores require particular sizes and even colours in line with their trading systems and the demands of customers. In addition, there are very strict rules applied by the CAP governing grading policies.

7- Like packaging, many of the activities associated with grading policies are carried out by PCOs and the only role played by overseas operational offices is to pass on market intelligence to PCOs, of the market country's requirements for particular sizes and colours of each kind of produce.

8- UNIFRUCO, NZAPMB, NZKFA, Sunkist, SACCE, CMBI and OCA's grading policies comply with both CAP and the requirement of trade members. Others are unable to meet these requirements. An example is Chile which has not established an official body responsible for grading and quality control.

## Quality Control

9- Unlike packaging and grading, overseas operational offices have a considerable role to play in quality control tasks in the market country. This role varies according to the organisational pattern adopted and the manager's perception of the importance of quality specification.

10- In the main, quality control task is mainly confined to ports of destination and wholesale markets. Examples are, UNIFRUCO, NZAPMB and OCA.

However, in the case of CYCO-OPs, AAPC and AGREX the produce is inspected in ports when receiving complaints. SACCE is the sole overseas office who runs a quality check scheme in Kent to check the shelf-life of Outspan produce.

Other supplying countries have left the responsibility of quality control in the hands of individual importers and/or exporters. In some cases a number of inspectors are sent by governments to work within their respective commercial consulates. These inspectors are responsible for checking the produce in ports and the purpose is to secure a fair remittance on exported products rather than ensuring that the UK has been supplied with the right quality specification.

11- The final conclusion which can be drawn from this section is that, overseas shippers vary in their response to meeting the quality specification required by developed markets. Such variation can be attributed to the orientation approach adopted by overseas shippers which, in turn, is measured in light of two measures: (a) whether or not an overseas office has palletised its produce and the country of palletisation, and (b) whether or not an overseas office has established a quality control department and the type of staff employed. These are shown in table (5.2).

Table (5.2): The rating of overseas shippers according to the proposed criteria.

Criteria shippers	Palletization		Quality control dept.		
	Country of origin	Country of entry	permanent staff	Temporary staff	Importers
UNIFRUCO	yes	---	yes	---	---
NZKFA	yes	---	---	---	yes
OCA	yes	---	---	yes	---
CMBI	yes	---	yes	---	---
AGREXCO	yes	---	yes	---	---
Sunkist	yes	---	---	---	yes
SACCE	---	yes	yes	---	---
NZAPMB	---	yes	---	yes	---
AAPC	---	yes	---	---	yes
CYCO-OPs	---	---	---	yes	---
AGREX	---	---	---	---	yes
SCMC	---	---	---	---	yes
Chile	---	---	---	---	yes
Kenya	---	---	---	---	yes
Egypt	---	---	---	---	yes
Pakistan	---	---	---	---	yes

In light of the proposed criteria, overseas shippers can be categorised into three grades:

i- The first grade: Overseas offices which palletised their products in the country of origin or in the country of entry for cost reasons. Additionally they have established quality control departments which are manned with permanent staff. These offices are, UNIFRUCO, CMBI, AGREXCO, SACCE and Sunkist.

ii- The second grade: Overseas offices which palletised their produce in the country of entry or in the country of origin but their produce is inspected by temporary staff assigned by the HQ. Such offices are, OCA, NZAPMB, AAPC and NZKFA.

iii- The third grade: Overseas shippers whose produce has not been palletised and the quality control task is undertaken by a temporary staff assigned by the HQ or undertaken by the importers or large exporters. Such shippers are, CYCO-OPs, Egypt, Kenya, Chile and Pakistan.

**SECTION 3**

**MANAGERIAL APPROACHES TO  
CONTINUITY OF SUPPLY  
(THE RESEARCH FINDINGS)**

## SECTION 3

### MANAGERIAL APPROACHES TO CONTINUITY OF SUPPLY

#### (THE RESEARCH FINDINGS)

##### Introduction

It is apparent from the previous section that, countries and organisations which have adopted an export marketing orientation approach have made great strides in their endeavour to meet the quality specification demanded by developed market and at the same time have improved their competitive positions. These marketing organisations are, UNIFRUCO, SACCE, NZAPMB, NZKFA, Sunkist, AGREXCO and to some extent CMBI and OCA.

Continuity of supply was perceived by 53% of the heads of overseas operational and promotional offices as the second most important factor in determining their competitive performance. In addition 35% rated it in the third place. (Table 5.1)

The importance of continuity of supply can be attributed to two reasons. These are:

1- The increasing market share of supermarkets and chain stores in the fresh fruit and vegetable business. These stores insist on being regularly supplied with the quantities and at the time agreed. Failing to comply with this demand means the suppliers account will be closed.

An importer of Brazilian produce made the point that, large retail stores no longer handle Brazilian produce because it never arrived on the time nor was it of the quality agreed beforehand.

2- Meeting continuity of supply requires overseas offices to take a series of decisions associated with the choice between market concentration or market diversification policies, not only on a UK basis, but also on an European basis. This means that overseas operational offices have to choose between confining their marketing activities to the UK or spreading such activities to different countries. Even if they have chosen to focus their marketing activities on the UK they have to choose between concentrating their

activities on the main wholesale markets or spreading these activities into both primary and secondary wholesale markets. Such decisions affect the extent of the market coverage of overseas offices.

In this section the dimensions of competitive performance in terms of continuity of supply are addressed.

## **The Dimensions of Competitive Performance in Terms of Continuity of Supply**

Continuity of supply implies two dimensions- the time dimension and the geographical dimension. The time dimension requires the produce supplied by a particular country to be available in the market-place all the year round or at least during the marketing season for the produce in question. The geographical dimension, requires supplying countries to guarantee fair coverage of both primary and secondary wholesale markets. This of course depends on the quantity allocated to a particular country which is conditioned by the market situation in both the supplying countries and the market country, the size and quality of the crop and finally, the exchange rate between local and foreign currency.

This section is devoted mainly to examining the geographical dimension of continuity of supply because most of the activities pertaining to the time dimension are performed by Parent Country Organisations (PCOs) located in the mother country. This does not mean that the time dimension is completely neglected. It is examined only in so far as overseas offices played any role in passing market intelligence to PCOs to aid them in implementing these activities.

### **THE TIME DIMENSION**

Most activities associated with implementing the time dimension are undertaken in the country of origin. Such activities are, the expansion of the growing season, the introduction of new varieties with a long shelf-life, proper planning of shipments, chartering appropriate ships and setting up cool stores. However, the implementation of these tasks in a proper way depends on the market intelligence supplied by overseas offices. Such market intelligence covers aspects related to shipments' planning, organising loading and unloading of cargoes to each country according to its requirements and regional differences.

Hereafter the efforts made by overseas shippers to meet the time dimension are presented:

1- leading marketing organisations such as UNIFRUCO, SACCE and AGREXCO in their attempts to keep each country regularly supplied with the planned quantities, have considered the UK as a part of Europe when planning their marketing strategies.<sup>6</sup>

Accordingly, they have employed a pricing strategy that covers all European countries doing so to prevent the produce being transferred from one country to another.

For instance, SACCE and OCA in order to keep a regular presence in every served country, and to prevent speculators from transferring the produce from one country to another, have applied a pricing strategy of setting up a price per carton with less than 50p difference - the transportation cost per carton around Europe - between any two countries around Europe.

2- Naturally, the geographical proximity to the UK market, as is the case with many European countries such as France, Holland and Spain, has an important influence on meeting the time dimension. These countries have an advantage over most overseas shippers as market proximity has shortened the produce transportation time to the UK. In addition, the vast majority of their produce is transported via railways and lorries, and consequently, each cargo can contain a wide range of fruit in different sizes which fulfil the requirements of each client, including delivery at very short notice. In this connection, it was reported in the Financial Times (Tuesday, September 4, (1984)) that, "Spain will always have an edge on other suppliers because of its proximity to markets of Northern Europe, even though it is still at tariff disadvantages comparable with Israel and Morocco." Of course such disadvantages will be removed after Spain becomes a full member of the EEC i.e. when the transition period expires.

Similarly, home- grown produce must have an advantage because British produce has a shorter distance to travel than do imports. The relatively easy liaison between wholesalers and British growers, has helped both partners to ensure that the produce will be available in any destination at short notice.

3- A number of marketing organisations such as AGREXCO, CMBI and UNIFRUCO managed to introduce new varieties and increase their marketing seasons. In this regard,

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<sup>6</sup>See section six of chapter five for clarification on this issue.

during the past three years AGREXCO managed to extend its season by around a month, and the storage techniques have been refined to minimise losses. The Financial Times (1985) touched on this point. It reported that, "although prices have been held low, much of the rise in avocado sales has resulted from extending the growing season. By increasing the number of varieties to five- Fuerte, Hass, Nable, Reed and Etinger-, the season now occupies most of the year outside summer and fluctuations in deliveries which could upset the market for so perishable a fruit are minimised." (The Financial Times, February 21, 1985)

In addition, AGREXCO, in its endeavour to meet the time dimension and quality requirements, has transported its products to the UK via three methods: (i) the flower and perishable produce are air- freighted to Heathrow; (ii) fruit and other less perishable vegetables are shipped to France, then they are transported over-land to the UK, and (iii) other produce such as onions, potatoes are shipped direct to the UK.

4-The CMBI switched to using bigger ships for transporting the bulk of their produce to France, thereafter, it is transported overland to the UK.

The chief gain of such a shift has been the reduction of transportation time by two days and consequently a considerable reduction in transportation cost. In addition, using large ships in transporting the produce has also an impact upon quality control aspects because big ships entail the use of a few large ports and therefore the fruit stocks are concentrated on a few places making supervision of quality and quantities an easy task.

5- In the case of OCA, the commercial director of OCE<sup>7</sup> reported that, the commercial policy of OCA consists primarily of shipping regular volume to the UK, extending the range of its produce, particularly in regard to oranges and tomatoes. Also, OCA in its attempt to ensure availability of supply to its panel at the right time, has this year used Barry as the port of discharge, supplementing its traditional links with Portsmouth. (Fruit Trades Journal, December, 15, 1984)

6- Overseas shippers, such as Cyprus, Egypt, NZAPMB and NZKFA managed to fill the right gap between home-grown and/or competitive produce. Cyprus and Egypt managed to fill the right gap between old and new British potatoes. In addition, the marketing manager of NZAPMB stated that "because we are the last country to harvest Granny

<sup>7</sup>OCA is a British company appointed by Moroccan government to market all Moroccan produce within the UK, while OCE is a Moroccan office responsible for monitoring the performance of OCA.



Smiths in the summer, we can fill the right gap between home- grown and imported apples and we also managed to extend our marketing season through to July and September with no risk of physiological breakdown." Finally, NZKFA had the UK kiwifruit market virtually on its own until countries as far afield as the USA, Israel, France, Italy, Greece, Chile and Zimbabwe increased their production of kiwifruit. The increased availability of such a new product the whole year round has benefited all shippers because such availability improves consumers' awareness and consequently increases demand.

7- In the case of Chile, however, early grapes are air-freighted, and the main crop of grapes and apples are sea- freighted. The commercial attache said that, "in general terms the Chilean produce usually arrives in the UK on an irregular basis".

8- The Kenyan commercial attache claimed that, "Kenyan produce always arrives irregularly, because it is mainly air-freighted and therefore one of our chronic problems is to find enough aircraft space".

9- Such, too, was the case with AAPC whose competitive position deteriorated significantly because its produce arrives to the UK irregularly . It was reported in EuroFruit, (1983) that: "The European importers of Australian apples and pears called for improved marketing in Europe and felt that this, together with improved shipments in Australia, and a coherent policy, would create more room in Europe for Australian apples and pears." (EuroFruit September, 1983, pp. 29)

10- In the case of Egypt and Pakistan, they encounter similar problems which have a reverse effect not only on their ability to supply the UK regularly with its requirement but also on their ability to provide her with the required quality specification. This is due mainly to the long distance the produce has to travel and the poor condition of the chartered ships.

## **THE GEOGRAPHICAL DIMENSION**

### **Introduction**

Depending on the market conditions in both importing and exporting countries and the volume allocated to a particular country, meeting the geographical dimension of continuity of supply, requires overseas operational offices to cover both primary and secondary wholesale markets.

Under this heading, the following issues are discussed:

- 1- The Panelists' Functions.
- 2- The Selection of Panelists.
- 3- Monitoring the Panelists' Activities.

### **The Panelists' Functions**

The panelist or a panel member is a wholesaler who has been employed by an operational office to sell the produce at the price fixed by his principal and develop his customer profile through maintaining the quality of the produce and continuity of supply.

The ex-general manager of CMBI illustrated the historical evolution of the functions performed by the panelists as follows:

"Twenty years ago the prime function performed by the panelists was to sell the produce at the best price. This of course depended upon the panelists experience, knowledge of the market and their customer profile. Nowadays that system has changed, due to the fact that the panelist has to sell the produce at the price set up by the marketing board which is called 'guiding price' which is in fact a minimum price. For this reason, the life of the panelist became easier because his main task is to show the client a list of prices. Anyhow, every body knows what the price is, every one is trying to get rid of his stock through making price cuts which are consequently deducted from his commission."

In a nutshell, the panelist's functions are:

- 1- To sell the produce at the price set up by his principals, mainly overseas operational offices.
- 2- To develop his customers profile.
- 3- Financing both his principals and clients.
- 4- Supplying his principals with market intelligence.
- 5- Providing his principals with promotional ideas but without any financial contributions.

### **The Selection of Panelists**

The selection of panelists and monitoring their activities are essential tasks not only for achieving the geographical dimension of continuity of supply but also for attaining both quality specification and the price elements of competitive performance. That is because the panelists are responsible for the produce from the time it is consigned to them until it is sold to retailers. In addition, depending on the market intelligence acquired from the panelists, overseas operational offices set up the guide on price by which the product has to be sold.

In general terms, the selection of the panel member depends on many variables, the most important are:

1- The volume of each product allocated to each country which, in turn, affects the proposed scale of market coverage and the business size of potential panelists.

2- The geographical location of the panelists' head-office and the location of their distribution depots and wholesale branches as well as their access to facilities such as packaging, transportation and cool stores. Acquiring these facilities is of great importance especially when dealing with supermarkets and departmental stores.

3- The panelists previous experience and knowledge of fresh produce business and their customer profile.

4- The panelist's other supplying sources are also considered a major selection criterion. This criterion has gained great importance because the panelists have retained their right to handle competitive produce regardless of the source of supply. This has created a situation in which the panelists can handle products from competitive sources and consequently there is a likelihood of a bias to a particular produce.

The geographical location of the panelists is considered by most overseas operational offices as one of the prime factors in selecting new panelists or terminating the service of existing ones. For instance, the Sunkist agent in the UK explained in some detail the criteria used in selecting the panelists- he himself is a panelist to a number of overseas shippers-. He had this to say:

"There is no definite formula by which you can be sure that you have chosen the right panel member. Of course the panelists' location is of great importance. You want to choose a well established panelist who you think has got the knowledge and the experience in fresh fruit and vegetables marketing... You choose the person who has a good reputation, who has good connections with the market..... You have also to make up your mind of how big or small the size business of your panelists should be, there is no doubt that it is better to have some concentration of volume by employing big panelists who could sell to many people. At the same time if you employ only big ones, the others will get direct shipments from your competitors and consequently they will be appointed as panelists of your competitors."

Both UNIFRUCO and SACCE agreed with Sunkist, nevertheless, SACCE emphasised the importance of the panelists location and their sale records.

The marketing manager of NZAPMB considered the market position and the geographical location of panelists, their customer profile and financial status as the key criteria in selecting and/or contracting the panelists services. He stated that:

"The selection's criteria are the panelists' positions in the market and their geographical locations. After this comes their customer profile (that is the sort of customers they serve) and finally, their financial status.....As we contract the volume, we tended to contract in the geographical scene which means that we focused our activities on London and from there we asked our panelists to market the fruit throughout the UK. As the volume exported to the UK has taken an upward trend, we have started going to the provinces and employing agents in various locations."

In the case of OCA, the sales manager emphasised the importance of the panelists' knowledge of fresh fruit and vegetables when he stated that: "We select our panelists in the wholesale market very carefully. One of our prime criteria is the panelists' knowledge of the commodity in question."

In the case of CYCO-OPs, the geographical location of its panelists was perceived by the managing director of UK office as a major criterion in deciding between panelists.

This sub-section closes with an examination of the ways in which overseas shippers serve the geographical dimension.

The research evidence suggested that the number of panelists appointed by overseas operational offices has declined during the past two decades, especially among those which were founded in the UK a long time ago. The main reasons are:

- a- The continuous decline in the volume exported by some suppliers to the UK.
- b- Wholesale markets are dominated by large- sized wholesalers which have branches in most wholesale markets. Therefore, by employing a few large wholesalers a particular supplier can cover the various wholesale markets.
- c- The need to narrow the control span of overseas offices in an endeavour to improve the efficiency in monitoring the panelists activities.

Examples are:

1- In the case of UNIFRUCO the operational manager referred to the number of panelists being reduced from 80 in the 1960's to 40 panelists in 1984. He stated that: "UNIFRUCO panel structure was established in the sixties when there were approximately 80 recipients of Cape fruit. It has been a distillation process... Now we keep the best who can sell Cape fruit at the most advantageous terms."

He claimed that these 40 panelists spread over both wholesale and retail markets. Seven of them operate from depot sites outside wholesale markets, 5 of them deal exclusively with supermarkets.

2- Similarly, in the case of SACCE, the advertising manager stated that the number of their panelists dropped from 76 to 58 during 1979-1983 period. The reasons for that were economic and managerial. From an economic point of view, SACCE found that it was better to cut the number of panelists and to allocate more volume to the remaining ones. From a managerial point of view, the reduction of the number of panelists narrowed the span of control and increased the efficiency of monitoring the panelists activities.

However, with such tangible reduction in the number of panelists the advertising manager claimed that SACCE still has a fair coverage of various UK regions. He stated that: "We appointed 58 panelists who cover places outside wholesale markets. So in fact we are aiming at making sure that our fruit is available in every market and even every shop throughout the country at any time."

3- AGREXCO, appointed 43 panelists spreading over the UK, nine of those panelists are located in London, and the rest cover all other primary and secondary wholesale markets from Glasgow to Bristol and Cardiff. In addition, AGREXCO appointed a number of panelists operating from depots outside wholesale markets to serve the multiple and supermarkets chains.

4- NZAPMB used to market around 80% of its fruit exports in the UK market through 23 panelists. However, during the period 1972 to 1976 the pound sterling became very weak and hence greater attention was given to the continent where currencies were much stronger and the demand for fruit was expanding. So the quantity marketed in the UK was reduced from two million cartons in 1972 to 500000 cartons in 1976 and, consequently, the number of panelists was reduced to 14 in 1976 and then to 7 in 1977, with considerable concentration in London. As the pound became stronger and the demand for larger sized fruit increased, the quantity climbed back to a million cartons and subsequently the number of panelists rose to 12 located in major cities, particularly London.

5- In the case of CMBI, although the marketing manager indicated that the number of CMBI's panelists has experienced continuing decline during the past decade it still cover all UK regions. CMBI appointed 55 panelists, some of them are located in primary and secondary wholesale markets, while others are situated outside wholesale markets. The prime task of the latter group is to sell the produce to supermarkets and multiple chains. In this connection the marketing manager stated that: " The geographical locations of

our panelists is roughly proportional to the population. We feel that, the UK regions are well covered. We feel that if we nominated new panelists they would take business from existing ones."

6- In the case of OCA, which appointed 30 panelists, most of them located in London and the Midlands, the marketing manager had this to say:

" We feel that we have a fair coverage of the UK. We focus on the Midlands and London. We are represented in London by about 8 people, and in the Midland by about 15. In Scotland we are represented by two panelists. The rest are located in other areas. We believe in one market/one panelist policy, because we want to keep intra-brand competition at a minimum level."

