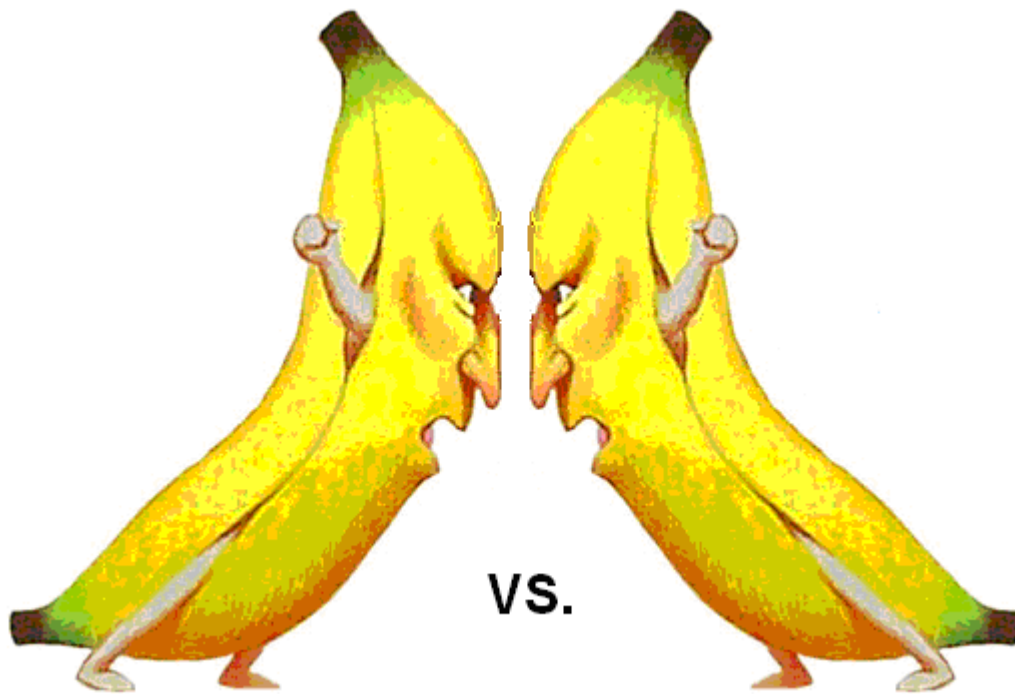




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Battle of the Produce

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ABSTRACT

- Title:** Battle of the Produce
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- Authors:** Jacob B. Lejdström
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- Advisors:** Primary Mats Urde
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- Keywords:** Produce (fruits and vegetables), Branding, Retailers, Manufactures, Scenario planning
- Thesis Purpose:** **The purpose of our thesis is to explore different plausible scenarios concerning the future of the Swedish produce industry with regards to branding.**
- Methodology:** In order for us to answer the research question and fulfill its purpose, we have utilized a qualitative approach combined with of both an inductive and deductive theoretical approach. Our study is both explorative and speculative.
- Theoretical Perspective:** The theoretical framework of our research is based upon Porters Five Forces and Competitive Advantage combined with Kapferers Brand Identity Prism and his ideas on Brand Innovation. Additionally, we have utilized the Game Theory.
- Empirical Data:** In regards to our empirical data we have focused primary data collection and conducted an intensive set of interviews with some of the leading players within the Swedish and to some extent Danish produce industry. The Secondary data consists of two brief examples of big produce brands and data which functions to support and validate but also reflect upon our primary data.
- Conclusion:** After having researched the Swedish produce industry and enlightened the current trends and uncertainties within the industry, we have come up with three possible future scenarios in the battle of the produce. Our third alternative, the Competitive Equilibrium finds its plausibility in the fact that it does not meddle with the current power structures. Instead it uses the existence of these power structures in order to expand the market potential rather than squabbling over the limited market shares. Additionally, we see a trend that consumers are focusing more and more on ecology and quality produce and we consequently believe that this third scenario most certainly is a possibility for the future of the produce industry.

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1. Introduction

Why study vegetables and fruits?

