Positioning of Firms and Products in International Markets:
Cases from the Danish and New Zealand Food and Beverage Sector

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ABSTRACT

It has been argued that businesses across all sectors should move toward interactions, relationships, and networks. There are few practical guidelines, however, of how to implement such a marketing approach in the food and beverage sectors. This paper seeks to address the problem by discussing some findings from a four-year research programme. First, the paper reports on how businesses can segment their suppliers and customers. Second, it examines different tangible and intangible marketing practices.

Keywords: Business practices; Customer relationship management (CRM); Intangible marketing practices; Segmentation of suppliers and customers; Tangible marketing practices

INTRODUCTION

Over the past decades, it has been argued that businesses across all sectors should move toward interactions, relationships, and networks. Such a marketing approach is very different from the more traditional one of marketing through the 4Ps (i.e., product, price, place, and promotion). However, there are few practical guidelines of how to implement such an approach in the food and beverage sectors. This paper seeks to address the problem by discussing findings from a four-year research programme. The case study method was selected as the most suitable research strategy, as the research issues constitute a complex and dynamic phenomenon, which made it difficult to distinguish it from the context in which was being studied (Lewin and Johnston 1997). First, the paper reports how businesses can segment their suppliers and customers. Second, it examines different tangible and intangible marketing practices.

LITERATURE REVIEW

From Transactions to Interactions, Relationships, and Networks

Traditionally, agribusiness has employed transaction marketing, that is, the 4Ps of product, price, promotion, and place (e.g., Barkema 1992; Kalfass 1993; Sporleder 1992). But over the past decade, it has been argued that businesses across all sectors should move toward interactions, relationships, and networks (e.g., Day 2000; Grönroos 2000; Hunt 2000; Webster 2000). The two different approaches to marketing have been compared and contrasted in Table 1.

In the new marketing paradigm it becomes key for businesses to formulate their marketing activities, and to build interactions, relationships, and networks with, a number of different, but often equally important markets. The multiple markets model recognises that there are a number of key markets that businesses need to consider including the following ones: the customer market, the referral market; the supplier and alliance market; the recruitment market; the ‘influencer’ market; and the internal market.
Table 1. Attributes of marketing exchanges, characterised as transactional and relational respectively

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Old paradigm (transactional): Transactions</th>
<th>New paradigm (relational): Interactions, relationships, and networks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actors</td>
<td>The buyer has a generic need, and the seller has a generic offer</td>
<td>The buyer has a particular need, and the seller has a unique offer</td>
</tr>
<tr>
<td>Nature of marketing exchange</td>
<td>The products or services are standardised</td>
<td>The products or services are customised</td>
</tr>
<tr>
<td>Interaction between actors</td>
<td>The interaction between actors are characterised in terms of, for example, power, conflict, and control</td>
<td>The interaction between actors are characterised in terms of, for example, trust, commitment, and co-operation</td>
</tr>
<tr>
<td>Duration of marketing exchange</td>
<td>The duration of marketing exchanges is independent and discrete</td>
<td>The duration of marketing exchanges is on-going</td>
</tr>
<tr>
<td>Structural attributes of market place</td>
<td>The structural attributes of market place is characterised as an anonymous and efficient market</td>
<td>The structural attributes of market place is characterised in terms of numerous networks to a network approach</td>
</tr>
<tr>
<td>Marketing approach</td>
<td>The marketing approach is the 4Ps or the marketing mix</td>
<td>The marketing approach is marketing through relationships, networks, and interactions</td>
</tr>
</tbody>
</table>

Customer Relationship Management

The customer market is often the key market. Consider the marketing literature, which has discussed at great depth the importance of customer retention for corporate profit, with evidence of customer retention leading to increased market share and bigger profits (Fornell 1992; Rust, Zahorik, and Keininger 1996). Marketing tools that businesses can employ for retaining their customers might, therefore, provide for a competitive advantage by contributing to product and service differentiation, as well as creating barriers for switching to other products and services. Because of that, the concept of customer relationship management has gained much currency in recent years. It has been defined as:

Customer Relationship Management is a comprehensive strategy and process of acquiring, retaining and partnering with selective customers to create superior value for the company and the customer. (Parvatiyar and Sheth 2000: p. 6)

Research Issues

Although customer relationship management has been around for several years it has been noted that the term means different things to different authors (Price and Arnould, 1998). As a result, there is little consistent story of how customer relationship management fits into the greater marketing landscape (Fournier, Dobscha and Mick, 1998). The challenge for practitioners, therefore, becomes how best to apply the principles of marketing to secure a strategic advantage. The greatest challenge to the theoretical development of customer relationship management has perhaps been the lack of empirical investigations that aim at describing and exploring particular
aspects of customer relationship management programmes implemented in real-life. Often, only
general advice is given to practitioners – the attempt of Christopher, Payne, and Ballantyne
(1991) is one such example.

In the present paper, the authors discuss some of their research findings from a four-year
programme into the marketing practices in the international food and beverage industry. The
specific purpose of the research was the following:

- To report how, if at all, businesses are segmenting their suppliers and customers.
- To examine different, if any, tangible and intangible marketing practices.

**METHODOLOGY**

The case study method was believed to be the most suitable research strategy. Unlike an
experiment where a phenomenon is deliberately divorced from its context so that the researcher’s
attention can be focused on only a few variables, in this research it was not possible to distinguish
the phenomenon of customer relationship management practices from the context in which they
were being studied. Customer relationship management practices are also complex and dynamic
(e.g., Boing 1994; Lewin and Johnston 1997) and, at this time, only little is known about
customer relationship management (e.g., Möller and Halinen-Kaila 2000). This meant that a
holistic perspective on such practices should be taken so that all of the potentially rich and
meaningful characteristics of the practices could be kept intact. These characteristics, which
impinged on the behaviour of interest, were not pre-selected and were observed over time
(Lindgreen 2001; Yin 1994).

Most of the case study data came from qualitative in-depth, face-to-face interviews, which
usually are considered as the most valuable source of information when investigating the
underlying meaning of complex phenomena and processes (Dey 1993; Lincoln and Guba 1985).
An interview protocol was crafted because multiple case studies are prone to loss of focus. A
number of cases were selected from the New Zealand and Danish agribusiness sector including
wine, dairy, venison, wool, kiwifruit, meat, and seafood. In all, over 60 interviews were carried
out with members of the selling organisations and other channel members. The cases were
supplemented by research from over 200 industry research reports, press articles, and specialist
industry publications.

The analysis of interview data was carried out in two stages: within-case analysis, involving
write-ups for each case, and cross-case analysis, involving searches for cross-case patterns (Miles
and Huberman 1994). Overall, the volume of data was condensed through coding and memoing
as well as in the activities of finding themes, clusters and patterns. In order not to reduce data so
much that significant information was lost, the research was not stripped from its context (Punch
1998). In general, the research sought to back up interpretations through triangulation with any
claim supported with multiple sources of evidence (Yin 1994).
DISCUSSION OF FINDINGS

Segmentation of Suppliers and Customers

Pels and her colleagues have developed a conceptual model, ‘marketing exchange situation model’, that allows diversity to be represented in the characterisation of buyer-sellers relationships (Figure 2). The dyadic approach in the model emphasises the importance of analysing both the buyer’s exchange paradigm and the seller’s exchange paradigm (e.g., Pels, Coviello, and Brodie 2000). Pels and her colleagues have provided no empirical support of their model, though.