7- The Sunkist agent for the UK stated that they appointed 12 panelists in major cities like London, Birmingham, Liverpool, Cardiff and Bristol. In addition, Sunkist employed few panelists in secondary wholesale markets.

Notably, as the UK agent for Sunkist is also an agent for some other citrus shippers, the appointed panelists handle citrus products not only from Sunkist but also from other sources of supply.

8- In the case of CYCO-OPs, they appointed 18 panelists to handle Cypriot potatoes in the UK located as follows, 6 in Scotland, 4 in the North of England, 5 in the Midlands and 3 in the South.

9&10- Each of AGREX and AAPC appointed 7 importers mainly in London to sell the produce to wholesalers and large retailers.

11- In the case of Kenya, the commercial attache emphasised the fact that, "Kenyan fruit is air-freighted and the vast majority of the produce is sold in New Covent Garden Market because of its closeness to the two major airports- Heathrow and Gatwick."

This view was confirmed by the secretary of the Fruit Importers Association when he stated that:

"Most of the Kenyan produce is marketed in the UK by ethnic Kenyans who obtain produce from their relatives in Kenya. Those people normally do not handle the produce within wholesale markets but they put it in vans and go round to various shops to get rid of the produce at any price. Such action has resulted in fragmenting the supply situation and depressing the price."

12- A typical example of Kenyan practice is Egypt with products other than potatoes.

## **Monitoring the Panelists' Activities**

Operational offices, in their attempts to keep their panelists loyal to the produce in question, have put great emphasis upon monitoring the panelists' activities. The methods used range from, using telephone calls, mailing, telexes and regular visits to setting up regional offices.

Starting with examining the impact of the panelists right to handle competitive products upon decisions associated with selecting and monitoring panelists activities.

The panelists right to handle competitive products has been received with mixed reactions by managers of overseas offices as follows:

- Overseas operational offices which did not mind their panelists handling competitive products provided the following reasons: (i) NZAPMB and Sunkist based their conviction on the ground that their high quality products would guarantee the panelists' loyalty. (ii) OCA indicated that, if the panelists had not been allowed to handle competitive products its choice span of panelists would have been narrowed. (iii) CMBI made the point that it would be economically unwise to restrict the panelists activities. (iv) CYCO-OPs illustrated the political factor which implied excluding wholesalers handling products from the Northern part of Cyprus.

- Overseas operational offices which did mind their panelists handling competitive products dominate the market during their marketing seasons and, therefore, they have the power to impose some conditions over panelists by one way or another. Such offices are UNIFRUCO, SACCE, AGREXCO and Sunkist.

Attention has now to be given to the methods used in monitoring the panelists activities:

The main purposes of communications with panelists are to monitor the panelists activities and to inform them of quota allocation and planned promotional activities. In addition, such contacts enable overseas offices to discuss with the panelists any problems associated with the competitive situation. Finally, these contacts are necessary for overseas offices to get valuable intelligence of the market conditions, the sales, the price achieved every day and the stock situation.

In general terms, overseas operational and promotional offices can be classified into two groups according to the intensity of contacts they have with panelists. The intensity of

contacts are measured in terms of whether or not a particular office has established a regional office.

*a- The first is those Operational offices which have established regional offices. There are two organisations, CMBI and SACCE.*

SACCE and CMBI are the sole operational offices which set up regional offices to monitor the panelists activities.

1- The sales manager of CMBI pointed out that: "We have our regional representatives who are in charge of daily contacts with their designated panelists. These representatives are responsible for implementing our instructions which cover areas relating to local promotion, marketing, administration and accounting."

2- Similarly, the advertising manager of SACCE voiced the opinion that:

"We have seven regional representatives who are responsible for looking after eight panelists to make sure that they receive the right sort of fruit. In addition, these representatives undertake administrative work to ensure that they get the proceeds from the panelists at the right time.. Anyhow, every panelist has to telex us by 3.00 pm. daily with his sales for that day."

In addition, CMBI and SACCE emphasised the importance of having closer contact with their panelists not only to obtain data relating to sales, stock and prices, but also to obtain valuable information pertaining to competitors` activities and market conditions.

In this connection, the marketing manger of CMBI stated that: "The panelists are our primary source of information about the market situation. Although, we consult them and we seek their opinion in many important issues, we do not take their opinions for granted because they are not always unbiased."

Such, too, was the case with SACCE, when the advertising manager reiterated the significance of their panelists as a prime source of market intelligence. He stated that: "We are in a very close contact with our panelists, we talk to them every single day .... Our panelists are the most valuable source through which we can find out what is going on in the market-place."

*b- The other group comprises overseas offices which did not establish regional offices. Such offices are NZAPMB, OCA, UNIFRUCO, AGREXCO, CYCO-OPs and Sunkist as well as promotional offices which have direct contacts with their major importers such as NZKFA, FWF, AAPC and SCMC.*



1- NZAPMB monitored the panelists activities through regular visits, annual meetings and telephone contacts. However, the marketing manager pointed out that, "90% of these communications are done by telephone."

2- The sales manager of OCA admitted keeping a low profile in his personal contact with panelists who have not got enough time to meet their principals. He had this to say:

" As about 20% of our fruit is sold in London, it is easy for us to visit our panelists on a daily basis. We do not need to chase them up because we have spent years of uncertainty and years of hesitancy, we have grown up together .... we speak to them by telephone sometimes six times a day. In addition, just before our marketing season starts we see our panelists sometimes collectively and sometimes in regional areas. Anyhow, we do not have to visit our panelists regularly in person because they do not have enough time to talk to us."

Also, the sales manager of OCA put great emphasis upon the importance of OCA's long working relationships with panelists. Such relationships help them to get valuable market intelligence. He stated that:

"Some of our panelists have been handling our produce for a long time; therefore, they have got a good knowledge of the market and the produce. We benefit from such information in knowing how our produce is doing in the market place. In addition, we get promotional ideas from our panelists and sometimes we get them involved in our promotional activities. Finally, our pricing policies are based mainly upon the market intelligence provided by our panelists."

3- UNIFRUCO has daily contact with its panelists through telephone and telex to get daily information about the sales which they have made and the stock still held.

4- AGREXCO monitored its panelists through telephone and telex in addition to regular visits by sales managers.

5- The managing director of CYCO-OPs indicated that the panelists are contacted through daily telephone contacts as well as two annual meetings before the season starts.

6- In the case of Sunkist, the tools used in monitoring the panelists' activities are telex and telephone communications, as well as occasional personal visits to panelists whenever necessary. The main purposes of such contacts are to get daily market intelligence of the quantity which has been sold, classified into varieties and sizes, the price level achieved, market conditions and competitors activities.

7- Promotional offices, which have direct contacts with their major importers in the UK are, NZKFA, FWF, AAPC and SCMC.

In the case of promotional boards such as, NZKFA and FWF, the major UK importers of French produce and NZ kiwifruit are occasionally invited to visit the growing areas in France and New-Zealand respectively to discuss with the growers the requirements of UK markets.

a- In the case of NZKFA, the head of the appointed advertising agency stated that:

"I believe it is very important for any promotion agency to be very closely allied to the movement of the produce.... Anyhow, we have seven UK based importers and we form that sort of club, we talk with them every single Friday on the telephone, we get market information from them. Such information includes the quantity which they have sold, the stock which they still hold, the price they are getting and the competitive situation of our produce. We have an informal meeting with those importers perhaps every month to discuss the market situation and the underway promotional activities. Also we transmit considerable information to the HQ in NZ. Finally, some people from the Authority come over here every season, the exporters also come over here twice or three times per year to talk to the importers and other relevant organisations to get informed about their requirements and the market situations. Sometimes the importers are invited to visit NZ and have a meeting with the growers and/or their representatives to get them informed of the requirements of the UK market and any improvements need to be introduced to the product mix."

b- Such, too, was the case with FWF when the marketing manager stated that,

"We certainly keep close contacts with a number of key importers. We have a meeting with them once a year. Sometimes the importers are invited to travel to France to investigate for themselves production, packing and grading processes. We get key importers and retailers informed through mailing and telex. Such communications cover aspects relating to our planned promotional activities and the timing of these activities."

c- Another example related to AAPC whose UK office is responsible for monitoring various marketing activities in Europe jointly with the marketing officer in Australian embassies throughout Europe. Within the UK, the Australian exporters appointed three agents with whom the UK office has telephone contacts twice or three time a day.

d- In the case of SCMC, the UK office holds regular meeting with the largest 14 wholesalers/importers of Spanish produce who have the technical skills and long trade experience. They meet twice a week in the peak of the season, and once a week in the off-season period. The prime purposes of such meetings are to exchange market intelligence and to inform them of the volume allocated to the UK and the planned and undergoing promotional campaigns.

## **Summary and Conclusions**

The purpose of this section was to examine the managerial approaches adopted by overseas shippers to fulfil both the time and geographical dimensions of continuity of supply and how such approaches are affected by the shippers orientations.

Based on the research findings, the following conclusions are extracted.

1- The past two decades have experienced a continuing decline in the number of panelists. Such decline was deemed necessary to meet the changes which have taken place in the trade structure represented in the growing business sizes of wholesalers, because of the merger and acquisition, as well as the increasing market share of supermarkets in fresh produce marketing which prefer to deal direct with sources of supply.

2- On the question of the managerial approaches associated with meeting the geographical dimension of continuity of supply, overseas shippers can be classified into two categories, according to their geographical coverage, as follows:

a- Nation-wide coverage approach: This approach applies to UNIFRUCO, SACCE, CMBI and AGREXCO and to some extent CYCO-OPs. These offices have a fair coverage of both primary and secondary wholesale markets. In addition, these offices, with the exception of CYCO-OPs, assigned a number of panelists to serve exclusively, supermarkets.

b- The focus approach: This approach applies to OCA, Sunkist and NZAPMB whose panelists are located in major cities. Such, too, was the case of NZKFA and AAPC whose importers are located mainly in London.

The focus approach applies also to countries like Kenya, Egypt, Chile and Pakistan. But as each exporter appointed one agent or more in Covent Garden Market, these countries encountered severe intra-country as well as inter-country competition.

3- With regard to the methods used in monitoring the panelists activities, overseas operational and promotional offices can be divided into four groups, according to the variety and intensity of contacts between overseas offices and their panelists or importers. These four groups are:

a- Overseas operational offices which set up regional offices to perform, among other things monitoring of panelists' activities. This group is confined to SACCE which markets citrus fruit in the summer and CMBI which markets the same type of fruit but in the winter.

These two offices have many common grounds as they (i) market the same varieties, (ii) appoint nearly the same number of panelists, (iii) started their own business in the UK about the same time, (iv) regarded the UK as their major market and (v) considered their panelists as a prime source of market intelligence.

b- Overseas offices which used extensive telephone calls, telex and occasional personal visits with their panelists. This category applies almost to all overseas operational offices. Examples are, NZAPMB and UNIFRUCO indicated that most of their contacts with panelists were done by telephone in addition to personal visits and finally, they had two meetings with panelists every year. The same approach applied to CYCO-OPs but it did not use telex as a method of communication. However, Sunkist's agent was in favour of using telex. In line with its focus approach OCA's panelists who are located in London were visited almost on a daily basis, in addition to using telephone calls as well as an annual meeting.

c- Overseas promotional offices can be classified into two sub-groups according to the variety and intensity of contacts they have with importers. These contacts vary in line with the business size and number of importers with whom these offices are having contacts. These sub-groups are:

i- overseas promotional offices which have direct contacts with a limited number of appointed importers. These offices are NZKFA and ÁGREX which employed 7 importers each, whilst AAPC had 3 importers.

ii- overseas promotional offices which represent countries with unlimited number of mostly small importers. These offices get in touch only with the biggest ones. There are two typical examples- SCMC and FWF.

The main objectives of the contacts between promotional offices and importers are twofold: (1) to get market intelligence such as the volume sold, the price achieved and the level of competition. (2) to inform potential importers of incoming shipments and the planned promotional campaigns.

d- Countries which do not have either marketing boards or promotional boards. These countries are characterised with having a huge number of small exporters and importers and, therefore, the commercial consulates do not have direct contacts with any of them.

4- This section closes with an examination of the impact of the orientation of overseas shippers on meeting both time and geographical dimensions.

a- In line with the major hypothesis of this research, some overseas shippers have adopted a marketing export orientation and, therefore, managed to accommodate their marketing season to fill the right gap between home-grown produce and/or competitive one. This is implemented through the introduction of new varieties and the extension of their marketing seasons as well as proper planning and organising of shipments. Such shippers are, NZAPMB, UNIFRUCO, SACCE, CMBI, NZKFA and AGREXCO and to some extent Cyprus and Egypt with potatoes.

In addition, marketing export shippers have managed to accommodate their marketing seasons with a specific period of time when competition from home-grown and imported produce is at the lowest level. This was the case with Cypriot and Egyptian potatoes whose marketing season was accommodated to fill the right gap between new English potatoes and the old. Such, too, was the case with NZAPMB, NZKFA and AGREXCO which managed to fill the right gap between competitive products. Finally, overseas offices such as AGREXCO, OCA, CMBI and UNIFRUCO have introduced new varieties and extended their marketing season.

Other shippers who adopted a selling export orientation approach exported the surplus of their domestic production at any time regardless of the requirements of developed markets.

b- Therein, too, the question of tackling the impact of the orientation of overseas shippers on meeting the geographical dimension is raised.

Being a marketing exporter or selling exporter depends on the number of panelists appointed, their geographical coverage and the variety and intensity of contacts with panelists.

In this regard, overseas shippers can be classified into three tiers:

i- The first tier includes SACCE and CMBI and to some extent UNIFRUCO, AGREXCO and CYCO-OPs which cover the various primary and secondary wholesale markets as well as depots outside wholesale markets to serve supermarkets. In the case of SACCE and CMBI, they set up regional offices to monitor the panelists activities and gather market intelligence.

ii- The second tier comprises overseas shippers which adopted the focus approach as their panelists are concentrated in major cities. Such shippers are, OCA, NZAPMB, Sunkist, NZKFA, AAPC and AGREX.

iii- The third tier covers countries which concentrate their marketing activities in London with many exporters and importers. Such countries are, Egypt, Kenya, Chile and Pakistan.

## **SECTION 4**

### **THE MANAGERIAL APPROACHES TO PROMOTION AND BRAND DEVELOPMENT**

#### **(THE RESEARCH FINDINGS)**

## SECTION 4

# THE MANAGERIAL APPROACHES TO PROMOTION AND BRAND DEVELOPMENT

## (THE RESEARCH FINDINGS)

### Introduction

Having discussed the managerial approaches to quality specification and continuity of supply together with the extent to which these approaches are influenced by the export orientation of overseas shippers, this section is aimed at examining the managerial approaches to promotion and brand development.

Promotion and brand development related activities are the hardest to implement effectively, especially with produce that is difficult to differentiate as between sources of supply. This attribute has major implications for the following three issues:

1- The efforts made towards undertaking promotion and market research activities to create and sustain brand awareness among consumers. This is reflected in the heads of overseas offices' perceptions of the relative importance of the promotion factor which was rated in the first place by 18%, in the third place by 18% and in the fourth place by 18%. Table (5.1)

2- The increasing importance of both trade promotion and generic advertising and the non-existence of comparative advertising. The major purpose of trade promotion is to stimulate trade members to display the produce in their stores, while generic advertising aims at increasing the consumption of fresh produce in general.

3- A few brand names have been developed particularly in the area of fresh fruit mainly by overseas operational and promotional offices. Such brand names are, Cape, Outspan, Carmel, Jaffa and Spania.

In this section the following issues are examined:

- 1- Trade Promotion.
- 2- Branding and Generic Advertising.
- 3- Market Research.
- 4- Managerial Approaches to:



- a- Estimation of promotional budget.
- b- Selection of advertising agency and media.

## 1- Trade Promotion

It has been mentioned earlier that the physical attributes of fresh produce, particularly the undifferentiated nature of the produce regardless of the country of origin have major implications for the efforts made to promote fresh produce and the growing importance of trade promotion and generic advertising utilising consumer advertising.

Various marketing organisations, even those which have established well known brand names in the market place, have put greater emphasis upon trade promotion than consumer advertising.

In the main, overseas shippers can be classified into three groups according to their preference to a particular promotional target.

*a- The first of these three groups is that of overseas offices which perform both trade and consumer promotion, but considered trade promotion of greater importance. Such offices are UNIFRUCO, CYCO-OPs, FWF, NZKFA and CMBI.*

1- The planning manager of UNIFRUCO, identified three types of trade promotion activities undertaken by UNIFRUCO. These activities are (i) Trade promotion directed to retailers, wholesalers and importers. (ii) Public relations directed to the trade members through conferences, slide shows...etc. (iii) Merchandising, which includes point of sales material and co-operative advertising with supermarkets.

The planning manager of UNIFRUCO was very much in favour of trade promotion. He had this to say.

"We allot most of our promotional budget to having our products accepted by the retailers rather than actually trying to convince the public to buy our fruit. So our main target is to convince the retailer to stock our products and then the public will buy what is available in retail stores. Once we are satisfied that the trade has been taken care of, then we turn to the consumer."

2- The sales manager of OCA explained their focal targets as follows: "We are great believers in the focal targets being the fruit itself, natural fruit from Morocco.....Basically, our target is trade promotion to get the retailers and supermarkets interested in our fruit."

The same view was echoed by the director of OCA, when he stated that, Maroc is concentrating its promotional activities with a strong trade bias in 1984. "There would be a three phase approach for promotional activities. We are distributing point of sales to independent retailers. We also expect to run a strong Public Relation (PR) campaign to keep the trade aware of supplies and availability. To get the message home to the public we will be also using poster sites in major cities". (Fruit Trades Journal, November, 9, 1984.)

3- Similarly, in the case of CYCO-OPs, the head of the appointed advertising agency mentioned that the vast majority of the budget is directed to trade promotion because the produce itself is not well identified, as individual fruit has not been labelled. Additionally, some exporters of Cypriot produce allocate insignificant amount of money for trade promotion.

4- The marketing manager of FWF estimated that a large proportion of its promotion budget is directed towards trade promotion. With regard to consumer promotion FWF has mounted some promotional campaigns directed mainly to children.

On the part of the exporters and importers of French produce, the main promotional activities are confined to trade promotion to get their produce accepted by wholesalers and retailers.

5- The head of the appointed advertising agency of NZKFA emphasised the importance of trade promotion, particularly those directed at retailers, the catering trade, schools and colleges. He has also conducted educational programmes targeted at both the trade and consumers through distributing recipes and editorial publicity to increase their awareness to such an "unattractive fruit".

6- The sales manager of CMBI indicated that most of the promotional budget is directed to trade promotion which takes the form of point of sale material and trade press.

*b- The second group is that of overseas offices which undertake both consumer and trade promotion but considered consumer promotion of greater importance. Such offices are, SACCE, Sunkist, AGREXCO and SCMC.*

1- In contrast to the foregoing theme, the advertising manager of SACCE put greater emphasis upon consumer advertising when he stated that: "We tend to allocate most of our promotional budget for consumer advertising. We believe it is very important to

convince the consumer to buy and then to keep supplying retailers with point of sale materials to convince them to stock our products."

This can be justified as SACCE is the main supplier of citrus fruit during summer time, and therefore, SACCE do not face major problems in convincing trade members to handle its produce, particularly those specialising in handling citrus fruit.

2- Similarly, the Sunkist agent is very much in favour of consumer advertising, particularly that directed to the housewives. This approach can be explained as Sunkist handles large- sized citrus fruit which is accepted mainly by the upmarket segment of British consumers. Therefore, Sunkist wanted to employ consumer advertising to stimulate sales from other segments.