Everybody has a relationship to vegetables and fruits. Small children are forced to eat them, health conscious people devour them, underprivileged regions cherish them, and other areas of the world wrongfully abandon them for less nutritious choices. Most people are tormented with the notion that they should be eating more of it. There are few things that binds mankind together, there is however little doubt that one will find any culture or gathering that does not promote and enforce fruits and vegetables as a healthy and balanced nutritional intake. When discussing one of the essential building blocks of life, whether you like it or not, this is not anything one has the choice of ignoring. Fruits and vegetables is a serious matter that activates basic mechanisms that go unnoticed by no one. Additionally, there is an enhanced focus on produce from both the governmental institutions and consumers, which as well contributes to why it is in particular fascinating to investigate this industry.

Vegetables and fruits, the founding mechanisms behind modern day branding?

We would argue that the foundation of society is based around nutrition. The days when we gained the knowledge of harnessing fruits and vegetables is commonly referred to as the agricultural period. This period occurred around 10.000 years ago¹ and is the result of people coming together in nomadic gatherings. When coming together they domesticated animals and plants. This domestication laid the grounds for the birth of civilization.² It seems as if diet through the agriculture of vegetables can be attributed as the founder of civilization.

As time progressed means of efficiencies were developed in society. Instead of each individual acting as a self-contained unit, one started to divide up tasks within society in order to optimize the combined output. At this point and time trade initiated and the market place became one of society's most central arenas. Life was to a large extent built up around and focused on the market place being at the heart and root of the mechanisms of society.

As trade got more intensive competition gradually got fiercer. This led to constant measures of refining and improving the methods of how the products got sold. As time went by the methods reached the sophistication levels that led to the birth of the type of setting that in modern terms is referred to as a convenience store. With the improvement of both production and selling facilities the quest for ulterior methods of creating competition began.

Previously most of the focus had been on competing with quality and price through improving production. Suddenly the focus shifted into increasing ones revenue by

¹ Britannica, Online <http://www.britannica.com/eb/article-25980/exercise> 14-04 2007

² Agropolis-Museum <http://museum.agropolis.fr/english/pages/expos/fresque/agri.htm> 14-04 2007

inducing purchasing rather than catering to it. The stimulation of purchasing evolved into trying to add meaning and identity into the products. This type of behavior leads to the birth of branding. This type of identity enforcing measures was first commemorated and acknowledged in 1882 by Manets painting “A bar at the Folies-Bergere”. In this painting we find the first depicted brand in the shape of a labeled beer bottle.

This was a trend that was quickly adopted. Suddenly people were no longer buying generics they were buying added value brand products. This has evolved to the point where the modern retail environment is much designed and focused around the emphases of pushing brands out on the market.

The odd paradox, vegetables and fruits are rarely branded.

We find that the answer to why branding is one of the single most important success factors can be captured in the following quote.

Like presence, a brand (beyond the crassness of a mere logo) is the immanent aspect of our contact-boundary with the world. It is highly field-sensitive, and can be central to how we come to know ourselves as well as how we come to be known. Branding can help an organization and community create and articulate purpose and values, shape and value uniqueness, energize around needs, mediate experience and make continuous creative adjustments in relationship to the environment. As the vital spark of a business or community, brand, like presence, can ignite leadership, strategy, team performance, communications, change, innovation and other critical areas.³

There is little dispute that one's dietary intake of vegetables may have been one of the factors which initiated the whole process that has evolved into branding. It is however odd that the product group that may have set the ball rolling is also the product group that has stagnated in its evolution. Vegetables and fruits are generally not branded. There are a few exceptions such as Chiquita, Jaffa and Zespri. Commonly fruits and vegetables is the only product in the retail environment that remains untouched by the forces of branding.

Why is this so? Could the answer be as simple that it has to do with packaging? Is a brand something that is limited to the shell in which the product is contained? This is not a conclusive answer as for example Chiquita is a product that is unpackaged and recognized merely by a sticker placed on a banana. There has to be another reason. What further makes this an elusive research topic is the fact that this is not a regional trend. Most produce is generally sold and regarded globally as a pure generic product. Additionally, produce is the product segment where the retailer has some of the biggest margins.