Our research findings support the conceptual model as a tool that is suitable for guiding managers in their marketing exchange situations. For example, one Danish food caterer realised that his buyers’ need structure had changed and, therefore, decided to alter his market offer structure in order to keep those buyers as customers. What the food caterer specifically did was to discuss his strengths and weaknesses with a representative sample of the buyers and to build a questionnaire around these strengths and weaknesses in order to better serve ‘hostage’ customers; and to convince ‘free riders’ customers that a relational marketing philosophy is preferable. The food caterer also continued to serve the relational-oriented customers whilst giving up the transactional-oriented customers.

Another example is the winery that dictates its overseas distributors that they change to long-term business relationships. The winery has set up specific guidelines for dealing with the transaction from what used to be a transactional business relationship to the new type of relationship.

Yet a third example is the international dairy business that meets transactional-seeking customers with generic market offerings and relational-seeking customers with unique market offerings. This business pursues a marketing strategy combining both transactional and relational marketing whereas the food caterer deliberately excludes transactional marketing from its marketing.

<table>
<thead>
<tr>
<th>Buyer</th>
<th>Transactional marketing</th>
<th>Relational marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transactional marketing</td>
<td>Transactional marketing</td>
<td>Hostage</td>
</tr>
<tr>
<td>Relational marketing</td>
<td>Free rider</td>
<td>Relational marketing</td>
</tr>
</tbody>
</table>

Figure 2. The marketing exchange situation model

Note: Relational marketing refers to marketing through interactions, relationships, and networks and thus includes customer relationship management.
To determine whether or not a business partner was transactional or relational oriented, managers were found to be guided by a framework like the one that has been illustrated in Table 5. One case in point is the plastic bottle supplier who has situated his plant next to his customer so that they better can co-ordinate their business processes such as integrating the SAP systems. It is not enough that a potential business partner scores high on two variables: there is only room for investing significant resources in a relational approach if he scores high on all three variables. At the conference, other aspects of these segmentation variables will be dealt with.

Table 5. Segmentation variables

<table>
<thead>
<tr>
<th>Will</th>
<th>Skill</th>
<th>Importance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Co-operation, collaboration, and co-ordination</td>
<td>Skills of management team</td>
<td>Past and present performance</td>
</tr>
<tr>
<td>Commitment of resources</td>
<td>Skills of employees</td>
<td>Financial strength and sales strength</td>
</tr>
<tr>
<td>Sharing of data</td>
<td>Training programmes</td>
<td>Product lines</td>
</tr>
<tr>
<td>Readiness for changing business processes</td>
<td></td>
<td>Market coverage</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Reputation</td>
</tr>
</tbody>
</table>

Tangible Marketing Approaches

There exist a variety of tangible marketing approaches through which business can approach their customers. Table 6 outlines some of these major approaches.

Table 6. Tangible marketing approaches

<table>
<thead>
<tr>
<th>Market communications customisation</th>
<th>Product customisation</th>
<th>Customer caring</th>
<th>Loyalty programmes</th>
<th>Internal marketing</th>
<th>Catch-all phrase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developments in information technology have made personalised marketing relationships possible such as database marketing and direct marketing</td>
<td>The fragmentation and heterogeneity of goods and services demands are best matched by a corresponding fragmentation on the supply side</td>
<td>Organisations strive to care, and delight, their customers by delivering superior products and services</td>
<td>Organisations do business with those customers who are loyal and profitable</td>
<td>Every person within an organisation has a supplier and customer, and this is why all employees should understand the organisation’s mission, strategy, and goals</td>
<td>Some programmes seek to incorporate almost every possible marketing discipline</td>
</tr>
</tbody>
</table>

For example, Flensted Catering (a major player in the Scandinavian potato salad industry) first discussed its strengths and weaknesses with a representative sample of the customers and later built a questionnaire around these strengths and weaknesses so that it could better serve its customers. Throughout the implementation of improved business processes and the launching of new products and service offerings the firm would constantly communicate with its customers.
and employees. With the implementation in place, the firm would then evaluate which of its customers it would continue to serve through loyalty programmes.