3- Such, too, was the case with AGREXCO, whose sales manager saw the consumers as the focal target of promotional campaigns because most of Carmel varieties are new to the European consumers. He had this to say:

"Most of our products are new to the British people. Therefore, we feel strongly that any advertising must be targeted to educate the consumer how to use our fruit. This is particularly important for avocados, since the British housewife is still unfamiliar with how to select, prepare and use this commodity. Consequently, our aim has been to convey a fair amount of information through advertising and trade promotion in addition to the distribution of recipes."

4- In the case of SCMC, the vast majority of its promotional activities are directed to the consumer to promote generically the brand name Spania; whilst most trade promotion is carried out by individual exporters and importers to promote their own brands to wholesalers and retailers.

*c- The third and final group is that of overseas shippers which perform only trade promotion. Such offices are, NZAPMB, ITC, AGREX, Chile, EGYPT and Kenya.*

1- The marketing manager of NZAPMB saw the focal target of promotional activities as getting the retailers interested in handling its produce. NZAPMB used point of sale materials as well as trade press. At the same time, the marketing manager claimed that consumer advertising is implemented through supplying developed markets with high quality products. In this connection he said:

"With regard to promotion and market research, we found it is very difficult to value .. Of course you should make the public aware of your products. However, our approach is to promote our produce up to retail stores level, because the consumer will buy what has been offered in these stores. So if you could supply retail stores with produce meeting with competitive quality specification, the consumer will come back and buy your produce."

2- In the case of Italy, the marketing manager pointed out that, "the promotional budget is divided equally between trade promotion and consumer advertising. However, he categorised point of sale materials as consumer advertising, not as trade promotion.

3- In the case of AGREX, the assistant manager indicated that AGREX's focal target is trade promotion, but it has not conducted any sort of promotional activities except participating in fruit exhibitions.

4- In the view of the Chilean commercial attache, Chile began to promote its produce in 1985 and all the promotional budget targeted towards trade promotion aimed at getting the trade interested in handling Chilean produce.

## **2- Generic Advertising And Branding**

### **INTRODUCTION**

Generic advertising is proving an effective tool in promoting some fresh produce, as is the case with the successful generic promotional campaigns associated with milk. Most of the marketing managers of milk-processing firms in the USA refrained from advertising their own brands because they estimated that promotional elasticity for branded milk was very low. The situation changed in 1965 when the American Dairy Association, in corporation with the U.S. Department of Agriculture, took a macro-marketing approach by concentrating on the promotion of generic milk demand. In a carefully designed, two-year experiment, they tested the economic effects on non-brand advertising of milk and demonstrated that generic advertising can be very profitable. Caves, (1987)

Similarly, generic campaigns in the UK have been undertaken by the milk producers to increase consumption of milk. Another example is the successful promotional campaigns conducted by butter producers to regain their market share from substitutes such as margarine.

With regard to fresh fruit and vegetable, generic advertising which has been employed to promote the increased consumption of fresh fruit and vegetable began in 1938 with "Eat More Fruit" campaign which ended a year later because of the war. The Fresh Fruit and Vegetables Information Bureau (FFVIB) was founded in 1979 on the initiative of the National Federation of Fruit and Potato Trades in association with home-grown producers, retailers, marketing boards and promotional boards- both overseas and British.

Because of the budget restraints, the activities performed by FFVIB are limited. They are confined to detailed information service and public relations activities rather than promotion.

Branding and generic advertising are interlinked issues because generic advertising approaches adopted by overseas shippers depend to a great extent on the branding policies employed by these shippers. Therefore, branding policies are examined first followed by generic advertising.

## **BRAND DEVELOPMENT**

### **Introduction**

The brand concept is regarded by consumers and trade members as a guarantee of quality and availability on the one hand, as well as a method of identification on the other.

In order to get the full benefit of branding, the following points should be taken into account.

1- Promotional campaigns and public relations activities should be undertaken to ensure that a particular brand name has penetrated through a wide range of sectors of the market population.

2- The chosen brand name should be legibly and indelibly marked on the outside container and on each single fruit.

In this connection, the EEC regulations make it necessary for each shipper to put the following particulars on the outside of the container:

- a- identification packer, dispatcher.
- b- nature of the produce and the name of variety.
- c- origin of produce, district of origin or national, regional or local name.
- d- commercial specifications and quality class.

The information required as to marketing may be given by means of:

- (i) a label firmly fixed to the container.
- (ii) an ink stamp or printing on to the container, or
- (iii) a combination of the above methods.

## The Research Findings

The research evidence suggests that there are few brand names available in the market-place attached to fresh fruit and vegetables business. These brand names have been developed mainly for fresh fruit marketed and/or promoted by overseas marketing boards and promotional boards. Such brand names are: Outspan, Cape, Jaffa, Carmel, Holyland, New-Zealand apples and pears, Maroc, Le Crunch, Spania, New-Zealand kiwifruit and Australia.

Based on the research evidence, branding policies adopted by overseas shippers can be classified into two groups according to the scope of brand names.

a- First, there is the case of single brand name applied to the various products marketed by a particular shipper. This group includes, Cape, Outspan, Jaffa, Carmel and Sunkist.

b- Another group is that using country's name which cover all products exported by a particular country. This group includes, New-Zealand, Australia, Spania, Holland, Maroc, Egypt and Kenya. Table (5.3) shows the branding policies of overseas shippers.

Table (5.3): The branding policies employed by overseas shippers.

Country	Brand Names Policies		Means of
Organisation	One organisation/ One brand name	Country's name	labelling
UNIFRUCO	Cape	---	Stickers
SACCE	Outspan	---	Stickers
Sunkist	Sunkist	---	Stickers
CMBI	Jaffa	---	Stickers+Stamps
AGREXCO	Carmel	---	Stickers
OCA	Maroc	---	Stickers
FWF	Multi-brands	---	Major exporters
NZAPMB	---	NewZealand	Stickers
NZKFA	---	NewZealand	Stickers
AAPC	---	Australia	Stickers (10%)
Italy	---	Italia	Major exporters
Spain	---	Spania	Major exporters
Egypt	---	Egypt	No
Kenya	---	Kenya	No
Pakistan	---	Pakistan	No
Chile	---	Chile	No

The following four points are worth noting.

1- UNIFRUCO and SACCE stressed the point that their brand names (Cape and Outspan respectively) are key factors in determining their competitive performance. This is

because such brand names reduce the political negatives which might associate with the country of origin.

In this context the planning manager of UNIFRUCO stated that:

"I do not think we would have had the same success if we had sold just a produce from South Africa instead of Cape. I mean Cape is known for quality, is known for continuity and it is a symbol used in any type of promotional activities. In addition, about 60% of all apples are labelled while every bunch of Cape grapes bears an identification tag."

2- For marketing organisations such as CMBI, it is frustrating when the product loses its identity at the retail level. The obvious solution would seem to be the labelling of individual products which has been proved to be a very expensive process.

In this context the marketing manager of CMBI indicated that brand awareness is particularly high for Jaffa with consumers actually asking for citrus from this source because of the intensive use of PR activities and advertising via TV and Radio in selective areas. He added:

"It is nice to have a well known brand name, but you want to use your reputation for your benefit. If people buy Spanish oranges and call it Jaffa, it is very nice but it does not help us very much. This is because our produce is not well identified, and the preliminary means of identification is to stamp Jaffa on individual fruit. But it is not clearly visible, it is not attractive and not all fruit are stamped. Our competitors have used more advanced means of identification through using stickers... It is very expensive, the glue is harmful because it contains chemicals and, therefore, it has to pass various checks."

3- With regard to OCA, Maroc has been used as a generic brand name, in addition to the name of the geographical area in which the fruit is grown. These two particulars have to be put on each container of exported products. In addition, a large proportion of citrus fruits carry stickers with the brand name Maroc.

Such, too, was the case with AAPC which applies the same approach as OCA, but it requires each exporter to put his own name on each carton as well.

The main advantage of this policy is the prevention of a possible bad image associated with a particular variety grown in a particular geographical area from spreading to produce grown in other areas.

Overseas offices which adopt a generic brand name for their products should guarantee the level of quality specification of each product embodied under that name.

4- Countries which have neither set up marketing boards, nor established promotional and advisory boards, have adopted a policy which requires each exporter to put his brand

name as well as the name of the country of origin on each box assigned for export. Such countries are, Egypt, Kenya, Chile and Pakistan.

## **GENERIC ADVERTISING**

### **Introduction**

In the area of fresh fruit and vegetables, generic advertising can be categorised into three groups:

1- generic advertising of particular commodities exported by a particular marketing organisation such as Jaffa, Cape, Outspan and Carmel.

2- generic promotion of a brand name which covers all produce exported by a particular country such as Spania, Italia, Maroc and AGREX.

These two groups are very similar to the classification of branding policies discussed earlier.

3- The promotion of a particular commodity, regardless of the country of origin, is undertaken by the major importers of such a commodity in a particular market country. For instance, Geest, Fyffes and Jamaica Producers, in their attempts to boost banana sales in the UK, came together and promoted that product generically. Another example related to the promotion of fresh apples produced by the southern hemisphere countries was opposite to the promotion of French golden delicious apples which come from cool stores.

### **The Research Findings**

The research findings indicated a growing tendency among various marketing organisations, with the exception of CMBI and UNIFRUCO offices, towards the application of world- wide or regional generic advertising campaigns. However due to financial and managerial difficulties nothing of note has been achieved in this field except with bananas which are considered to be the most suitable product for bearing a trademark for two reasons: (i) it is available in large quantities throughout the year, and (ii) it is marketed by a few large- sized organisations.

In general terms, overseas shippers can be categorised into three groups according to their preference of a particular type of generic advertising.



a- *The first of the three is overseas shippers which are in favour of generic advertising world-wide. Such offices are NZAPMB, OCA, SACCE, NZKFA, Sunkist, AAPC and Chile.*

1- The marketing manager of NZAPMB stated that: "We are interested in generic advertising for fresh apples, not for the French golden delicious which comes from cool stores and, therefore, is available in the market for 12 months a year."

2- The sales manager of OCA supported the idea of applying the generic advertising concept, when he indicated that: "Generic advertising is definitely our prospective for the future".

3- Not surprisingly, the advertising manager of SACCE showed a liberal attitude towards generic advertising because it dominates the British market in summer time, therefore, it has a good chance to benefit from generic advertising. He had this to say:

"Generic advertising makes common sense and for a long time it has been our desire to undertake such campaigns, but there are many problems which hinder the application of this concept. The hardest, is getting six different organisations to agree to allot a certain amount of money and to get them all agreed on the right sort of campaigns... Citrus fruit is very difficult to sell on brand... People do not go to the shop and say I must get Outspan oranges... They just want oranges. So it would be very sensible to undertake generic advertising, but organising and managing it is another matter."

4- Similarly, The head of the NZKFA information bureau voiced strong support of generic advertising. This may be explained as New-Zealand dominates the world-market of kiwifruit. In addition, it faces insignificant competition during its marketing season.

5- Such, too, was the case with Sunkist whose UK agent voiced strong support for generic advertising when he emphasised the need for all exporters of the same product to come together and promote generically their produce all the year round. He considered generic advertising as "a very decisive issue to combat the genuine competitive products such as crisp and chocolates bars."

He explained the problems which inhibit the application of generic advertising as "it is very difficult to get all countries agreed on the size of the promotional budget, on the contribution they have to make, on the media which should be used, and on the timing of the advertising campaigns."

6- The head of AAPC office believed very much in consumer promotion and generic advertising of a particular produce world-wide. He had this to say:

".. We do not have a promotional budget, but we are members of SANZA organisation. We promote southern hemisphere apples and pears jointly with the other members of SANZA. We advertise fresh apples and pears, not the

French golden delicious that comes from cool stores. Therefore, our promotion has been directed to the public. The media used are local newspapers, local broadcasting stations...We do not advertise in the trade press because we want to increase and sustain the public awareness of southern hemisphere apples and pears."

7- In the case of Chile, the commercial attache emphasised the importance of generic advertising on both levels. On world-wide level, Chile is a member of the SANZA organisation whose main responsibility is to promote generically southern hemisphere fresh apples and pears. At the country level they started promoting generically Chilean apples and grapes in 1985.

*b- The second group is that of overseas offices which are in favour of generic advertising on the national level. This group is confined to promotional offices such as, SCMC, ITC and FWF.*

1- The head of SCMC was in favour of generic advertising on a national level because of the financial and managerial problems which inhibit the application of a world-wide approach. Such problems are: "How can generic advertising be put into operation?. How can the neutrality of generic campaigns be guaranteed?. How can we get British organisations to contribute financially to such campaigns?."

2- A quite similar view was voiced by the marketing manger of ITC when he mentioned that ITC does not believe in the importance of generic advertising of a particular type of fruit world-wide because, as he put it, "it is a waste of money". However, he believed in the importance of generic advertising on a national level.

3- In the case of FWF, the product manager dismissed the idea of world-wide promotion of a particular produce or conducting generic advertising which embodies the country's name . She had this to say:

"When you are representing a country you have an additional ingredient which is the national identity.... France is an interesting country, it has strong positive and strong negatives. So what we have to do is to present the positive and reduce the negative..... We are with Le Crunch doing exactly the same as Cape with South Africa.... We are trying to avoid any political negatives."

The marketing manger of FWF described the British generic advertising campaigns associated with the slogan 'Buy English Produce' "as defensive, short sighted, primitive and very nationalistic".

*c- The third and last group is that of overseas offices which opposed the generic advertising concept. Such offices are, CMBI and UNIFRUCO.*

CMBI and UNIFRUCO voiced some doubts about the feasibility of generic advertising. This was mainly due to the fact that both organisations have established well known brand names in the market-place. Hence, they are in favour of promoting their own products rather than advertising generically a particular type of produce.

1- In this connection the marketing manager of CMBI stated that:

"We suspect if we spend money on generic advertising we would help our competitors ... we work on a very limited profit margin compared with other products. So there is very little money available for advertising ... The feeling is that, if you have to spend something, spend it on promoting your produce not on generic advertising."

2- The same view was expressed by the marketing manager of UNIFRUCO who had this to say: "We take a very detached view of generic advertising concept ... As far as Cape is concerned, we are selling Cape produce during our marketing season, and, therefore, our approach is to push each individual fruit type, not to promote generically."

### **3- Market Research**

It was indicated before that the difficulty to differentiate as between sources of supply attribute, and the orientation of overseas shippers have great implications for three major issues. (i) promotion (ii) branding and (iii) market research.

The third issue is market research.

Market research is considered to be one of the most overlooked issues in the fresh fruit and vegetables business, as this function has not been allocated either a separate department or a separate budget. Both are included within the advertising function. In addition, most market research activities are carried out by the appointed advertising agency and not through a specialized organisation of market research.

The lower weight given to market research by overseas offices can be attributed to the following reasons:

- i- Most overseas operational and promotional offices have been working in the UK for a long time and are, therefore, believed to have acquired a fair knowledge of the market.
- ii- The volume exported to the UK is too small to justify conducting any sort of market research projects.

iii- The panelists are perceived to be a prime source of market intelligence by overseas operational offices.

iv- The growers do not believe in the viability of market research, neither have they believed in the importance of promotional activities.

Eight organisations have given this task a relatively high priority. These are SACCE, UNIFRUCO, CMBI, FWF, SCMC, AGREXCO and to some extent NZKFA and OCA.

Overseas offices can be classified according to their managers' attitudes towards market research, into three categories.

*a- The first of these is overseas operational and promotional offices which have taken market research quite seriously. These offices appointed organisations of market research to undertake special market research projects. Such offices are, SACCE, CMBI, UNIFRUCO, FWF and AGREXCO.*

1- SACCE, is the sole operational office which has within its organisational structure one person in charge of internal desk research whose main responsibility is to analyze trade statistics. Consumer market research is undertaken by separate consumer market research organisations. Such organisations are, NOP, Attwoods and KAE, which specialises in conducting consumer research through consumer panels.

In the view of the advertising manager, the focal targets of market research are to know consumers' opinions of the fruit. Such opinions include why people like oranges or why they like something else. In addition, SACCE researches its advertising campaigns to examine the feasibility of these campaigns. He concluded that, from the findings of market research projects, SACCE found that the vast majority of citrus fruit still tends to be consumed by the older sector of the public. Therefore, they focused attention on young housewives and children. For this reason, the advertising manager maintained, "Outspan's promotion has always been bright, lively and geared towards youth".

SACCE, however, considered to be the biggest advertiser among overseas operational and promotional offices, the advertising manager voiced doubts about the feasibility of market research activities. In this connection he stated that: " Market research is very sceptical anyway,... any of these researches is a guide and you need to examine it. It gives you a feeling and you still have to make your own judgement."

2- The CMBI undertakes two types of market research. (a) A monthly market report about the habits of housewives and their attitudes towards Jaffa produce like that conducted by "Attwoods" and (b) Commissioning a market research agency to undertake special market research proposals.

However, the UK sales manager of CMBI painted a gloomy picture of the feasibility of market research, when he stated:

"Market research is an important and often is considered to be the only way to get market intelligence. However, market research is very expensive. Sometimes you need the findings very quickly and they are too slow, sometimes they are inconclusive, sometimes they are incorrect ... So you have to be very careful in spending your money in market research because different market research organisations have different interests."

The ex-manager of CMBI had a similar view about market research when he admitted that market research is essential to any successful business, because every country has different attitudes, different tastes, different preferences...etc. and the only way to explore such aspects is through market research. However, he added that "market research is a necessary evil. It is a very expensive business".

3- UNIFRUCO conducts market research in the UK, Germany, Belgium and France. The focal targets of market research revolve around two sets of questions. (a) where Cape fruit is sold and who is buying it and (b) how Cape fruit is sold?. is it sold prepacked or loose? and which weight of package is preferred by both the consumer and trade members?.

UNIFRUCO has commissioned a market research agency which employs consumer panels in addition to getting special market reports from 'Attwoods'.

4- Such, too, was the case with FWF which used a number of market research organisations commissioned either by itself or through the appointed advertising agency. In addition, FWF used 'Attwoods Statistics'. Finally, it commissioned a market research company called 'Marketing Shop' to undertake some desk research and trade statistics analysis.

5- AGREXCO appointed an advertising agency which is responsible for undertaking both promotional and market research activities. The focal targets of such activities are: to get to know the housewives' needs of and attitudes towards specific 'Carmel' products such as celery and avocado. In addition, AGREXCO has commissioned 'Attwoods' which supplies it with a monthly market report about the competitive position of Carmel products.

*b- The second group is that of overseas offices which considered market research of some importance and, therefore, they get market research projects undertaken occasionally through the appointed advertising agency. Such offices are NZKFA, OCA and Sunkist.*

1- NZKFA appointed an advertising agency in each of the major European markets to look after its promotional and public relations activities. With regard to the UK, the appointed public relations organisation is part of one of the biggest advertising agencies in the UK. This agency has within its organisational structure a market research department which sometimes performs market research projects. Sometimes an outside market research organisation is commissioned to conduct special market research such as "Attwoods" statistics.

Not surprisingly, the head of the appointed advertising agency provided a different opinion of the importance of market research when he stated that:

"I believe in the importance of market research activities otherwise you will be working on hunches. I am quite well informed because I spend a lot of time going to the market talking to wholesalers and large retailers. But I would like to confirm or disprove a lot of theories. This cannot be done without undertaking market research. I think market research, if it is properly conducted, must indicate certain things to you which highlight certain aspects..... A lot of things become apparent through these researches, as whether people buy kiwifruit to use for decoration or to eat it with a spoon."

The above organisation has not been allocated enough money to conduct serious market research projects as such. However, sometimes a proportion of the promotion budget is set aside for consumer market research projects.