What is it that differentiates this product group to the extent that there is a global lack of branding? Even the most basic generic products such as milk, meats and breads are

³ Francis Ty, (2001) 10:1, p. 29

nowadays flooded with an abundance of brand differentiation. The most extreme example we can use to highlight the forces of branding is the evolution of salt. Salt used to be regarded as a chemical composition used for seasoning food. Today the retail environment devotes a special section in the condiment area to the many different types of salt that exist.

Is branding the answer?

The only possible conclusion we can come up with is that branding seems to add value to everything that is successfully subjected to its forces. What is it that is globally acknowledged and recognized that differentiates fruits and vegetables to the extent that this is the only retail environment product segment that remains relatively untouched by the forces of branding? Why is it that this product group mimics at first glance the same generic focused mechanisms that are found at a traditional market place? Are there other mechanisms under the surface that is of importance that we do not see? Why is it that a product section that is powerful enough to be the founder of civilization is also the single section which at first glance seems to have stagnated in its evolution? What are the forces that are keeping this industry from blossoming into the apparent solution of branding?

Could it be that the equation is not as simple as putting manufacturer branding and generics/private label on opposing ends of the stick? Is the fruits and vegetable matrix more complicated than this and in that case what else does it involve? How does the consumer relate to fruits and vegetables, is it important for them that this type of product is branded? Are there other mechanisms that are of importance when they purchase this type of products? What role does country of origin play and is this instead what should be focused on? Is there happening anything on the institutional level that is having an effect on the outcome of the commerce of fruits and vegetables?

1.1 Keywords

Produce (fruits and vegetables), Branding, Generics, Private Labels, Brand-set, Retailers, Manufactures, Ecology, Scenario planning, Emissions, Game Theory

2. Research Purpose

With this thesis we intend to initiate the process of unraveling some of the questions and concerns that we have previously stated. Our intention is to commence a basic understanding and discussion around which underlying mechanisms that are shaping the arena and circumstances that the Swedish produce industry abides under. The outcome of our conclusions will be derived from having interviewed some of the leading actors within the different fields of which this thesis is concerned with. It is only through an understanding of these mechanisms that we believe it is possible to make an attempt in foreseeing future scenarios.

Our general purpose is as follows;

The purpose of our thesis is to explore different plausible scenarios concerning the future of the Swedish produce industry with regards to branding.

2.1 Research Question

Which parameters will dictate the outcome of the future Swedish produce industry?

An analytical attempt at determining who will win the battle of the produce.

3. Methodology

By the utilization of the methodological section we will try to provide a review of the research methods which are utilized in this thesis.

The section has been divided into the following parts. Initially we describe why we believe method is of great importance and why we have chosen to use a ‘chain of command’ methodology. Next we describe our research strategy and design and the contemporary research. After this we unravel the research procedure context followed by the scenario planning method and how and why we have applied it. Henceforth, we argue for the use of our constructed figures and tables and hereafter, come our primary data collection which examines the qualitative semi-structured face to face and phone interviews our data is based upon. These measures have been taken in order to obtain accurate information from primary sources. The next part includes secondary data collection. After this a part concerning validity, reliability and generalizability that lead to the final part being the delimitations of the project.

The importance of methodology

We believe that a good thesis is one that is characterized with high levels of clarity. We further believe that this clarity can only be enforced with the coherency that successful methodological use can bring. With that said we believe that the relevance of our thesis will be highly dependant on our ability to portray, legitimize and argue for our methodological structure.

With that said, what is methodology? According to us we believe that there are no given answers to this question. Methodology is by us regarded as the backbone of a thesis that holds everything together and creates a meaning in the internal composition of the different segments. If totally lacking any ideas of where to begin, the existing supply of methodological reasoning can and should be used to anchor the foundation of ones work. Despite this we are weary in blindly mirroring and incorporating the existing knowledge base. We believe that good methodology should be composed of both “clinical” methodology, as well as critical reflection. What matters in the end is not necessarily that you are reciting existing sources, but rather that what you are saying makes sense and is

logically built up. We have chosen to make our methodological strategy a combination of borrowed thoughts from others, and unique contributions from ourselves.