Another example is those vineyards that have realised that their strength is in production and brand building and, therefore, have formed relationships with larger vineyards that have their own distribution arms. These production-focused vineyards provide their partners with marketing support and a marketing budget, while the partners take care of the operational side of selling the product. This finding has strong managerial implications because it suggests that firms with a well-identified set of competencies can outsource much of the tactical elements of relationship marketing by forming networks with complementary providers. With regard to brand building one of the most popular approaches is to use the winemaker to build a relationship between the brand and the customer. This takes the form of a wine tasting and a more formal winemaker dinner:

Our Melbourne agent, twice a year, has a trade day with the winemakers there and that’s very successful. I fail to understand this, but it’s a fact of life: bottle shops and restaurateurs respond to talking to the winemaker, not the wine owner or the sales person. You can walk in and be talking to the people in the bottle shop and they don’t seem at all interested until you say, ‘I’m the winemaker’ and you can see their facial expressions and their body language totally change. Suddenly they’re interested in what you’ve got to say and nine times out of ten, as the wine maker, you’ll get space on their wine list or on the shelf. (Australian vineyard)

Intangible Marketing Practices

Over the last decade or so, the marketing literature has suggested that relationship quality should be of corporate interest because of its possible commercial payoffs such as customer retention, purchase levels and shareholder value (e.g., Bolton and Drew 1991; Buttle et al. 2000; Eriksson and Vaghult 1999; Scheuing 1995). Consistent with this view, there was a general belief among the interviewed marketers that they need to improve the more intangible sides of their marketing practices. At the conference the authors will be examining several such practices, which seek to maximise co-operation, communication, trust, and commitment on the one hand and minimise conflict, power, and opportunistic behaviour on the other hand.

At this time, one point in case is that the research findings support the theoretical framework, which Johnson and Grayson (1999) have developed for describing the construct of trust. One type of trust is ‘generalised trust’ that is dictated by general shared norms of behaviour and enforced by social mechanisms. Another type of trust is ‘system trust’, which is written down in rules and controlled by legislative and regulatory institutions. A third type of trust is ‘process-based trust’ that is developed through repeated interactions between the parties. Yet a fourth type of trust is ‘personality-based trust’, which is determined by each individual’s personality traits. For example, one party could enhance its process-based trust by way of delivering its product on time and according to specifications, or by providing valuable market information:

Trust is built between [the two parties] when they do business together week after week, month after month, and year after year. (Senior marketing director)
If [a customer] has bought 20 tonnes of meat product and is waiting for those products then it creates huge problems if the delivery is late or wrong. This is why trust is very important.

With regard to fostering personality-based trust the parties could seek to bond socially by means of paying each other a business visit or, indeed, having a day out:

Relationship is how you sit and talk with your customer: the right spirit of a conversation, being close to the customer – perhaps not friends, but definitely close to the customer so that the buying experience is pleasant. (Senior marketing director)

Relationships is built by inviting your customer[s] out for dinner, playing golf with them. Everything that binds people together. (Senior marketing director)

The managerial implications are important because if one type of trust is not available it might become necessary to draw on other types of trust. When the British government thus failed to protect the population from BSE-infected meat products the retailers turned from one system trust (i.e., the British legislation) to another system trust (i.e., their own meat assurance schemes). The retailers also pursued process-based trust by way of setting up dedicated care lines (e.g., Tulip International, a major supplier of Danish bacon to the British market) where customers can telephone in case they have any concerns over food quality and safety.

FUTURE RESEARCH DIRECTIONS

There are a number of avenues that future research might take. For example, how do firms practically manage being embedded in multiple relationships and networks? Future research could examine how firms can build competitive advantage in this regard. For example, how does a firm compete and co-operate within relationships and networks? Entry into one network may thus preclude entry into another. Future research could also consider the use of information technology to manage relationships and implement a relationship-based strategy. Information technology thus links firms and their suppliers, distributors, resellers, and customers into networks of interactions and relationships throughout an industry’s entire value system.

REFERENCES