2- With regard to the OCA, the staff get market research projects done through the appointed advertising agency or sometimes by commissioning a market research agency. The prime objective of market research is to establish who is buying the fruit and why.

3- In the case of Sunkist, market research activities are undertaken by the appointed advertising agency through its market research department. Occasionally an independent market research organisation is appointed to conduct special market research projects.

*c- The third group consists of overseas offices which considered market research of insignificant importance. Such as NZAPMB, CYCO-OPs, AAPC, ITC and AGREX.*

1- NZAPMB has not undertaken any sort of market research activities neither has it researched the market as such. This is because the quantity exported to the UK has been small.

2- In the case of AAPC and CYCO-OPS, they have not undertaken any sort of market research projects either, by their own staff or by outside agencies.

The managing director of CYCO-OPS outlined the reasons behind the growers' reluctance to allocate enough funds for promotion and market research as (i) the growers believed that any funds allocated for these two tasks is "a waste of money"; (ii) Cypriot potatoes are well identified because they are grown in red soil; (iii) CYCO-OPs have been marketing Cypriot produce for the past fifty years and, therefore, he claimed, CYCO-OPs have a fair knowledge of the market, and (iv) there is a very large Cypriot community in the UK which represents a permanent market for Cypriot produce.

3- In the case of ITC and AGREX, they stressed the point that there is no benefits that can be gained from market research and, consequently, they have not conducted any sort of market research projects.

#### **4- The Managerial Approaches To Promotional Activities**

Under this heading, the managerial approaches associated with the estimation of promotional budget are examined together with the selection of advertising agency and the media selection.

##### **Estimation of Promotional Budget**

In comparison with the major competitive products, namely chocolate and confectionery, crisp and snacks and frozen vegetables, fresh fruit and vegetables are ranked well below these products. Fresh fruits and vegetables media expenditure accounted for 4% of the total media expenditure on these products in 1987, against 70% for chocolate and confectionery, 21% for potato crisp and snacks, 4% for frozen vegetables and 1% for dried fruit. It is also evident that advertising expenditure on fresh vegetables is minimal and is in fact, smaller than that spent on fresh fruit.

In this connection, the advertising manager of SACCE stated that:

"The fresh fruit business is very badly advertised. If you look at the snack business, you will find chocolates and crisp manufacturers are spending a great deal of their money on advertising .... They are really our competitors. We are in the fresh snack business. However, we do not allocate enough budget for promotion and advertising activities like our competitors in the snack business."

This can be partly explained by SACCE domination of the market in summer and, therefore, it considers products such as chocolates and crisp as their major competitive products.

However, in the case of suppliers of winter citrus fruits, they are not only competing with chocolate and snack manufacturers but also competing with one another. This situation has made the question of promotion more complicated than that of other function areas.

The reasons for this were echoed by the sales manager of CMBI as follows:

"We found that the problem of advertising and promotion is more difficult than the problem of marketing; there is a lot of confusion about how much we should spend, what is the most effective way of spending our promotional budget?, ... I think advertising fruit is a very uncertain business; you cannot establish the relationship between the cause and the effect,... you always have the negative feeling to spend money for advertising because you do not know whether it is useful to your business or not."

Diagram (5.1) shows the advertising expenditure on fresh fruit and vegetables, frozen vegetables, crisp and snacks during 1975/1987 period.

Estimating promotional budgets proved to be one of the most centralised aspects of the decision-making process. All overseas operational and promotional offices indicated that promotional budgets were to a great extent imposed upon them by the HQ in the home country. However, when it comes to putting the promotional budget into operation, most overseas operational and promotional offices enjoy a great deal of freedom to choose the advertising agency, the media and the like.

Overseas shippers can be classified into two groups according to their degree of participation in decisions pertaining to the estimation of the promotional budgets. Or in other words, the larger the budget the greater the participation.

*a- The first group of the two is overseas offices which are allocated sizable promotional budgets and therefore have greater say in the budget estimation process. Such offices are, SACCE, CMBI, AGREXCO, UNIFRUCO and SCMC*

1- The advertising manager of SACCE office stated that:

"One of our main duties is to assign the promotional plan. We decide on what we want to do, and the reasons for doing such things, then the chief executive officer submits the plan to the board for approval. If it receives approval, we run it for the rest of the year. So we have to fight to get the promotional budget approved by the growers without major changes. Generally speaking, all that we are likely to get, is an increase equivalent to the increase of cost of living in each country in which the fruit is marketed."

2- The UK office of CMBI submits a promotional plan every year and this plan is subjected to significant changes by the HQ in Tel Aviv.



Diagram (5.1)

# MEDIA EXPENDITURE CLASSIFIED ACCORDING TO COMPETITIVE PRODUCTS

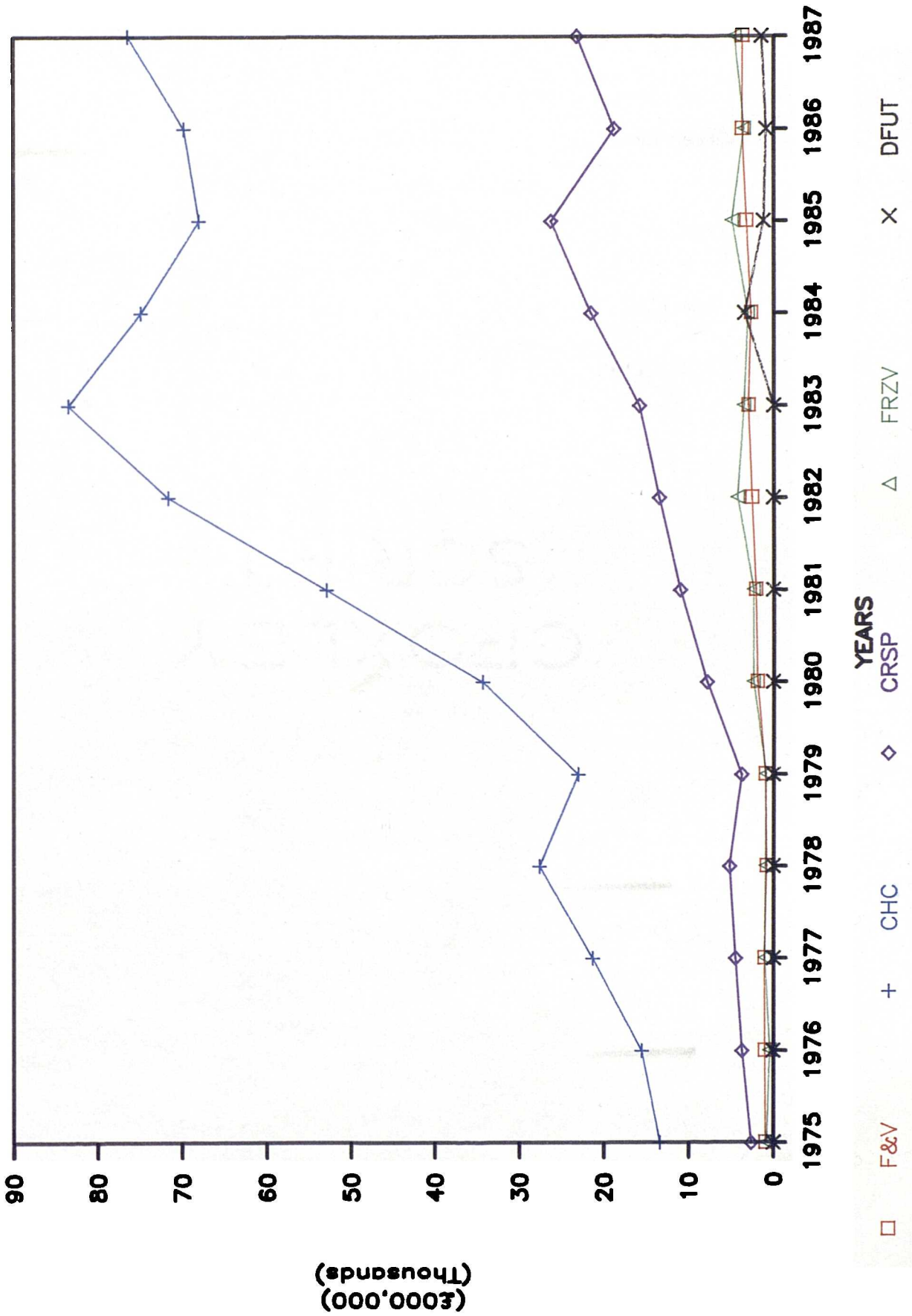


Diagram (5.1)

Similarly, in the case of FWF, the marketing manager stated that:

"... We have two meetings with two growers' committees. We review our promotional activities that have been undertaken during the year. We tell them what the inflation rate is. We tell them what we should invest in the coming year. At the end they decide according to their priorities for the UK market versus other markets."

3- Such, too, was the case with AGREXCO, where the UK office submits two promotional proposals each year to the HQ in Tel Aviv- one in summer and the other in winter- and these proposals are subjected to adjustments by the HQ.

4- A quite similar example related to UNIFRUCO, whose planning manager had this to say:

".. The HQ in South Africa puts aside a certain amount of money for promoting each major fruit type. On the part of the UK office the size of promotional budget is changing on an annual basis depending on what we need our promotional spending to be. If we believe that there is a necessity for an increase in the promotional budget we recommend that to the HQ which usually makes some modification to the original plans submitted for approval."

5- In the view of the head of SCMC, although the UK office is consulted before the budget is estimated, the HQ in Spain retains the right to make whatever changes they see fit. Basically, there are two sets of factors which determine the estimation of the promotional budget: (i) the market size of each market country and the market share of Spanish citrus in each market and (ii) whether or not new varieties are being introduced.

*b- The second group is that of overseas shippers and countries which do not have any say in the budget estimation process. Such shippers are, NZAPMB, NZKFA, OCA, AAPC, AGREX, CYCO-OPs, Chile, Pakistan, Egypt and Kenya.*

1- In the case of the NZAPMB, the promotional budget is dictated by the HQ in NZ, predominately in light of the volume planned for export to each country.

2- A very similar example related to the NZKFA. The head of the advertising agency admitted that the budget is dictated by the HQ in NZ without consulting the appointed advertising agency. In this connection he had this to say: "At the beginning of each marketing season we get an indication from NZ of what the budget will be and they ask us to provide plans of the outlay of this budget. If our plans are approved we will have a fairly free hand to carry out these plans."

3- The same approach is applied by OCA, as the UK office is given, every year, just a figure from the HQ in Morocco.

4- In the case of Sunkist, the UK agent placed the volume exported to each country as the key criterion in the headquarters' decision to allocate the promotional fund. Although each agent is consulted before the promotional budget is approved, the final decision rests within HQ jurisdiction.

5&6- Both AAPC and AGREX do not have a formal promotional budget, neither have they conducted promotional activities. However, depending on the necessity, they can ask their respective headquarters for a certain amount of money to meet special promotional occasions such as participating in fruit exhibitions. The main reason for not being allocated a promotional fund was that the quantity exported into the UK was insignificant.

7- Similarly, in the case of CYCO-OPs, the managing director indicated that they do not have any say in estimating the promotional budget as it is imposed on them by the HQ. Sometimes, the government of Cyprus allocates an amount of money to promote, generically, Cypriot produce as happened in 1983 when the government allocated £35000 to promote "Sultana" grapes and £50000 to promote citrus.

8- The marketing manager of the ITC stressed the point that the budget is estimated and allocated to various trade centres by the HQ in light of the quantity exported to each market in the previous year.

9- In the case of the countries which have neither set up marketing boards nor have they established promotional and advisory boards, there are four examples:

a- In the case of Chile, the commercial attache mentioned an odd example of how the Chilean promotional activities are planned and carried out. He had this to say: "However, we were allocated £100000 for the first time in 1984 based fundamentally on the quantity exported the year before. Because the budget was approved at the end of our marketing season, we had to postpone our promotional activities until 1985."

b- In the case of Pakistan, the commercial attache referred to the point that, "We have an overall budget for the embassy dictated by the Pakistani Government. A proportion of this budget is used for the promotion of the various Pakistani products not just fruit and vegetables".

c&d- The above approach is applied to both Egypt and Kenya.

The final comment is about the approach which should be used by the various fresh fruit and vegetables marketers. The promotional budget ought not to be tied to the quantity exported to a particular country, but it should be estimated according to the job that needs to be done. For instance, if an overseas shipper already exports a lot, he does not in fact need to spend a relatively high amount of money on promotion because he is already dominant in the market. All that he needs is to spend a certain amount of money to retain his market position. On the other hand, if he markets a relatively small quantity he ought to spend more money per package to establish himself in that market. Therefore, supplying countries should estimate the promotional budget according to the job which needs to be done and the cost of implementing this job in a proper way.

## **The Selection of Advertising Agency and media**

Under this heading two issues of general interest are examined. These issues are, the criteria used in choosing between advertising agencies and the advertising media.

### **THE SELECTION OF ADVERTISING AGENCY**

In general terms the selection of an advertising agency should pass the following steps.

The process starts with the specification of the client's problem and what results the advertising agency is required to achieve. The client then issues a brief to advertising agencies which are believed to have the relevant experience and knowledge of fresh produce. Each agency submits its plan and recommendation to the client who makes his judgement primarily on the advertising agency's grasp of his problem, the quality of its work and, finally, whether a good rapport is being established with the people in the agency in question. Most overseas operational and promotional offices review the performance of their advertising agency after a three year term. If the appointed advertising agency has performed well, it will be reappointed for another three years. If not, the contract will be reviewed.

The key factors to deciding between advertising agencies are:

(a) Familiarity with the fresh produce business. This may justify the reasons behind the emergence of a newly established advertising agency which confined its activities to fresh fruit and vegetables promotion.

(b) Creativity.

(c) The access to a particular media which, in turn, depends on the focal targets of promotional campaigns.

(d) The budget, and

(e) The people factor which means the kind of relationship required between an advertising agency and its client.

Table (5.4) illustrates the rating of the criteria used by overseas offices in choosing between advertising agencies.

Table (5.4): The rating of the criteria used in choosing between advertising agencies.

Criteria Shippers	Familiarity with fresh produce	Creativity	Promotional budget	Access proposed media	people factor
NZAPMB	yes	---	---	yes	---
UNIFRUCO	yes	---	---	---	---
SACCE	yes	yes	---	---	yes
FWF	---	yes	---	yes	yes
OCA	---	---	yes	---	---
SCMC	yes	yes	yes	---	---
ITC	---	---	yes	---	---
CMBI	yes	---	yes	---	---
AGREXCO	yes	yes	yes	---	---
CYCO-OPs	yes	---	yes	---	---

The main points which can be drawn from the research findings are:

1- It is apparent from table (5.4) that there are only 10 overseas offices which have appointed advertising agencies, 70% of them mentioned familiarity with fresh produce as one of the criteria used in deciding between advertising agencies. That is followed by the size of the promotional budget, and creativity with 60% and 40% respectively. Finally, the access which the agency may have to a particular media and the people factor were mentioned by 20% each.

2- Overseas operational and promotion offices which have been allocated sizeable promotional budgets put familiarity with fresh produce on the top of the list, followed by the access to the proposed medium, creativity and the people factor. Such offices are UNIFRUCO, SACCE, FWF and SCMC. Other offices which have been allocated a small sized budget put the budget size at a top priority.

3- It is worth noting that, SACCE adopted a new approach to deciding between advertising agencies. This approach is based on the premise that, it is almost impossible to get the best of every required service from one advertising agency. Therefore, SACCE appointed a number of advertising agencies, each of which is specialised in providing a particular service.

## **MEDIA SELECTION**

### **Introduction**

The media most commonly used in the promotion of fresh fruit and vegetables are:

1- T.V and Radio. The former has the advantage of its mass coverage and appeal, while radio schedule has the advantage of being more flexible and cheaper. These are the vehicles for promotion, particularly when brands are already established, such as Cape, Outspan, Jaffa and Carmel.

2- Trade press which includes Fruit Trades Journal and EuroFruit, and International Fruit World as well as wholesalers and supermarkets journals.

3- Posters and point of sales material and participation in trade exhibitions are good in promoting the products to both trade members and the customers alike.

4- The last few years have experienced a widening of consumer interest in tropical fruit and vegetables. Many of them are fairly unknown to the public. As a result of this there has been a move towards what can be broadly defined as educational publicity which ranges from a mere description of the fruit, and simple rules on preparation to elaborate recipe leaflets.

### **The Criteria Used in Deciding Between Advertising Media**

In general terms the prime factors employed in deciding between advertising media are:

- The size of the promotional budget.
- The focal targets of promotional activities.
- The degree of market coverage. If the produce is marketed nation-wide then national newspapers, magazines, radio and T.V stations should be used. If the produce is confined to a particular region, it is preferable to use local media.

- The length of the marketing season. If the marketing season of the produce in question is very short, then television should be used because of its strong impact. Otherwise, a blend of other media may be employed.

This section closes with an examination of the focal targets of the various overseas offices and the media used in the promotional activities as extracted from the field research. The aim of combining these two issues together is to explore whether or not the chosen media corresponds with the focal targets examined in earlier sub-section. The results are shown in table (5.5)

Table (5.5): The focal targets and the media used by overseas offices.

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**a- Overseas offices which considered trade promotion as their focal target:**

**NZAPMB:** Trade press and point of sale material.

**UNIFRUCO:** Trade press and point of sales material, merchandising sales force, Cape newspaper, T.V and Radio stations.

**FWF:** Trade press, point of sale materials, merchandising sales force, editorial publicity in national news papers, recipe leaflets, the publication of Good Produce Guide, and T.V.

**OCA:** Trade Press and point of sale material.

**ITC:** Trade press, and point of sales material.

**CMBI:** Local radio stations, women's magazines, trade press, point of sales material, merchandising sales force and T.V advertising .

**CYCO-OPs:** Trade press, local radio stations, point of sale material and occasional use of T.V campaigns.

**NZKFA:** Trade press, point of sale materials and merchandising sales force women's magazines, distributing recipe leaflets and running educational programmes.

**AGREX:** Trade press

**Chile, Egypt, Pakistan, Kenya.** Trade promotion run by individual exporters and importers.

**b- overseas offices whose promotional focal target was the consumer:**

**SACCE:** T.V, national poster campaigns, merchandising sales force, local radio stations, and trade press.

**SCMC:** Trade press, point of sale press, T.V, Radio stations and women's magazines and running educational programmes.

**AGREXCO:** T.V, local radio stations, point of sale material, merchandising sales force, trade press and running educational programmes.