Chain of command methodology

Before a painter begins the task of painting a canvas he always starts off by preparing the canvas with the right foundation. We believe that similarities can be drawn in the way that we have chosen to conduct our thesis. We believe that every new segment of our paper will require the prerequisite knowledge of what has been previously stated. We see our paper as a continuous process where in order to comprehend a certain section; this section will only be understood within the context that is built up by having read the previous parts.

We boldly like to refer to this type of methodology as “chain of command” oriented. We find that this is the type of metaphor that best describes the way in which we believe our methodological structure is built up.

3.1 Research Strategy and Design

This research project is based upon the utilization of a qualitative, inductive and deductive methodological approach in order to gain a deeper understanding of how the present situation regarding the produce industry currently is and will develop. Our research is qualitative in the sense that we focus on the in-depth information that we have gathered by the means of our interviews. We have chosen not to focus on quantitative financial information as that would put a different focus on the study we intend to do.

We have an expert oriented scenario discussion that we believe is necessary in order to come to the bottom of our explorative orientation. Beyond these approaches we intend to use two examples (Chiquita Bananas and Zespri Kiwis). These two examples have been chosen due to their differences in product and brand innovation as well as ownership structure.

The research is inductive in the sense that we start with data collection and then examine the data for patterns, bundle these patterns and then try to build the scenario planning⁴. Hence, the study is explorative and interpretive and consequently, a qualitative approach is most suitable⁵. The study is deductive in the sense that we create our scenarios by aiming at uncovering a certain structure in the data and henceforth, utilize this as a framework to formulate conclusions⁶. In addition, it is more suitable to impose qualitative data analysis upon the questions regarding the respective topic since our purpose is to generate information and comprehend the complex competition between the branded produce as opposed to the generic etc. Furthermore, our research focuses much on

⁴ Bryman and Bell 2003 chap. 1

⁵ Easterby-Smith et al, 2002 chap. 5

⁶ Bryman and Bell 2003 chap. 1

particularized insightfulness of various specialists within the produce environment and therefore, qualitative interviewing is to prefer⁷.

3.1.1 Contemporary research context

Our first task was to explore the current knowledge that surrounded this field. This was done by using a snowballing technique. We started off by finding out the names of previous researchers within the subject. After having contacted them we further asked them for advice in where to look in order to further deepen our knowledge about the field. The only conclusive answers we could come up with were that our research area has been touched upon, but in general it is still very much virgin territory. Most research that has been done is very case specific and thereof not very generalizable. Our purpose has a much broader applicability than what is described in the pre-existing research we came across. By no means are we arrogant enough to say with certainty that we are the first researchers to venture into this area. However, we believe that if some of the leading experts (i.e. Dr. Andrew Fearne at University of Kent, UK & Anna Karin Ekelund, SLU Alnarp SE) cannot specifically point to anybody who has done anything similar, then time is well over due that somebody attempts to fill this perceived gaping hole of lacking knowledge.

3.1.2 Research procedure

In our attempt at answering our research question the road which we have utilized is here described.

The primary empirical data is the very soul of the project since the interviewees all are respectful experts within the produce segment. These interviews therefore set the ground for which theories we could utilize in order to come up with the most accurate, valid and interesting research results.

When venturing into a research area that to a large extent is yet to be unraveled, the lack of knowledge presents a further lack of tailored theoretical approaches. When faced with the limitations of developed theories we must resort to the confinements of the elementary theories. It is only by anchoring ourselves in the most basic theoretical building blocks that we believe that we can legitimize the exploration and development of our own theoretical constructs.

In order for us to create as concise results as possible, we have decided not to compromise the legitimacy of our discussion by diluting it with too many theories. Instead we have chosen to concentrate our foundation largely upon the theories and thoughts of Michael Porter and Jean-Noël Kapferer. On top of this we have chosen to use existing gestalt theory as we find this to a large extent manages to explain the mechanisms and parameters that we are trying to decipher. As well as this we also bring in some basic theoretical foundation for which parameters are important when purchasing unbranded products. With these theories we believe that we will have the tools that are necessary to

⁷ Bryman and Bell 2003 chap. 1

deconstruct our empirical data in order to unravel the research question we have set out to ask.