**Sunkist:** Trade press, used to use T.V campaigns.

**AAPC:** Generic advertising with other SANZA members. The media used are, local newspaper and local radio station.

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Diagram (5.2)

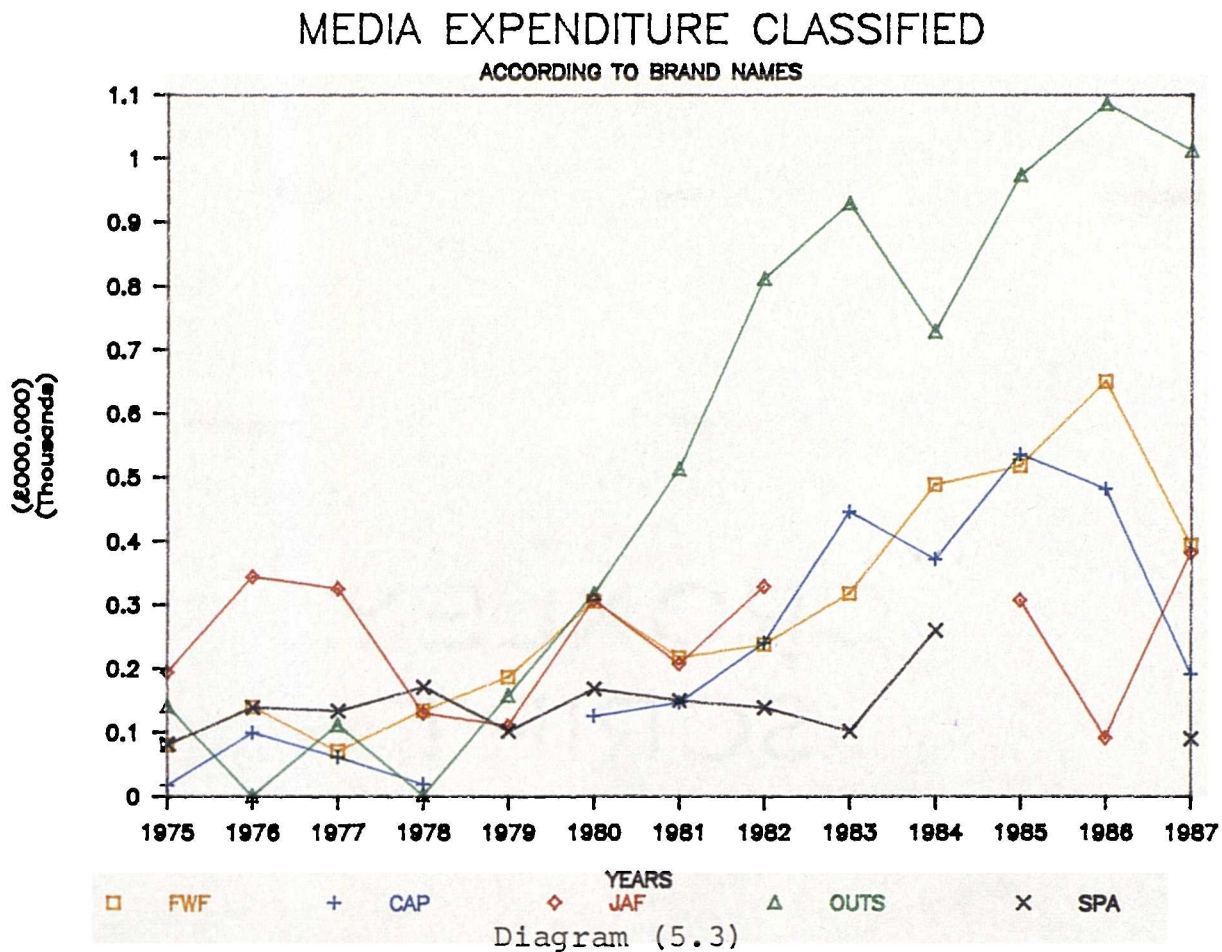
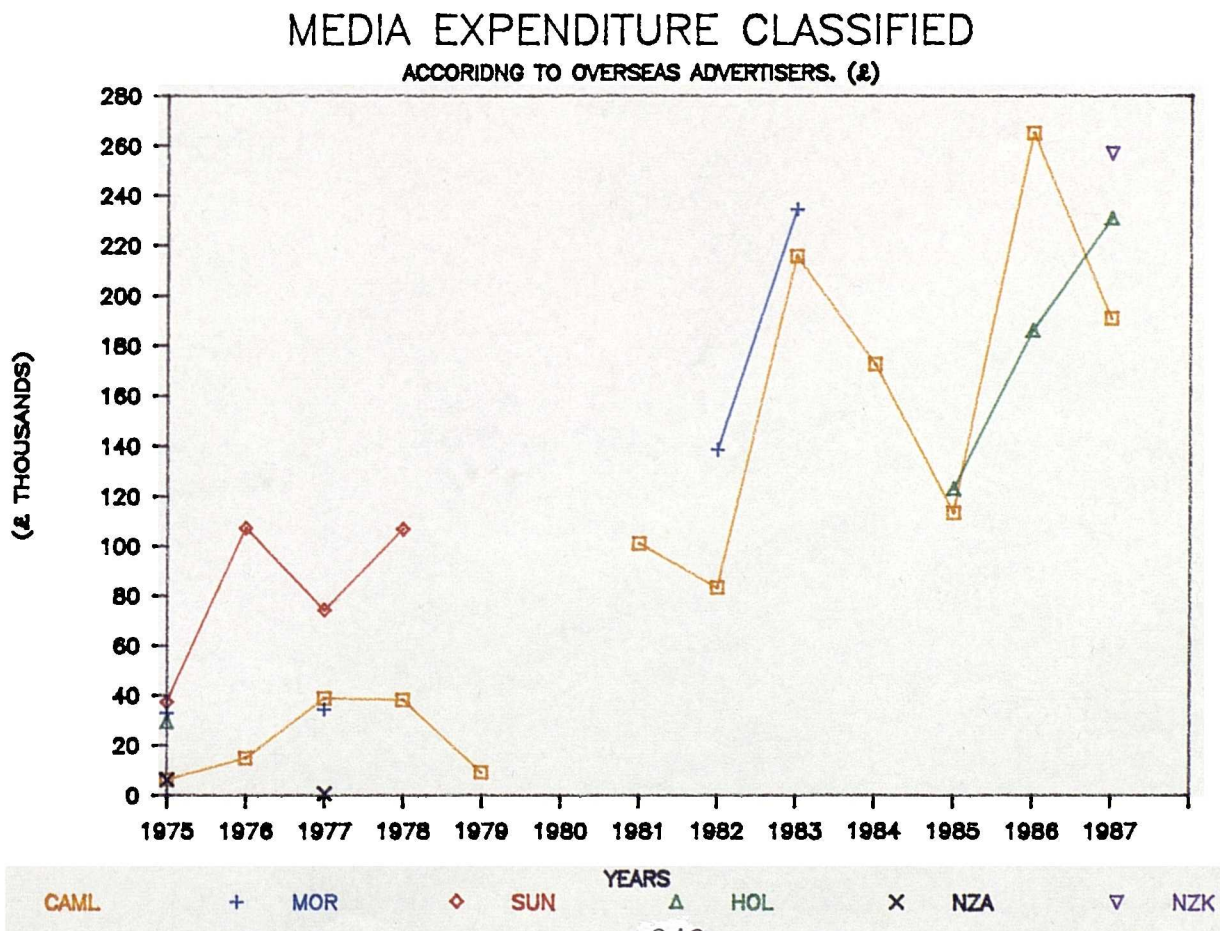


Diagram (5.3)





In addition diagrams (5.2&3) show the media expenditure of overseas operational and promotional offices during the past 13 years. These diagrams are based on figures confined to consumer advertising. (Media Expenditure Analysis Limited (MEAL), 1975-1987).

The main conclusion which can be drawn from table (5.5) and diagrams (5.2&3) is that, although the promotional media used by overseas offices, with the exception of Sunkist, correspond to a great extent with their perceptions of the promotional targets, there is a varying degree of the variety and intensity of the media used. According to 1987 figures, Outspan is by far the largest advertiser, followed by FWF, Jaffa, the Dutch produce, Cape, Carmel and NZKFA.

## **Summary and Conclusions**

It was hypothesised that selling export orientation approach adopted by a number of overseas shippers coupled the physical attributes of fresh produce, particularly, the undifferentiated nature of the produce regardless of the country of origin, have great implications for promotion, branding and market research.

Drawing upon the implications of the findings of the study, the following conclusions can be extracted:

### **Trade promotion**

1- All overseas marketing and promotional organisations under-study, with the exception of SACCE, AGREXCO, Sunkist and SCMC, considered the trade members- wholesalers, retailers and caterers- as their prime promotional targets. On top of these offices are UNIFRUCO, NZKFA, FWF and CMBI which have conducted an intensified trade promotion. The media used include trade press, public relation as well as the employment of merchandising sales force. UNIFRUCO, FWF and AGREXCO supported these activities with issuing their own journals.

2- Managers of overseas operational and promotional offices who considered the consumer as their major target have also employed a sophisticated trade promotion campaigns. These offices can be embodied under two categories:

a- The first is that of overseas offices whose major target is to increase consumption of a particular product rather than convincing wholesalers and retailers who are already in

short supply to display this product. A typical example is SACCE and Sunkist. Although both dominate the market during summer time, the former markets small sized oranges whilst the latter markets large sized oranges.

b- The other is that of offices which handle newly introduced products with the aim of creating public awareness of such products, as is the case with AGREXCO and NZKFA. They have used extensive educational campaigns through distributing recipes and leaflets to educate the public and trade members about the use of such products.

3- Exporters of other countries which neither have promotional boards nor marketing boards confined their activities to trade promotion to get their brands accepted by trade members .

### **Branding and Generic Advertising**

4- Due to the difficulty in differentiating as between sources of supply and the selling orientation of some overseas shippers there have been few brand names attached to fresh fruit and vegetables. These brand names have been developed mainly for fresh fruit marketed and/or promoted by overseas marketing and promotional boards. Such brand names are, Cape, Outspan, Jaffa, Carmel, Maroc, Spania, New-Zealand and Holland.

5- According to the EEC regulation, supplying countries must put the name of the country of origin on the containers. Therefore, being a selling exporter or a marketing exporter is measured in terms of whether or not a particular shipper labels individual products with stickers.

In accordance with this measure, overseas shippers can be classified into three grades:

*a- The first grade is those overseas shippers which have labelled over 50% of their individual fruit.*

UNIFRUCO used Cape as a brand name for all its varieties. In addition, stickers carrying 'Cape' were put on 60% of its apples and 100% of its grapes bear tags. Similarly in the case of SACCE, stickers which carry the brand name Outspan were put on 100% of its citrus varieties. However, in the case of CMBI, the brand name Jaffa is stamped on all citrus varieties and it is proposing to use stickers in the near future in a move to catch up with Israel's major competitors, namely, Morocco and Spain. Furthermore, AGREXCO labelled all its fruit with stickers carrying the brand name Carmel. OCA labelled its

products with stickers carrying the brand name Maroc. Finally, most of NZAPMB's products carry stickers with the brand name NewZealand.

*b- The second grade is that of overseas shippers which have labelled less than 50% of their individual products.*

This grade applied to, AAPC, NZKFA, and FWF and SCMC with their major exporters.

*c- The third grade is that of overseas shippers which have not labelled their fruit.*

This grade is confined to countries whose fresh fruit and vegetable industry is fragmented among a huge number of exporters and importers who employ the country name as a brand name.

6- Countries which have used the country name as their brand names can be grouped into two categories: (i) countries which do not suffer from political negatives such as NZ, Australia, Spain and Italy (ii) countries which have not committed themselves totally to establishing their brand names in overseas markets. Such countries are Egypt, Kenya, Pakistan, Chile and Cyprus.

7- The vast majority of the heads of overseas offices agreed on the importance of generic advertising, however, there are some variations in their preference to a particular type of generic advertising, whether it is world-wide, regional or national. Examples are:

a- All operational and promotional offices cited their preference of promoting their products generically on a national level, either through (i) using the country of origin name such as NewZealand, Holland, Spania, Italia, Australia, Cyprus and so forth, or (ii) promoting a number of products grown in a particular country under a single brand name, such as South Africa with Cape and Outspan, Israel with Jaffa and Carmel and France with Le Crunch. The main purpose of using the latter approach is to avoid the political negatives which might attach to some countries.

b- Overseas shippers which favoured generic advertising world-wide or on a regional level can be classified into two categories: (i) shippers which do not encounter severe competition during their marketing season as is the case with Outspan or those which serve a well protected segment as with Sunkist and (ii) countries which have collective interests and at the same time share common attributes as is the case with the southern

hemisphere countries. These countries set up SANZA organisation to promote fresh produce against the French golden delicious apples.

8- The difficulties which impede the application of generic advertising world-wide are how to get interested countries agreed on the size of generic promotional budget, the media which should be used and the timing of advertising campaigns.

These problems can be overcome through setting up a committee of representatives of the various shippers of a particular produce to oversee the running of promotional activities. In addition, the promotional contributions can be divided proportionally according to the preceding year's sales of each shipper in a particular market country. Finally, the timing of promotional activities can be also allocated proportionally among different marketing seasons according to the contributions made by the various shippers who occupy a particular marketing season.

### **Market Research**

9- Market research has been perceived by managers of overseas operational and promotional offices as one of the most overlooked issues in the area of fresh fruit and vegetable marketing abroad. The reasons for this are, overseas operational and promotional offices have not established a separate market research department within their organisational structures neither have they been allocated a separate market research budget. In addition, in most cases, market research projects are undertaken by the appointed advertising agency.

Anyhow, overseas operational and promotional offices can be classified into three categories:

a- First of these are those overseas shippers which considered market research of insignificant importance and, therefore, have not conducted any sort of market research projects internally or externally. Such shippers are NZAPMB, CYCO-OPs, AAPC, ITC, Egypt, Greece, Pakistan, Kenya and Chile.

b- The second is those overseas offices which considered market research of some importance and therefore they get market research projects undertaken occasionally by the appointed advertising agency itself. Examples are, NZKFA, OCA and Sunkist. However, they sometimes get special market research reports from 'Attwoods Statistics'.

c- The third and last is that of overseas operational and promotional offices which have taken the market research task seriously. The main features of these offices are: (i) They spend a considerable amount of money on market research projects and (ii) Organisations of market research have been commissioned either by these offices or through the appointed advertising agency to undertake a number of special market research projects. Such offices are, CMBI, SACCE, UNIFRUCO, AGREXCO and FWF.

10- It is evident from prior findings that there has been a growing importance of trade promotion and generic advertising especially on the country level. In addition, there have also been a few well known brand names in this area, developed mainly by marketing and promotional boards. Finally, market research is proved to be one of the most overlooked issue in fresh fruit and vegetables business.

#### **Estimation of Promotional Budgets**

11- In comparison with major competitive products, namely chocolate and confectionery, crisp and snacks and even frozen vegetables, fresh fruit and vegetables are ranked well below these genuine competitive products.

12- The research evidence suggested that, the estimation of a promotional budget is perceived by all overseas operational and promotional offices as their most centralised aspect in the decision making process. That is because the HQ located in the parent country has the upper hand in determining the promotional budget.

In this respect overseas operational and promotional offices can be classified into two categories: (i) overseas offices which are allocated a sizable promotional budget are consulted by the HQ before the final decision is taken. These offices are, UNIFRUCO, SACCE, CMBI, FWF, AGREXCO and SCMC and (ii) overseas operational and promotional offices upon which the budgets have been imposed by the HQ. Such offices and agencies are, NZAPMB, OCA, NZKFA, AAPC, CYCO-OPs, Sunkist, AGREX, ITC, Chile, Pakistan, Egypt and Kenya.

#### **Selection of Advertising Agency and Promotional Media**

13- The most sophisticated approach of the media selection was employed by five leading overseas operational and promotional offices, namely SACCE, UNIFRUCO, AGREXCO, FWF and SCMC. They have used T.V advertising, women's magazines, national and local Radio, national poster campaigns, point of sales material,

merchandising sales force and trade promotion. In addition, UNIFRUCO and FWF have distributed their own publications to wholesalers and retailers. The former issues "Cape Newspaper" and the latter issues "Good Produce Guide". Finally, there is a proposal being considered by AGREXCO to launch a newspaper called Carmel.

14- Organisations such as CMBI used T.V advertising, Radio, women's magazines, merchandising sales force, point of sales materials and trade press. NZKFA has used the same media with the exception of Radio. In addition, both NZKFA and AGREXCO distribute recipes and leaflets to increase the public awareness of their new introduced products. Finally, OCA has used the same media as CMBI except it does not employ merchandising sales force.

15- It is worth mentioning that, marketing and promotional offices which handle new commodities have used, extensively, educational promotion to educate the public about the possible usage of their products. Examples are, NZKFA, AGREXCO and FWF mainly with products other than apples and pears.

16- Although, promotion, market research and branding were given a relatively low weight, marketing export shippers such as UNIFRUCO, SACCE, CMBI, AGREXCO and to some extent OCA, NZAPMB and NZKFA, have given these functions greater weights than other shippers (selling export shippers).

**SECTION 5**

**THE MANAGERIAL APPROACHES  
TO PRICING POLICIES  
(THE RESEARCH FINDINGS)**

## SECTION 5

### THE MANAGERIAL APPROACHES TO PRICING POLICIES (THE RESEARCH FINDINGS)

#### Introduction

The price factor was rated by managers of overseas offices in the first place by 18%, in the second place by 12%, in the third place by 19% and in the fourth place by 24%. (table 5.1). Such variation in the managers' opinions of the relative importance given to pricing policies can be attributed to the intensity of competition overseas offices encounter. As such, CMBI, OCA and SCMC, which encounter severe competition during the winter, put the price factor at the top of the list and therefore, have employed the price factor as a tool for achieving competitive advantage.

Although, the extent to which price is used as a strategic policy for gaining competitive advantage is restricted by the EEC regulation in the form of reference price,<sup>8</sup> some operational and promotional offices considered the price element as a function of quality specification as was mentioned in section (5.1).

#### Key Factors To Price Setting

There are four key factors which determine the price of fresh fruit and vegetables.

Firstly, the cost factor which includes the cost of production, transportation, loading and unloading cargoes and duties.

Secondly, competition which represents the supply side of both home grown produce and competitive products.

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<sup>8</sup>In general, the community's reference prices are determined for a season on the basis of producer prices in each Member State and take account of the average trend in the prices fixed by the Council for withdrawal purposes. An entry price relating to a significant proportion of Community imports of each commodity for each third country is calculated daily by the commission and then compared with the predetermined reference price. Where this entry price is below the reference price for two successive market days, or on three occasions in a period of five to seven successive market days, the Commission is empowered to introduce a countervailing charge which, broadly, serves to bridge the difference and would be applied throughout the Community to such imports from the third country concerned. This charge may be varied or removed according to the movement of the daily entry price on subsequent days.



Thirdly, the demand side which has experienced stagnation during the past two decades, with the exception of new exotic products.

Finally, the EEC legislation in the form of reference price at which supplying countries have to sell their produce no less than that price. The reference price has a negative impact on countries such as Spain and Cyprus because of their market proximity to the UK.

In this connection, the general manager of SCMC complained of the reference price when he stated that, " the gradual increase in reference price is causing distortion in commerce that are completely opposed to the wishes of Spanish exporters. Having to keep prices at a high level in order to avoid countervailing duties led, in certain cases, to a need for regulations on quality and even on the quantity of Spanish citrus supplies." (Reuters, Fruit, October 26, 1984, p 1)

### **Pricing Policies**

There are two pricing policies. These are:

a- The consignment/commission practice means that the produce is sent to wholesalers and/or importers, without taking title of the produce, for sale on behalf of the growers and/or exporters. The commission is calculated as a percentage of the total sale and is deducted from sales proceeds before they are remitted to the growers and exporters.

b- The firm price policy means that the produce is sent to wholesalers and/or importers only when the price has been agreed upon with the shippers of the produce in question. The firm price policy may take the form of Accommodational Advance (AA) or Guaranteed Advance (GA) as explained later.

Overseas shippers can be categorised into two groups according to the pricing policies adopted.

*1- The first of these are the overseas offices which have used consignment/commission basis as a tool for price setting.*

The research evidence shows a strong support among the heads of overseas operational and promotional offices and trade members towards the use of consignment/commission practice as basis for setting up the price.

This category, in turn, can be divided into two sub-groups according to whether or not these offices have established a guide on price. They are:

*a- Overseas offices which established the price for their panelists below which the produce must not be sold to their clients. These offices are, NZAPMB, UNIFRUCO, CMBI, OCA, SACCE and AGREXCO*

1- NZAPMB set the wholesale price considering two major factors- the cost of production and the prevailing market conditions. However, the marketing manager admitted that the wholesale price is basically determined by forces of supply and demand. He had this to say, "as far as pricing policy is concerned, the major responsibility of NZAPMB is to take advantage of the market situation for achieving the best possible price by fixing the wholesale price."

2- UNIFRUCO decided to issue a guide on price to all its products during 1984/1985 based upon economic models which reflect the supply and demand situation. The guide on price is based predominately on daily prices recorded at Covent Garden Market, which represents the biggest fruit and vegetables wholesale market in the UK.

Other factors taken into account in setting up the prices of Cape products are market conditions on the continent, competitive supply and finally, the strength of local currencies.

The planning manager of UNIFRUCO stated that:

"Unfortunately, in a commodity market situation with a product like fresh produce, it is not always possible to get the price you want because you cannot store the produce when the market is over-supplied. However, if you do your research correctly, and you set up the correct economic models you undoubtedly achieve success. Another factor which UNIFRUCO takes into account is the exchange rate between the domestic currency which is the 'Rand', and European Currencies."

3- Such, too, was the case with CMBI whose sales manager referred to the market forces and competitive supply in both the UK and the continent as the prime elements in setting up the price. In light of these factors, the UK office issues a guide on price for each variety sold to the retailers.

Regarding the factors taken into account in setting the guide on price, the sales manager of CMBI had this to say:

"There are two reasons behind setting up the guide on price. The first is commercial which means you cannot evaluate the market over here on a free price basis because if you do not exercise some control on the price it will go down like a stone. The second reason is administrative, that is, if you have an

organisation with a general manager and other staff you will opt for fixing the price to exploit the expertise and facilities available in your organisation."

4- In the view of OCA, the sales manager, who was interviewed on the first day of the marketing season, stated that: "Today is the most difficult day in our marketing season because we have not got sufficient bases on which we can fix the price".

OCA sets the price in light of the following set of factors: (a) the overall trends of the trade, the market situation in both Europe and the UK, (b) the quality of Moroccan produce.

The sales manager of OCA stated that:

".. We must be conscious of what is happening in other European countries because someone could bring the fruit from the continent to this market if the price difference between the UK and the rest of Europe was over 50 pence. We must be conscious about what the Spanish are doing with their fruit, and then we can charge a slight premium if we have first class fruit or if we have got good colour.. and if the presentation is good."

The commission paid to the panelist is at the rate of 6% of total sales plus handling charges of 2p per package sold which is deducted from the account sales returned to OCA each week.

5- In the case of SACCE, the pricing policy is based primarily upon market conditions in both the UK and the continent. In light of the cost of production, shipping and other relevant costs, the UK- based office establishes the 'Minimum Economic Price' (MEP). If panelists sell the produce higher than the guide on price they earn 20% of the additional price increase. However, panelists are occasionally allowed to sell the produce at the market price, particularly at the beginning of the season.

The UK office endeavours to sell the produce above the MEP. However, sometimes the fruit may be sold below the MEP at the beginning and at the end of the season. In this connection the advertising manager stated that "we will be relatively happy, if our products are sold at an average price above the MEP during our marketing season".

In some detail, SACCE sets up the guide on price to its panelists on a daily basis. This price may change many times a day in response to changes in the supply and demand situation. For example, if the UK office find out that the panelists do not make sufficient sales on one day, the price will be dropped very quickly. On the other hand, if the UK office has a shortage of fruit and the panelists sell well, the price will have to be raised.

6- In the case of AGREXCO, the UK office set the price in light of the supply and demand situation in both Europe and the UK. AGREXCO set a daily minimum price for each commodity. If the panelists sell the produce at a price higher than the minimum price, they still get only the normal 5% commission on the total sale.

AGREXCO handled around 82%-85% of Israeli non-citrus exports in 1984 and Hillorn the balance. These two companies, in their attempts to keep price competition under co-operation in the field of timing, grading and standards, have co-ordinated their sales on the French market with regard to prices, quantities, marketing strategy and allocation of different varieties to be sold by each company. In Italy, Switzerland, West Germany and the Benelux countries, AGREXCO handles all avocado sales, both those under its own name 'Carmel' and those of Hillorn under the brand name 'Holyland'. Negotiations are at an advanced stage to reach a similar agreement for France and the UK market. (Reuters, Fruit- No. 11, 441, September 21-1984. pp 1-2.)

*b- Overseas shippers which have used consignment commission basis but without establishing the guide on price.*

The only example among overseas offices which uses this policy is Sunkist. The UK agent for Sunkist, in commenting on the disadvantages of setting up the guide on price, said:

"... The problem with the guide on price system is that marketing boards are not always able to fix the correct price; very often it is too low, very often it is too high and too often we get stuck with a big accumulation of stock because it is very easy to raise the price, but everybody is afraid of lowering it... and if you do not lower the price at the right time and by the right proportion, you get stuck with accumulated stocks..... the produce gets old, stolen and you have to pay storage expenses. Very often you have to move the stock from one place to another.... Sometimes the loss resulting from raising the price is much higher than if you had lowered the price and sold the produce quickly."

This can be explained as the UK is allocated insufficient volume of Sunkist fruit and therefore does not deserve setting up the price for the panelists. In addition, most of the produce is sold direct to supermarkets and departmental stores by the agent himself who has packaging, storage and transport facilities which qualify him to deal direct with such stores.

It is worth mentioning that in the case of other countries which do not have marketing boards, their large exporters apply the same system. Such countries are, Spain, France, Italy.....etc.,

2- *The other group is that of overseas offices which sell their products on firm price. Such offices are: CYCO-OPs and AAPC.*

a- CYCO-OPs, the sole marketer of Cypriot potatoes, sells potatoes on a firm price basis for a relatively longer period of time than other shippers. However, with regard to Cypriot citrus, grapes and other vegetables, they are all sold on a consignment/commission basis.

The application of the firm price policy on Cypriot potatoes can be attributed mainly to the insignificant competition encountered during their marketing season which coincides with the end of the old English potato crop and before the start of the new season.

b- Such, too, was the case with UK promotional and advisory office of the AAPC which has some influence over price setting. The head of the UK office admitted that 80% of Australian apples and pears are sold at an accommodational advance price and a guaranteed advance price,<sup>9</sup> opposite to the normal practices of the wholesale trade which is consignment/commission basis.

It was reported in (EuroFruit, September, 1983, p 29) that, "European importers of Australian apple, have repeatedly stressed the advantages of consignment selling practises applied by Australia's main competitors. These practices take most of the risk away from the import trade."

It is also worth mentioning that, other countries which have not established overseas offices apply the same system because of the huge number of small exporters who do not have either the experience or the knowledge to establish a guide on price. Such countries are, Egypt, Kenya, Pakistan, Chile, and even Spain, Italy and France.

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<sup>9</sup>- Accommodational Advance (AA). According to (AA) payment is made by the receiver of goods 'on consignment' to the owner of the produce but not subjected to any guarantee. Hence if the proceeds of the sale of the goods fall below the amount advanced the difference is refunded by the owner and if the proceeds exceeds the amount advanced the difference is shared between them.

- Guaranteed Advance (GA). When produce is sent 'on consignment' but subject to the receiver guaranteeing to pay the owner a minimum amount whatever the goods realise when sold. Should the amount realised exceeds the GA then the additional amount is paid to owner.

## Summary and Conclusions

The intensity of competition is a major factor in forming the managers' perceptions of the relative importance of the price element. Consequently, countries which encounter severe competition, as is the case with suppliers of winter citrus, have given the price factor a relatively higher priority than countries which do not encounter such competition. In addition, the extent to which the price is employed in forming the competitive position of a particular country is limited by the reference price issued by the EEC.

In the main, three key factors determine the pricing policies: (i) The cost factor. (ii) Market conditions in both UK and Europe. (iii) EEC policies in the form of the reference price below which overseas shippers must not price their products.

The research evidence suggests the following conclusions:

1- The various overseas operational offices- with the exception of Sunkist- issued a guide on price below which the panelists should not sell the product. The prime reason for using the guide on price is to impose some control on the price behaviour to prevent the price from falling further.

2- The pricing policy adopted by overseas operational offices depends to a great extent on their approaches to the UK. As such, overseas offices such as SACCE, OCA and AGREXCO which considered the UK as part of Europe when planning their marketing strategies, put the market condition on the continent as another factor in determining their pricing policies in the UK. On the other hand, overseas offices such as NZAPMB, CYCO-OPs, AGREX, Kenya, Egypt, Chile and Pakistan looked at the UK on its own and therefore, did not take into account the market condition on the continent. An exception is CMBI which took into consideration the price on the continent even though it considered the UK as a separate market.

3- 95% of all wholesale transactions are implemented through the most common trade practice within the wholesale markets which is a consignment/commission basis. The only two exceptions are Cyprus, which sells potatoes on a firm price basis, and AAPC, where it was said that 80% of its varieties are sold through using Accommodational Advance Price and/or Guaranteed Advance Price.

4- UNIFRUCO is the only overseas office which has used economic models in setting up the price.

5- In line with previous discussion concerning the orientation of overseas shippers (marketing versus selling approach), overseas shippers should accommodate their trade practices with those prevailing in the market countries. The most common trade practice in the UK is the application of the consignment/commission as a basis for price setting.

In this respect, overseas shippers can be classified into two groups according to their orientations to overseas markets:

a- Overseas shippers which adopted a marketing export orientation approach via the application of normal trade practice which is a consignment/commission basis. This group comprises the various overseas operational offices and large shippers. In addition, overseas operational offices in their endeavour to achieve the best possible price have issued a guide on price below which the panelists should not sell the produce.

b- Overseas shippers which adopted a selling export orientation approach, have applied firm price policies. This group includes shippers which have imposed their preferred domestic practices abroad, either because of their distinctive products as is the case for Cypriot and Egyptian potatoes or because of their unfamiliarity and inexperience with trade practices.

This group includes CYCO-OPs, AAPC and small shippers operating in other countries which have not established overseas offices. Some governments postulate issuing export licenses on the application of the firm price system in the market countries. The aim is to secure fair remittance on exports.

## **SECTION 6**

### **THE ORGANISATIONAL APPROACHES TO QUALITY SPECIFICATION, CONTINUITY OF SUPPLY, PROMOTION AND MARKET RESEARCH**

#### **(THE RESEARCH FINDINGS)**



## SECTION 6

### THE ORGANISATIONAL APPROACHES TO QUALITY SPECIFICATION, CONTINUITY OF SUPPLY, PROMOTION AND MARKET RESEARCH

#### (THE RESEARCH FINDINGS)

Having examined the managerial approaches to meeting quality specification, continuity of supply, promotion and branding in previous sections, this section is devoted to examining the organisational approaches to meeting the key determinants of competitive performance.

To this end, the organisational approaches to quality specifications, continuity of supply, promotion and market research adopted by countries supplying fruit and vegetables to the UK are examined. Of special importance are: (1) the approaches to the UK market, (2) the organisation patterns and, (3) the organisational structures of overseas operational and promotional offices and the actual responsibility of the various departments particularly, those pertaining to the achievement of quality specification, continuity of supply and promotion and market research.

#### **The Approaches To The UK Market**

The approaches adopted by countries supplying fruit and vegetables to the UK have an impact not only upon marketing activities such as allocation and pricing but also on the organisational structures of some overseas operational and promotional offices, reflected in the market diversification policy adopted by these organisations.

In the main, the approaches to the UK market can be divided into two categories: (a) countries considering the UK market as part of Europe and (b) countries looking upon the UK on its own.

## Europe and UK as a Single Market

Overseas operational and promotional offices which considered the UK as a part of Europe when planning their marketing strategies are predominately those which serve many European countries. They set up offices or appoint local agents in these countries to market the products on their behalf. Exceptions are CMBI and NZAPMB which claimed that the UK requires different sizes and varieties of fruit from those demanded in the rest of Europe. In addition, CMBI charters very large ships to freight their produce and, consequently, it is almost impossible to divert ships from one country to another and even from one port to another.

There are eight overseas offices which considered the UK as a part of Europe. These are: UNIFRUCO, Sunkist, OCA, SACCE, AGREXCO, SCMC, ITC and AGREX.

1- The operational manager of the UNIFRUCO office considered the UK as a part of Europe and, therefore, the supply and demand situation prevailing in one market within Europe affects the volume allocated to other markets. Consequently, if one market records a lower price than that achieved elsewhere the cargoes of ships will be diverted to other markets in which "Cape" can get the best possible return.

2- The UK agent for Sunkist, considered the UK as a part of Europe because the head office in California appoints agents in the major European countries. These agents pass back market intelligence to the head office in addition to holding an annual meeting in the head office to exchange opinions.

3- The sales manager of OCA stressed the point that OCA considered the UK as a part of Europe and, therefore, decisions relating to pricing and allocation are taken in light of the supply and demand situation in other European countries, especially Holland and France.

4- Similarly, SACCE considered the UK market as a part of Europe. In this connection the advertising manager had this to say: "The UK market is our major market in Europe and it is very much a part of the European market. Therefore, our marketing decisions, especially those associated with product allocation and pricing, are actually done on an European basis rather than on a UK basis."

5- Such, too, was the case with AGREXCO of which the sales manager considered the UK as part of Europe. Consequently the UK office exchanges market intelligence with other subsidiaries and agents situated in European countries.

6- SCMC, considered the UK as a part of Europe as it exchanges market intelligence with other Spanish promotional offices located in other countries. In addition, the UK office is, in fact in charge of running promotional campaigns in the UK and Scandinavian countries.

7&8- In the case of ITC and AGREX, they looked at the UK as part of Europe despite the insignificant volume of products exported to the UK and the insufficient market intelligence exchanged with other offices located in other European countries.

### **UK as a Single Market**

Overseas operational and promotional offices which considered the UK market on its own cited the following reasons:

i- The varieties and sizes required on the continent vary from those demanded in the UK because of the differences in the consumers' tastes and preferences for particular sizes and varieties. Examples are: (a) for some imported varieties, other countries in the continent absorb most of the volume exported. For instance, nearly 70% of Israeli avocados are marketed in France while the rest are sold predominately in West Germany and the UK. (b) the UK has the lowest per capita/consumption of oranges in Western Europe and she prefers smaller sizes of fresh fruits than that required on the continent.

ii- The UK is isolated from the continent by sea and, therefore, it is more difficult and costly to move the produce between the UK and the rest of Europe than between most other European countries.

iii- The UK absorbs a high proportion of exports of some overseas shippers of fresh fruit and vegetables.

There are ten overseas shippers which considered the UK as a single market. These shippers are, NZKFA, NZAPMB, AAPC, CYCO-OPs, CMBI, FWF, Chile, Kenya, Egypt and Pakistan.

1- The head of the UK advertising agency for NZKFA indicated that the UK was looked at on its own, although he exchanges market intelligence with other agents based in other major European countries through a regular monthly newsletter, in addition to holding an annual conference once a year either in NZ or in Europe.

2- The NZAPMB marketing manager considered the UK as a separate market for two reasons: (a) historically, the UK had been their prime market within Europe until 1973 when the UK entered the EEC and the consequent opening of other European markets for NewZealand produce and (b) the UK market requires different varieties and sizes from those demanded on the rest of Europe.

3- Such, too, was the case with AAPC, which looked at the UK as a separate market. The head of the UK office cited three reasons: (a) the UK market is one of AAPC's biggest markets, (b) historically, the UK opened Europe for AAPC after Britain's admission to the EEC and (c) the Australian High Commission is situated in London.

4- Similarly, CYCO-OPs looked at the UK on its own because it absorbs at least 80% of their exports of fresh fruit and vegetables.

5- The CMBI marketing manager considered the UK as a separate market because it demands smaller sizes of fruit than those required in the continent. Additionally, it is difficult to divert large ships from one country to another or even from one port to another. He had this to say:

"Before the ship is loaded in Israel we know exactly its destination. There is no chance or alteration because different countries demand different quality specifications, different varieties and so on. In addition, nowadays we have chartered very large ships to transport the fruit to different destinations and, therefore, it would be very expensive to divert ships with such large sizes from one country to another."

6- FWF's product manager considered the UK as a separate market. She had this to say: "Although FWF has offices in other European countries, these offices do not concern us as the UK office's main concern is to promote French products in the UK. In addition, the UK office exchanges insignificant market intelligence with FWF's offices located in other European countries."

7- There are four examples of countries which have not set up operational offices, neither have they established promotional and advisory offices abroad.

(i) In the case of Chile, the UK was looked at on its own because the UK market prefers smaller sizes than those demanded on the continent.

(ii) In the view of the Kenyan commercial attache, however Kenya exports the same sizes and varieties to all countries. The UK market was looked at on its own because it absorbs around 51% of their total exports.

(iii) Such, too, was the case with Egypt which markets most of its products in the UK.

(iv) Pakistan considers the UK as a part of a world-wide market.

## **The Organisation Patterns**

The research evidence suggests that fresh fruit and vegetables business abroad should be undertaken by large- sized marketing oriented organisations which take the form of marketing boards or large sized individual enterprises and/or co-operatives. The reasons for that are:

a- Meeting the demands of developed markets in terms of quality specification, continuity of supply, promoted and branded products require heavy investment in packhouses, transportation and cool stores. Small sized organisations are unable to undertake such investment.

b- The UK market is dominated by large sized wholesalers and supermarkets and, therefore, in order to meet the demands of these stores and at the same time get the best price, overseas shippers have to be on equivalent bargaining power.

This conclusion, was supported by a report published by (Ritson and Swinbank (1983)) in which, after examining the UK trade structure and market proximity together with the reference price and tariff concessions enjoyed by EEC member states, they concluded that, third countries will, therefore, have a strong incentive to impose marketing discipline on their producers and exporters, and even setting up a marketing board. The authors maintained that a marketing board is the most sensible way to ensure that the produce meets the price and quality requirements of developed market.

c- It follows that fresh produce business is a fragmented industry because it comprises a huge number of small growers and exporters who do not have either the experience or the financial ability to undertake marketing activities abroad. Some countries have tried

to overcome such difficulties by setting up marketing boards or limiting the number of exporters and importers handling a particular product.

A number of the heads of overseas shippers admitted that one of the major causes of their declining international competitiveness is the lack of marketing discipline. Such shippers are:

1- The head of one overseas promotional office - who wanted his name to be kept anonymous- had this to say:

"I believe very strongly in the value of the marketing boards, and I think it is the only way to bring order to the marketing operation. Through a marketing board you are in control of where the produce is going, you are in control of the quality, the price and other marketing functions. Without a marketing board you have no control, you have two, three or even ten private importers. They will serve their own interests and they will often be in conflict. So I believe marketing boards are the only serious and sensible way to control the market not just in the UK but throughout Europe and even world-wide. A marketing board as a controller of the various marketing activities for a particular produce is in a good position to meet the demands of supermarkets and multiple stores for high quality produce and continuity of supply."

2- Similarly, the head of AAPC indicated that, the less orderly marketing system was one of the major shortcomings which badly affects the competitive performance of AAPC.

In this connection he stated that, "as far as apples are concerned, Australia's position has deteriorated badly in the past 10 years. The main causes are increased competition, high freight and unfavourable exchange rates, and a less orderly marketing system than our competitors".

The head of AAPC office emphasised the point that he was very much in favour of setting up marketing boards or, alternatively, marketing activities abroad should be undertaken by a few large sized organisations. He had this to say:

"A marketing board is a very good control means for the growers; it keeps them in line and ensures that the fruit sent abroad is of high quality standard. Unfortunately Australia is too big to have one marketing board as we have five different states and I think we cannot get them working together as one marketing board. In the future we should get the number of our exporters operating in each state down to five. We tried with Tasmania in 1982. We used to have eleven exporters. Last year the number of exporters was reduced to six. The eleven were fighting together because they are too many....but with six, they worked together very well indeed."