Additionally, two theories are applied in the analysis. These are firstly a SWOT analysis to investigate the future possibilities for the scenarios. Secondly, we will utilize the Game Theory to test the outcome of our scenarios. We will by the employment of the Game Theory try to predict the ‘game strategy’ of the respective parties. Finally, we arrive at the conclusion and in this section we present the likelihood of the different outcomes we have portrayed and how we see the future of the produce industry on the basis of our research (see figure 1).

3.2 Scenario Planning Method

In this part of the methodology we briefly explain what scenario planning is and how we intend to make use of it.

Scenario planning originates from the military where it has been utilized i.e. World War II⁸. In the 1970s, it helped the Royal Dutch/Shell to foresee a future in which oil producers held the upper hand in the industry⁹. The utilization of it enables the respective researcher to reflect upon very uncertain and multifaceted factors and then make decisions. Nevertheless, as argued by Walton, M. (2006) scenarios are not predictions but just constructions which try to forecast some probable futures. Scenario planning and the utilization of this is hence, a methodological approach for investigating the future by understanding the nature and impact of the both the certain and uncertain factors which will affect the future. McCorduck, M. et al. (1996) phrases it as following; “Scenarios don’t predict the future so much as they illuminate it, preparing us for the unexpected. Scenarios are multiple approaches to the future, stories of the inevitable and necessary (...) recombined with the unpredictable and matters of choice.”¹⁰

Moreover, as argued by Ertel C. (2006) when both individuals and organizations are challenge by complicity and doubt, two risks arise, namely as he describes the risk of denial or paralysis. By the means exploitation of scenario planning this negative way of coping with the surroundings can be minimized.

As we have set out in the quest for answering how the future looks in the produce industry, this methodological approach is to prefer. Additionally, this analytical approach enables us to combine our primary data into a mutual deeper understanding of the pivotal issues that impacts the future industry in which our respective interviewees do business in. It creates an environment where both we as researchers and the professionals interviewed gain knowledge on how the full spectra of the produce industry find the present situation and possible future events.

⁸ GNB (2006); Connecting Present and Future

⁹ Harvard Management Update; May2006, Vol. 11 Issue 5, p3-4, 2p

¹⁰ McCorduck, M. et al. (1996)

3.2.1 Scenario Planning in Practice

As mentioned above scenario planning is a methodology, which let the practitioners prepare for the future by looking at present tendencies and uncertainties.

By the utilization of the segmentation of placing our data as either trends or uncertainties we already in our empirical data, structure our data in accordance to what is recommended when utilizing a scenario planning methodology. We are thus able to initiate our analysis, which by the means of an analytical investigation of the primary data will lead us to the three scenarios as can be seen in our scenario creation process (see **page 61**). The reason for why the specific number of three scenarios is chosen is due to a combination of the data we have collected indicates three general directions. Furthermore, the common idea is that when utilizing three scenarios it leads to one of the scenarios being the forecast¹¹. Already in the analysis we have by the means of the Five Forces i.e., investigated how the industry looks today. The types of scenarios we build are so-called system scenarios which mean that they contain both external environmental influences as well as internal guidance dimensions. This insinuates that we both use the inside information of the specific company interviewed and the expert knowledge they have about the general industry trends.

After the analysis we utilize a mapping of the data that allows us to find the pivotal factors and trends that the respective interviews have noted and we find to be of importance. We hereafter, place the interviewees intricate insight in an influence diagram X, Y diagram where the X axis display how important the data is and the Y axis how predictable it is (uncertain). Hereafter, four trends are pulled out as common to all three scenarios (for example, ecology will play a greater role) and placed in the common trend top of the triangle we have created. After this we place the general findings of our uncertainties respectively within our three scenarios below the common trends. The scenario thus, sets of in a deductive setting were as Van der Heijden (1996) discusses the deductive method aims at uncovering a certain structure in the data and henceforth, use this as a framework to formulate conclusions¹².

The scenario planning methodological approach will be strengthened by the combination of a SWOT analysis as argued by Curry, A et al. (2006).¹³ As the scenario planning method has to do with the future, we find it favorable to test the scenarios by the means of the Game Theory. We are well aware that this testing is done on uncertainties and speculation. Nevertheless, we feel that we have an ample foundation of primary data in order to argue for the points that we will make.

¹¹ Ringland, Gill (2002),

¹² Van der Heijden (1996)Page 232

¹³ Curry, Andrew; et al.(2006), Page30-37

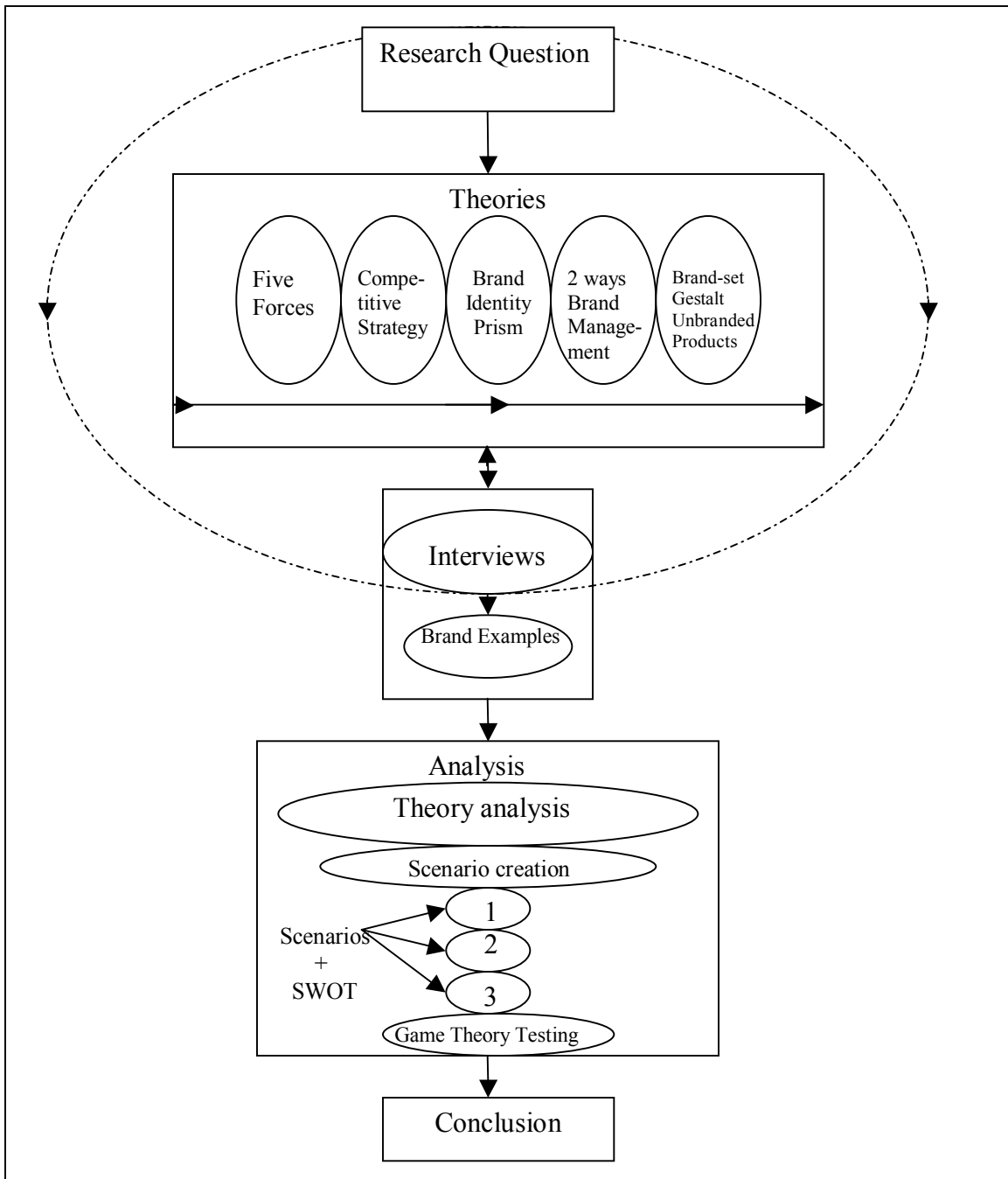


Figure 1. Research procedure illustrated (Created by the Authors)

Step 1. Formulation of research question.