3- In the case of AGREX the assistant manager in charge of the UK- based Greek advisory office, made a comparison between the old system, marketing board, and the new one, advisory board, as follows:

"With a marketing board we were able to co-ordinate our marketing activities. We were able to establish the price in light of market conditions on the continent and allocate quotas accordingly. We did our best to supply the UK regularly with good quality products. Now the marketing system has changed, there are many exporters and importers handling Greek produce, they are

fighting one another. Therefore, quality specification and continuity of supply demanded by developed markets are hardly guaranteed".

4- A similar example was cited by the marketing manager of NZAPMB who made a comparison between NZKFA (promotional board) and NZAPMB (marketing board). He stated that NZAPMB, through the UK operational office achieved a surplus in its account of over one hundred million dollars. On the other hand, NZKFA with six exporters has done well during the past ten years. However, with increasing competition from America, Spain and Israel, the market is becoming oversupplied and, therefore, NZKFA could not achieve the same success. Consequently, there has been a growing pressure from Kiwifruit growers to reduce the number of exporters and even to set up a marketing board.

5- The chairman of the Italian Association of Exporters attributed Italy's poor competitive performance in the area of fresh fruit and vegetables to the fragmentation of supply stating that: " A substantial part of the blame must go to the structure of the industry as still too many companies involved in the export trade. Supply is very fragmented as only one fifth of Italian exporters deal in amounts greater than 3000 tons a year. This makes it extremely difficult to adapt to changing distribution methods throughout the rest of Europe where there is an increasing trend towards large scale retail businesses. Not only do these businesses like to buy direct at sources of supply, cutting out traditional exporters, wholesalers, agents, etc., but they are also extremely demanding when it comes to quality, uniformity and continuity of supply. Because both production and trade are so fragmented in Italy, this country finds it difficult to comply with these demands. [EuroFruit, July, 1983, p 20]

The marketing manager of ITC listed the areas which require major improvements as, quality, grading, packaging and branding.

6- In the case of France, the product manager of FWF said that, "because the companies involved in table grapes in France tend to be small therefore, it is difficult to achieve the sort of united approach to grape marketing which has proven so successful in the case of French apples".

She asserted the point that the commonly known 'Le Crunch campaigns' have not been fully exploited by the huge number of small exporters in charge of the movement of the produce, either because of their inability to brand their products or their ignorance of the benefits of branding.

7- Such, too, was the case with Cyprus whose Minister of Commerce revealed that he had already received demands from the growers and co-operatives for setting up a marketing board and developing a national brand such as Cape and Jaffa. (EuroFruit, July, 1983, pp10).

In addition, there is an attempt being made to group Cypriot exporters together to avoid intra- country competition and to promote Cyprus produce in the main markets of Europe and the Middle East. This is a natural response to the unhealthy competition between exporters and importers of Cypriot produce. The managing director of CYCO-OPs commenting on this point said "our major competitors are other exporters and importers of Cypriot produce".

8- In the case of Chile, the commercial attache referred to the Chilean trade system, which is based on free enterprise economy, as very bad. He maintained, "I would prefer setting up a single marketing organisation to market fresh fruit and vegetables abroad". When he was asked about the reason of not establishing such a system, he replied, " because the fresh fruit and vegetable business is new for us as we started this business in 1979".

9- The Kenyan commercial attache, stated that: "The Kenyan agriculture industry started in the seventies, therefore, we have been trying to set up the necessary infra-structures which include cool stores, proper railways and roads. Only after establishing these infrastructures can we think of setting up export marketing boards."

The same view was expressed by the secretary of FIA who said that the Kenyan and Egyptian fresh fruit and vegetable businesses are fragmented and their marketing systems are poorly organised. He added; "if each of Kenya and Egypt had got one or two big co-operatives, they could have served the requirements of developed markets in a much better way, and at the same time they would have served the interests of their growers and governments alike."

10- In the case of Pakistan, the commercial attache cited the following two reasons for the Pakistani government unwillingness to set up an office in the UK to supervise or undertake marketing activities of Pakistani produce: (i) the quantity exported to the UK is very small and (ii) the Pakistani government does not like to spend money on such organisations because marketing boards require governmental subsidies.



On the question of the disadvantages of the marketing boards, there are three major shortcomings:

1- A number of marketing boards have become too big and control the market too rigidly through issuing what they describe as the Economic Minimum Price (EMP) or guide on price for which the produce is sold. If the retailers and caterers cannot afford this price, the board will have to lower it or otherwise panelists will have to accept lower prices from retailers, with the resultant loss of a proportion of their commission. Such an action and consequent reactions of other panelists breach one of the objectives of setting up the price which is the elimination of intra- brand competition among panelists.

In this regard, the head of AAPC gave an example of the CMBI which had a disastrous season in 1984 because it kept holding the produce waiting for higher prices. At the end of that season the produce had become subject to storage disorder and quality defects which, in turn, depressed the value of the produce.

The same point was echoed by the ex-general manager of CMBI who had this to say: "Establishing marketing boards is not a solution to all problems. There is a fear that after a while the board would become monopolistically minded; and the people in charge would believe that they could do everything. They do not want to listen to any advice."

2- One of the salient characteristics of marketing boards is the control they impose over the marketing of a particular product or group of products exported by a particular country. In the absence of such control, the boards will not be able to operate economically as intra- country competition will depress the price and disperse marketing efforts and consequently bar some organisations from achieving economies of scale.

This is one of the major reasons which inhibits some marketing boards from diversifying their activities into new varieties. Such offices are, NZAPMB and SACCE.

NZAPMB tried to market NZ strawberries in the UK in 1981. Trading began at £2 per half a pound punnet of strawberries. Within 24 hours every grower in NZ started air freighting strawberries to the UK. The market soon became oversupplied so that the price dropped to 70p per half a pound punnet.

In this context, the marketing manager of NZAPMB stated that:

"We tried marketing avocados and strawberries but then we could not get sufficient volume to penetrate into the UK market. The main reason was we did not have control on the marketing activities of these products. At the moment, the board controls the production and marketing process of apple and pear varieties .... with other products we could not get the same co-operation from the producers."

Such, too, was the case with SACCE, whose advertising manager emphasised the importance of the monopolistic nature of marketing boards. In this sense he ascribed the main reasons for SACCE's unsuccessful approach to exotic produce marketing, which is marketed under the brand name 'Caprice', to the lack of a monopolistic situation.

3- One of the main strengths of marketing boards is the control they impose over various marketing activities. However, some boards lose control of the quality control task which is undertaken by governments or the growers themselves. The main reason for this practice is to reduce the operational cost of overseas offices. Instead of appointing permanent staff all the year round to undertake quality control, this task is performed by a number of nationals on a temporary basis.

From a managerial point of view this practice is not effective because the people in charge of marketing the produce should undertake the quality control task as well. Nevertheless, someone might argue that such a practice enables parent country organisations to get to know the demands of developed markets. If this was the case, these people should have been made responsible for distribution rather than quality control. In addition, one of the tasks of overseas offices is to supply PCOs with relevant market intelligence.

## **The Organisational Structures of Overseas Offices**

The organisational structures of the various overseas operational and promotional offices and their actual responsibilities, in particular those pertaining to meeting quality specification, continuity of supply, promotion and market research, are now analyzed. The aim is to assess the extent to which the organisational structures and the activities performed by the various overseas offices correspond with the managers' perception of the relative importance of the key elements of competitive performance examined in section (5.1).

As mentioned earlier overseas operational offices are responsible for the movement of the produce, pricing, promotion and market research whilst overseas promotional offices are in charge only of promotion and market research. Therefore, this sub-section starts with

examining the organisational structures of overseas operational offices followed by the organisational structures of promotional offices.

### **The Organisational Structures of Overseas Operational Offices**

Under this subtitle the organisational structures of seven overseas operational offices are examined. These offices are, UNIFRUCO, CMBI, SACCE, NZAPMB, OCA, CYCO.OPs and AGREXCO.

1- The organisational structure of UNIFRUCO comprises of three major divisions, headed by the general manager for Europe who has total responsibility for operations in Europe. These divisions are:

a- The marketing division. The most important division is divided into two departments the planning department and the operation department. The main responsibility of the planning department is to develop marketing plans in light of the assessment of the supply and demand situation and target price for the coming season. The operation department is responsible for the execution of the marketing plans established by the planning department.

Both the planning and operation departments cross over responsibilities in certain areas. Examples of this are, advertising and allocation functions which come under the operational side, whilst the shipment and transportation task is shared between both departments.

b- The accounts department is in charge of cost control and remitting profits back to the HQ in South Africa.

c- The technical department is headed by a technical manager, who is basically responsible for the quality control of fruit. The UK technical staff is responsible for quality control in the various European countries, as they travel around Europe to examine incoming cargoes and supervise the discharge of these cargoes.

UNIFRUCO considers the UK as a part of Europe and, hence, it set up another office in Germany whilst other countries are served through local agents. The UK office is responsible for selecting local agents and panelists within each country and advising them of what they should do. In addition, the UK office has appointed liaison people whose major task is to co-ordinate the activities of local agents located in various European countries with these of the UK office.

As mentioned earlier in section (5.1) the key elements of competitive performance of UNIFRUCO were quality specifications, continuity of supply, promotion and market research. In addition, emphasis was given to the economic planning element.

It is evident that the organisational structure and the actual responsibility of the various departments correspond with the managers' perception of the key elements for achieving a competitive performance. Moreover, the organisational structure reflects the importance of the planning task.

2- The UK office of the CMBI is headed by the UK manager. Below him are:

(a) The marketing manager who is responsible for various marketing activities within the UK. He is also directly responsible for the four regional offices located in the North West, Scotland, South East and the South West. Each of these offices has a regional representative with an assistant in charge of administrative and commercial aspects associated with panelists under his control span.

(b) The quality control department, is headed by the quality control manager with two or three persons located in major ports to inspect the fruit on arrival.

(c) The shipping department is responsible for shipping and transporting services.

(d) An advertising department, unmanned in 1983, is responsible for activities relating to promotion and market research.

As mentioned in section (5.1), the key elements to competitive performance of CMBI were the price, continuity of supply, quality and finally advertising and market research. In addition, the sales manager emphasised the importance of panelists as a reliable source of market intelligence.

The organisational structure and the actual responsibility reflect the importance given to continuity of supply as CMBI set up regional offices to guarantee full coverage of the British market. These offices also supply the head office in London with market intelligence which helps it in taking the right decisions especially those relating to price-setting. The organisational structure reflects also the importance of quality control even though it was perceived to be much less significant. Furthermore, the organisational structure reflects the sales manager's view of the advertising and market research functions. Finally, pricing has not been given much attention as the UK office

has not been computerised neither has it employed economic models in establishing the price.

3- In the case of SACCE, the UK office is in charge of marketing citrus fruits within Europe; therefore, the UK office includes the chief executive officer who has ultimate responsibility for the marketing operation throughout Europe. He has an assistant who shares the same responsibilities but acts as a deputy to him. The technical department manager is responsible for monitoring the quality specification of the fruit throughout Europe. Finally there is an advertising manager for Europe who has the responsibility for monitoring promotional activities within Europe. There is also a national manager for each country of the thirteen countries served within Europe.

The UK office is headed by the UK manager who has an assistant. Below him are:

(a) The allocation department which consists of seven representatives. Each of them is in charge of six or seven panellists and his main responsibilities are: (i) to make sure that his panellists have received the right sort of fruit for his requirements and (ii) to undertake administrative duties mainly to ensure that he receives the right proceeds at the right time from his panelists and to pass on market intelligence to the head office.

(b) The technical department is responsible for inspecting the quality of the produce at various destinations.

(c) The shipping department has the responsibility for chartering the appropriate ships, paying shipping charges, organising the cargoes time-table with shipping companies and deciding on the cargoes's destinations.

(d) The transport department is in charge of hiring both cool stores and transport facilities, together with planning and organising the transportation of the fruit from ports to either the panelists or cool stores.

(e) The advertising department is in charge of the various promotion and market research activities, particularly, the selection of advertising agency and media, timing promotional campaigns and monitoring promotional activities.

There is also one person responsible for data analysis.

As mentioned in section (5.1) the key elements to SACCE competitive performance were quality specification, continuity of supply and promotion and market research. It is

evident that the organisational structure and the actual responsibilities reflect the relative importance of each element of competitive performance, in addition to reflecting SACCE European outlook. The examination of this is as follows:

The organisational structure of SACCE includes a technical department responsible for quality control. In addition, SACCE runs a quality control scheme in Kent. Furthermore, the organisational structure reflects the relative importance of continuity of supply as it comprises an allocation department with regional offices together with shipment and transport departments. Finally, the organisational structure also reflects SACCE's most advanced approach to advertising and market research activities. It includes an advertising department in the UK head office, which supervises promotional activities within Europe together with the advertising department and market research section in the UK.

4- In the case of the NZAPMB the UK office consists of (a) The general manager (a New-Zealander) has overall responsibility for the UK. (b) The marketing manager (British) is responsible for planning shipments, allocating and distributing the produce to panellists and agents within the UK, Europe and the Middle Eastern countries. (c) The shipping manager (British) whose main responsibilities are to look after shipping, customs formalities, documentation and liaisons with port authorities and road transporters to keep them informed on the forthcoming cargoes arrivals. (d) The administrative manager (British) is responsible for the financial section and, therefore, he is in charge of receiving the proceeds from the panelists plus making payment of various expenses.

In general terms, the main responsibilities of NZAPMB office can be classified into two major tasks:

- The first is the planning of the shipments according to varieties and sizes required by each market. This is of course done in light of the market intelligence received from the HQ in NZ, of the volume of production of each crop in addition to the information they get from their agents in other countries.
- The second is the implementation of these plans through undertaking the various marketing activities such as quota allocation among various panelists, the selection of panelists and monitoring their activities and establishing the price.

It has been mentioned in section (5.1) that the key elements of competitive performance for NZAPMB were quality specification and continuity of supply. The organisational structure embraces marketing and shipping departments whose responsibilities are associated mainly with meeting continuity of supply requirement. Quality specifications were not given much weight as the organisational structure did not include a quality control department. This task was done by people assigned from the HQ in New Zealand during the marketing season. The advertising and market research activities were given less weight and this was reflected in the organisational structure which did not include an advertising department.

5- In the case of OCA, the prime responsibility of the UK office is acquiring and procuring fruit. It follows, therefore, that OCA has to convince the people in Morocco and the head-office in Paris to supply the UK with a sufficient quantity of fruit.

The organisational structure of the UK office is as follows: a- The managing director (British) is responsible for everything in the office. b- There are also 3 salesmen (British) who distribute the produce to the panelists. c- A computer division or accounts department is run by a staff of 3 (British) d- The quality control function is undertaken by Moroccans assigned by the HQ in Morocco to inspect the produce during the marketing season. Finally, OCA hires many other services like transport and storage facilities from partners with whom they have worked during the past twenty years.

The organisational structure of OCA reflects the relative importance given to continuity of supply and the limited attention given to quality control and advertising tasks as the organisational structure does not embody an advertising department. Also, the organisational structure does not reflect the higher weight given to the price factor.

6- Unlike other overseas offices, CYCO-OPs has a staff of 11 who work together as a team without any definite responsibility or even job descriptions. Their main activities are to distribute the products to their panelists, whilst the produce is inspected by temporary staff in ports when receiving complaints.

The organisational structure of CYCO-OPs shows the relative importance of continuity of supply. However, quality control is not given the importance it deserves. In addition, limited attention is given to the advertising function.

It is apparent from examining the organisational structure of CYCO-OPs that it faces an organisational problem reflected in the non-existence of a clear cut definition of the authority and responsibility of each person.

7- The AGREXCO office for the UK comprises 5 departments with 29 persons headed by the UK general manager. These departments are: a- The marketing department comprises 2 sections, the flower marketing section with 3 persons, and the fruit and vegetables and fish section with 4 persons. b- The quality control department is responsible for inspecting the produce mainly in ports and wholesale markets. c- The promotion department is in charge of planning and running promotional and market research activities jointly with the appointed advertising agency and market research organisations. d- The transport department is responsible for distributing the produce to the appointed panelists. e- The computer department is responsible for accounts affairs. f- The organisational structure does not embody a shipping department as this function is implemented at HQ in Israel.

Unlike other overseas offices, AGREXCO owns storage facilities because most of AGREXCO's varieties are very perishable. In addition, it handles produce all the year round and this allows her an economic utilisation of such facilities.

It is apparent from examining the organisational structure of AGREXCO that it reflects the relative importance given to quality specification and advertising because it has quality control and advertising departments. The organisational structure also reflects the manager's perception of the relative importance of continuity of supply since it embodies a marketing division with two sections in addition to a transport department.

### **The Organisational Structure of Overseas Promotional Offices**

The organisational structures of overseas promotional offices are very simple as their activities are confined only to monitoring promotional and market research activities, whilst the planning and implementation of these activities are carried out mainly by the appointed advertising and market research agencies.

1- FWF employs a total of 23 persons, 8 of whom work outside, in the market-place, supervising the activities performed by advertising and market research agencies. The product manager is responsible for the promotion of French fresh fruit and vegetable.



The organisational structure of FWF reflects the relative importance given to promotion and marketing factor.

2- The AAPC office is headed by one person and a secretary who acts as a liaison officer between the various agents in different countries and the HQ in Australia. His major responsibilities are to secure safe arrival of the produce at the time and destination agreed beforehand. In addition, he ensures that the produce has reached the public in good condition. Finally, he gathers market intelligence from the appointed importers and passes it to Australia.

The organisational structure of the UK office of AAPC is such that the responsibilities are too great to be carried out by one person only.

3- The UK office of ITC comprises 5 departments under the director of the centre. These departments are fresh fruit and vegetables, wine, food, industrial products and consumer goods. The fruit and vegetable department is headed by a manager with a secretary.

The fundamental task of ITC is to promote Italian exports by providing businessmen with trade and market intelligence assistance in addition to a limited promotional services.

The main responsibilities of the fresh fruit and vegetables department are, a- to provide interested importers with a list of potential exporters b- to undertake trade promotion on a very small scale.

4- Agrex is staffed with two persons- the manager and an assistant. The main responsibility of the UK office is to gather market intelligence from the appointed importers and other relevant organisations such as Fruit Importers Association and Fruit and Vegetables Information Bureau. This office has not been involved in any sort of promotional activities or market research projects.

5- In the case of Pakistan, Egypt and Chile, promotional and market research activities and sometimes, quality control are undertaken by the commercial consulates. Nevertheless, there is no specific person in charge of monitoring marketing and promotional activities of the fresh fruit and vegetables business, nor do they have a separate promotional budget.

The main duties of these consulates are to get the importers and exporters in touch and supply them with relevant information. In addition, sometimes they participate in fruit exhibitions and fairs. Finally, with regard to quality control these consulates perform this function with the aim of securing fair remittance on the produce exported.

## **Summary and Conclusions**

The objectives of this section were twofold. (1) To examine the organisational approaches adopted by overseas offices and (2) To test the third hypothesis which is associated with the organisational pattern most suitable for fresh fruit and vegetables marketing abroad.

To this end, this section was concerned with examining three issues.

- 1- The approaches to the UK market.
- 2- The organisational patterns.
- 3- The organisational structures of overseas offices.

### **THE APPROACHES TO THE UK MARKET**

The approaches adopted by overseas operational and promotional offices can be divided into two categories a- Europe and UK as a single market and b- UK as a single market.

#### **Europe and UK as a Single Market**

Overseas operational and promotional offices which considered the UK and Europe as a single market are predominately those which set up branches and/or appointed local agents in these countries to market and/or promote the produce on their behalf. For instance,

1- SACCE, UNIFRUCO, AGREXCO, SUNKIST, and OCA indicated that their marketing decisions especially, pricing and allocation, are influenced by the market conditions in other European countries even though OCA focuses on its two major European markets namely, France and Holland.

2- ITC and AGREX considered the UK as part of Europe, despite the insignificant quantity exported to the UK and the insufficient market intelligence exchanged with other offices located in the rest of Europe.

## **UK as a Single Market**

Overseas operational and promotional offices which considered the UK on its own cited two key reasons: 1- The varieties and sizes of fruit demanded on the continent vary to a great extent from those required in the UK. 2- The UK absorbs the vast majority of these countries' exports. Such overseas offices are:

1- NZKFA and FWF considered the UK on its own, despite the fact that their offices have branches and/or agents in other European countries. These two offices should establish more links with other European agents or branches.

2- CYCO-OPs, AAPC, Kenya and Egypt considered the UK on its own because the UK absorbs the lion's share of their exports.

3- NZAPMB and CMBI, however, considered the UK on its own, they take into consideration the market situation in other European countries when establishing the price.

## **THE ORGANISATIONAL PATTERNS**

It was hypothesised in chapter one that fresh fruit and vegetables marketing abroad should be undertaken by marketing boards and/or few large sized organisations. The research evidence suggests three key factors. These factors are :

a- The need to impose discipline over the product's quality, distribution, transportation, storing and promotion. Such discipline is found to be crucial in meeting the demands of developed countries in terms of high quality specification, continuity of supply, promotion and brand development.

The absence of such discipline is one of the major causes inhibiting marketing boards from adding new products to existing ones. Because losing control of the marketing of new products means overseas offices' failure to achieve economy of scale in their marketing operations as is the case with NZAPMB and SACCE.

b- Another factor was the intensity of intra and inter-country competition. As most commodities are grown in many geographical areas of the world, the UK market is becoming oversupplied and consequently inter- country competition has intensified. Some countries in their endeavour to overcome such a problem and at the same time improve their export position managed to keep intra- country competition at a minimum

level through setting up marketing boards and/or restricting the number of exporters and importers.

c- A final factor was the fragmentation of the industry. The fruit and vegetables industry is fragmented because very often it is dominated by a huge number of small growers and exporters. These small enterprises have neither the ability nor the experience to market their produce abroad.

It is recommended that regardless of the organisational patterns adopted by supplying countries, they should encourage intra- brand competition but on a small scale. Such competition is necessary to raise efficiency and competence among exporters.

## **THE ORGANISATIONAL STRUCTURES OF OVERSEAS OFFICES**

The aim of this part was to assess the extent to which the organisational structures and the actual responsibilities of the various overseas offices correspond with the managers' perceptions of the relative importance of the key elements of competitive performance.

### **Operational offices which belong to marketing boards**

Based on the research evidence and the summary shown in table (5.6), the following conclusions can be drawn.

1- Quality specifications: The research evidence showed that UNIFRUCO, SACCE, CMBI and AGREXCO have established within their organisational structure quality control or technical departments responsible for inspecting the product mainly in ports of destination and wholesale markets. However, SACCE adopted the most advanced quality control scheme among overseas offices as its products are checked in Kent in order to ascertain the shelf-life of their products.

In addition, products marketed by NZAPMB, CYCO-OPs and OCA are inspected in the market country by nationals who are assigned by the HQ in the country of origin during their respective marketing seasons.

This is one of the main flaws which inhibits some overseas operational offices from functioning properly especially when a supplying country has a different language and cultural background from those exist in the market country. An example is OCA which is

TABLE (5-6)

THE ORGANISATIONAL STRUCTURES (O S) OF OVERSEAS OFFICES

MARKET DEMANDS	QUALITY SPECIFICATION (Q S)	COUNTRYNITY OF SUPPLY (C S)				PROMOTION (P)		TYPE OF AGREEMENT BETWEEN O S AND MANAGER'S PERCEPTION
		QUALITY CONTROL DEPT.,	MARKETING ALLOCATION DEPT.,	SHIPPING DEPT.,	TRANSPORT DEPT.,	SHIPPING & TRANSPORT DEPT.,	ADVERTISING DEPT.,	
DEPTS., ORGANISATIONS								
SACCE	YES	YES	YES	YES	YES		YES	BY CORRESPONDENCE
UNIFRUCO	YES	YES				YES	YES	BY CORRESPONDENCE
CMBI	YES	YES				YES	YES	EXCEPT PRICING
AGREXCO	YES	YES	IN HQ	YES			YES	BY CORRESPONDENCE
NZAPMB	TEMPORARY STAFF	YES				YES	NO	EXCEPT QUALITY
OCA	TEMPORARY STAFF	YES	SUBSIDIARIES				NO	EXCEPT PRICING
CYCO-OPS	TEMPORARY STAFF	NO DEFINITE JOB ASSIGNMENT OR JOB DESCRIPTION.						EXCEPT QUALITY & TO SOME EXTENT C S

a British company staffed by British people who are responsible for the marketing activities of Moroccan products. The sole activity for which they are not responsible is quality control which is carried out by Moroccans who speak Arabic and French.

Such a practice has resulted not only in differentiation between authority and responsibility on the part of UK office but also in impeding easy communication between these two partners. Another example is NZAPMB, although, both the UK staff and the New-Zealanders speak the same language, they have different cultural backgrounds.

On the other hand, countries which do not have marketing boards, quality control is implemented by the importers or by representatives of exporters. Quite often this task is undertaken by government officials mainly to guarantee a fair remittance on the produce exported.

2- Continuity of Supply: There are three departments associated with meeting continuity of supply. These departments are marketing or allocation department, shipping department and transport department.

It is evident from examining the organisational structures of overseas operational offices that, UNIFRUCO and SACCE are the only overseas offices which embodied these three departments within their organisational structures. However, in the case of UNIFRUCO, shipping and transport functions are shared between planning and operational managers. In addition, CMBI and NZAPMB have within their organisational structures marketing and shipping departments, while transport function is implemented by shipping department. Finally, in the case of AGREXCO, the organisational structure embodies marketing departments for flower, fruit and vegetables and fish, and transport department whilst the shipping task is implemented by the HQ in Israel.

3- Promotion and market research activities: In general terms promotion and market research activities are the most overlooked tasks in fresh fruit and vegetable marketing abroad. This can be attributed to three reasons: (i) The growers do not believe in the feasibility of these two activities. (ii) These two activities are the most centralised activities and consequently are implemented predominantly by parent country organisations (PCOs). (iii) The vast majority of activities pertaining to promotion and market research are carried out by the appointed advertising agency and/or organisations of market research.

SACCE, CMBI and UNIFRUCO have set up a separate department for advertising and market research within their organisational structure.

Other operational offices do not have within their organisational structure advertising departments as they have been allocated an insignificant promotional budget.

#### **Promotional offices which belong to advisory and promotional boards**

Overseas promotional offices have a very simple organisational structure as their activities are confined only to promotion and market research.

In this respect overseas promotional offices can be classified into two categories.

1- The first is that of overseas promotional offices which are in charge of promotional activities for the various goods exported by a particular country not just fruit and vegetables as is the case with FWF and ITC. Within FWF, fruit and vegetable promotional activities are predominantly carried out by the product manager who is responsible for running promotional campaigns and supply the importers with newsletters about their planned promotional activities. In the case of ITC, the promotion of fruit and vegetables is implemented by the marketing manager whose main responsibilities are to supply the interested importers with a list of potential exporters in addition to undertaking insignificant trade promotion.

2- The other group is that of overseas promotional offices which are responsible for promoting a particular kind of fruit. Example are, SCMC, NZKFA and AAPC. In the case of SCMC a team of 4 is in charge of gathering market intelligence and conducting promotional and market research activities. AAPC is staffed with the head of the office and a secretary with the responsibility of gathering market intelligence and informing the importers with incoming shipments. Similarly, AGREX is staffed with 2 persons responsible for gathering market intelligence without conducting any sort of promotional or market research activities. Finally, in the case of NZKFA, the promotional and market research activities are conducted by the appointed advertising agency.

This section closes with an examination of the extent to which the organisational structures and the actual responsibilities of overseas operational and promotional offices correspond with the managers' perceptions of the relative importance of the various elements of competitive performance.

- SACCE, UNIFRUCO and FWF are the sole offices whose organisational structures and actual responsibilities are consistent with the managers' perception of the relative importance of the key elements of competitive performance. In addition, the organisational structure of UNIFRUCO reflects the significance of the planning functions.

- The organisational structures of NZAPMB, CMBI and OCA correspond to some extent with the managers' perceptions of the relative importance of the key elements to competitive performance. In the case of NZAPMB and OCA, quality specification was perceived of high importance yet the organisational structures do not comprise a quality control department, as this function is implemented by expatriate nationals assigned to check the produce during the marketing season. In addition, CMBI and OCA put the price factor on the top of the list, yet their organisational structures do not reflect this as the planning function was not given the perceived importance and their UK offices have not been computerised.



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**CHAPTER SIX**

**THE CONCLUSIONS AND IMPLICATIONS  
OF THE RESEARCH**

## CHAPTER SIX

### THE CONCLUSIONS AND IMPLICATIONS OF THE RESEARCH

In this chapter the implications of the findings of the research and its contributions are examined together with the limitations of the research and suggestions for further research works.

#### **The implications of the research findings**

Drawing upon the inferences from the study findings, the main conclusions are:

1- Many factors associated with fresh produce business call for overseas shippers to be marketing exporters rather than selling exporters: These factors are: (i) The diversity of sources of supply of fruit and vegetables and the resultant intensity of intra and inter-competition between domestic producers and/or overseas shippers. (ii) The sophisticated demands of developed markets for high quality products, continuity of supply, promoted and branded products. (iii) The physical attributes of fresh fruit and vegetables in terms of perishability, seasonality and the standard nature of the produce regardless of the country of origin.

Based on the literature review, the key elements to competitive advantages are natural resources, technological know-how and organisational and managerial practices and policies.

Technological know-how, particularly that related to fresh produce, is available to all competitors because it does not encounter technology transfer restrictions. Additionally, there are many cases of countries which possess comparative advantage in terms of natural resources which have not yet established a foothold in overseas markets. Also, there are cases of countries which have improved their competitive positions although they do not possess natural resources.

It is the organisational and managerial approaches which determine international competitiveness because they optimise the utilisation of both natural resources and technological know-how. The organisational and managerial approaches are seen as a function of overseas shippers' orientation.

The marketing export orientation of overseas shippers of fresh produce is generally lesser than that of exporters of other consumer products. This is reflected in the lower attention and weight given to market research and consumer advertising by managers of overseas offices. These two activities are particularly crucial in knowing the demands of developed markets. Meeting these demands requires overseas shippers to adopt a coherent and appropriate organisational and managerial approaches targeted at upgrading their quality standards and continuity of supply.

Prior discussion does not mean that all overseas offices have overlooked market research and promotional activities. A number of these offices have allocated sufficient financial and human resources and therefore have carried out successful market research and promotion campaigns.

2- There are three main reasons why marketing related activities abroad should be undertaken by marketing boards and/or large sized organisations. These are: (i) Meeting the demands of developed markets entails heavy investment and gathering market intelligence. Small shippers have not acquired either the managerial ability or the financial capability required to undertake such tasks. (ii) The fresh produce business is a fragmented industry as it comprises huge number of small growers and exporters who are unable to compete in international markets because of their lack of managerial and organisational practices. (iii) Both retail and wholesale markets in developed markets are dominated by large organisations and thus overseas shippers should have equal bargaining power to serve the interests of their principals.

The point made above does not mean overseas marketing should be undertaken by a single organisation or marketing board but that supplying countries should promote healthy intra- country competition between marketing boards and/or large sized organisations.

In order to get the full benefit of such organisational pattern overseas offices should be organised in a way that reflects and serves the demands of developed markets.

## **2- Contributions of the research**

To the best of the researcher's knowledge the present research is the first attempt at reviewing the organisational and managerial approaches adopted by overseas shippers to market fruit and vegetables in the UK. In this research it has been shown that organisational and managerial approaches which depend on the export orientation of

overseas shippers, are crucial factors in determining their competitive performance. In addition, the present research has implications for other developed countries as well as other fresh produce types.

### **3- The limitation of the research and suggestions for further research**

There are two major limitations of the present research: They are:

a- The study considered only the perception of managers of overseas operational and promotional offices of the organisational and managerial approaches. Consequently, no reference was made to the perceptions of wholesalers and retailers of the competitive performance of overseas offices except those reported in fruit and vegetables relevant periodicals.

b- The study was confined to the main overseas shippers of fruit and vegetables to the UK, particularly, those which have established overseas operational and promotional offices. Therefore, the sample is not necessarily representative of the entire population because it did not include individual importers and exporters operating in countries which have not set up operational offices.

In light of such limitations, the following areas are recommended for further research:

- A survey of the perceptions of wholesalers and retailers should be made to measure the ability of overseas operational and promotional offices to meet the demands of developed markets in terms of quality specification, continuity of supply, branded and promoted products.

- An assessment of the market positions of overseas shippers should be made not only on UK basis but also on an European basis, as a shipper may lose ground in a particular market with the aim of exploiting greater opportunity in another country.

- A study should be conducted to examine the organisational and managerial approaches applied to other fresh produce types such as meat products.

- A vertical study of organisations in both the parent and host countries involved in all fresh produce business should be conducted to find out how parent country organisations control the marketing activities abroad and the relationships between these organisations and their overseas subsidiaries.

## APPENDICES

## APPENDIX (1)

### THE QUESTIONNAIRE

1- Could you please provide me with relevant information pertaining to the following aspects:

- a- The historical evolution of your UK operational or promotional office.
- b- The produce marketed in the UK.
- c- How do you balance the seasonality of your business?. ( In terms of the exploitation of human resources and office's facilities during off-season period).

2- What has been your approach to the UK market?. In other words, do you look at the UK on its own, as a part of EEC market or as a part of worldwide market?. And why?

3- What are the key determinants to achieving competitive performance in fresh fruit and vegetables marketing within the UK?

4- Could you elaborate the organisational structure of your organisation?. And what are the actual responsibilities of each department?.

5- Managerial approaches relating to meeting quality specification:

- a- What are the procedures by which the produce is inspected?
- b- Is your produce palletized?. If the answer is 'yes' where?
- c- What are the improvements which have been introduced to your packaging, grading and quality control policies?

6- Managerial approaches pertaining to meeting continuity of supply

- a- What are the functions performed by your panelists?
- b- How many panelists/importers have been appointed by your office classified according to their geographical locations?.
- c- How do you allocate quotas among the panel members?.
- d- When did you last change one of your panelists?, and why?.
- e- How do you decide between panelists?.
- f- What are the liaison methods used in monitoring the panelists' performance?

g- Are your panelists allowed to handle competitive produce simultaneously?.

7- With regard to promotion activities

a- How is the promotional budget estimated?.

b- What are the focal targets of promotion activities?.

c- How is the promotional budget allocated among different promotional targets?.

d- When did you last change the advertising agency?, and why?.

e- How do you decide between advertising agencies?.

f- What are the advertising media you have used?. And how do you decide between them?.

g- What is your opinion about generic advertising as a means through which national produce is promoted ?.

8- With regard to market research activities

a- How is market research budget estimated?.

b- What are the focal targets of market research activities?.

c- How is market research budget allocated among various focal targets?.

d- When and why did you last change organisations of market research?.

e- How do you decide between organisations of market research?.

9- What are the pricing policies used?, and what are the criteria taken into account in setting up the price of each produce marketed within the UK market?.



APPENDIX (2)

% change of UK imports of fresh fruit and the relative positions of supplying countries during 1980/1987.

('000 Tonnes)

	1980	1987	Change %	1980 %	1987 %	Change %
<b>MELONS</b>						
Colombia	1.4			2		
Holland	2.0	3.3	50	3	3	--
Greece	3.6	2.3	(50)	6	2	(4)
Italy	1.7	2.8	50	3	3	--
Spain	42.3	71.6	71	66	75	9
Israel	7.3	2.9	(57)	11	3	(8)
France		3.2				
<b>Total</b>	<b>63.7</b>	<b>95.6</b>	<b>50</b>			
<b>PINEAPPLE</b>						
Ivory Coast	1.2			8		
Belgium	3.6	13.8	283	33	62	29
S Africa	2.8	.7	(77)	25	3	(22)
France	2.0	1.8		16	10	(6)
Holland	1.6	.6	(63)	17	3	(14)
<b>Total</b>	<b>11.9</b>	<b>21.3</b>	<b>175</b>			
<b>PEACHES AND NECTARINES</b>						
France	5.7	10.9	83	13	12	(1)
Greece	1.1			2		
Italy	37.4	74.6	103	77	80	3
Spain	2.2	5.4	150	4	5	1
Holland		1.1				
<b>Total</b>	<b>47.6</b>	<b>95.0</b>	<b>100</b>			
<b>PLUMS</b>						
Italy	6.7	2.6	(57)	33	13	(17)
Spain	8.6	8.0	(11)	43	33	(10)
S Africa	3.1	4.3	33	14	17	3
France		4.2				17
<b>Total</b>	<b>20.6</b>	<b>21.9</b>	<b>6</b>			

## APPENDIX (3)

% Change of UK imports of fresh vegetable and the relative positions of supplying countries, 1980/1987.

('000 tonnes)

	1980	1987	Change %	1980 %	1987 %	Change %
<b>Broccoli &amp; Cauliflower</b>						
France	24.9	21.9	(12)	96	54	(42)
Spain	.8	9.4		..	22	22
Italy		9.3		..	22	22
<b>Total</b>	<b>26</b>	<b>41</b>	<b>58</b>			
<b>CARROTS</b>						
Cyprus	6.3	2.9	(54)	20	7	(13)
France	17.4	14.8	(15)	57	34	(23)
Italy	1.5	9.9	560	7	23	16
USA	1.5			7		
Holland	2.2	6.1	177	7	21	14
Spain		5.7		14		
<b>Total</b>	<b>30</b>	<b>44</b>	<b>47</b>			
<b>CUCUMBERS</b>						
Spain	13.7	30.0	119	44	56	8
Holland	15.3	23.2	52	47	43	(4)
<b>Total</b>	<b>32</b>	<b>54</b>	<b>69</b>			
<b>LETTUCE AND ENDIVE</b>						
Holland	8.7	11.8	36	75	22	53
USA	2.3			17		
Italy		2.8			6	6
Spain		34.0			44	44
Israel		1.2			2	2
<b>Total</b>	<b>12</b>	<b>55</b>	<b>358</b>			
<b>CABBAGE</b>						
France	.2	1.8			4	4
Holland	25.0	25.1		89	76	(13)
<b>Total</b>	<b>28</b>	<b>33</b>	<b>18</b>			

## CAPSICUM

Israel	1.6			11		
Holland	5.3	12.9	143	36	36	--
Spain	4.3	21.7	405	29	61	32
Total	14	37	172			

## CELERY

France	.3	.2			1	
Spain	9.3	13.4	44	45	45	
Israel	6.8	12.4	82	35	41	6
USA	1.4			7		
Italy		.6			2	
Holland		.8			3	
Total	20	29	45			

## GREEN BEANS

Kenya	1.2	3.8	217	60	57	(3)
Spain	.4	2.0	400	20	18	(2)
Egypt		.4			6	6
Total	2	7	250			

## AUBERGINE

Cyprus	.4			9		
Kenya	.8	.1		18	3	(15%)
Holland	1.6	2.8	75	36	54	18
Spain	.9	1.7	88	20	34	14
Israel	.4			9		
Total	5	5	--			

## COURGETTES

Cyprus	.7	.8	14	18	3	(15)
France	1.4	3.0	114	35	13	(22)
Spain	.4	6.9	1625	10	44	34
Italy	.5	3.0	500	13	13	--
Kenya	.6	4.6	667	15	20	5
Total	4	23	475			

Source: Based on custom and excise, 1980/1987.

## APPENDIX (4)

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