Step 2. Data collection by the means of primary and secondary sources. Hence, the circle arrow.

Step 3. Finding theories which apply well and describing them in order to fully understand them. This was appears before the empirical data due the it is described before in this thesis

Step 4. Analysis firstly, by the means of the theories and hereafter scenario planning by the utilization of the method developed. Hereafter, SWOT is applied to substantiate the scenarios and finally the Game Theory tests the three possible scenarios.

Step 5. Concluding on why we believe scenario X is the most likely future.

3.3 Primary Data Collection

As mentioned above the primary data was collected by the means of qualitative interviewing. Four qualitative semi-structured face to face interviews as well as three qualitative semi-structured phone interviews were conducted.

3.3.1 Face to face interviews

We utilized qualitative semi-structured face to face interviews of professors, consultants, specialists, marketing managers, executives and persons within the produce industry in order for us to gain knowledge concerning the composition and future of this industry. The interviews were made in Swedish in Sweden except for the phone interview of the marketing manager of Aarstiderne, who was located in Denmark. The interviewees were asked a set of questions, but could at all time elaborate on what they felt to be of importance. They were all prior to the interview given a brief introduction of what the project was focusing on, this was done in order for them to give us as useful information as possible. The interviews were recorded and a concise edition of the extractions of the respective interview can be found in the appendix. All the interviewees have individually been handpicked for their unique competences within the produce industry and the outcome of our research draws heavily on the information gathered by the means of the interviews. Moreover, not to only collect information from on side of the produce providers we have, as above mentioned, interviewed specialist within different sectors so that our data is not biased from only one side. Our intention when selecting our interview subjects was to analyze the subject from as many different angles as possible so that we would get the full spectra of inside knowledge. This has led us to interviewing actors that all have intimate knowledge about produce, but have very different agendas and purposes. We believe that our interview subjects' heterogeneous interests will grant us the accumulated insight that is needed in order to understand and disentangle the research question we have set out to answer.

3.3.2 Telephone Interviews

Our primary data collected by the means of telephone interviews followed the same scheme as the above mentioned and were also recorded with a concise edition of the extractions of the respective interview can be found in the appendix.

3.4 Secondary Data Collection

Our collection of secondary data is through the utilization of books and published articles regarding research design in general and the specific key words. This is done by the means of databases such as ELIN and Business Source Complete. We have to the extent possible chosen to primarily focus on books and published articles since they have been through an extensive validation process and we hence, find them more reliable than research which has not been published¹⁴. Nevertheless, since our field of research is to some degree rather unexplored we have had to utilize the respective company websites etc. Additionally, our research primarily focuses on primary data since much of the information we need does not exist elsewhere. However, an important factor in this secondary data collection is the collection of data that contributes to the substantiation of how the present situation in the produce industry is. Additionally, Brands, Unbranded Products, Brand set, etc. are concepts which need to be explained and utilized in the attempt to answer the research question. Furthermore, information from governmental institutions has been utilized in order to see how the governments' attitude is towards produce.

By the means of this secondary data we try to support and validate the facts that we have collected through our primary data collection. This is done since we believe it will substantiate the data we collected from our primary sources and will henceforth be an aid in answering our research question.

3.5 The use of figures and tables

We have placed a great deal of effort in constructing our own figures and tables as opposed to borrowing existing ones. This has been done as we are of the belief that a picture says more than a thousand words. By creating these figures that we mainly utilize in our analytical section we attempt to explain our findings and conclusions as illustratively as possible. We furthermore, believe that by using these various graphics our message will stand out more clearly and it helps us to structure our research as we are working with qualitative data.

3.6 Validity, Reliability and Generalizability

As argued for in the work of various scholars (Easterby-Smith et al, (2002) and Bryman and Bell (2003) validity, reliability and generalizability are of great importance in a research paper¹⁵. Here we will try to conceptualize how we have applied this to the thesis.

3.6.1 Validity

We choose to define validity as to which degree reality reflects what is being said. Reality in this sense becomes somewhat of a theoretical construct depending on whose definition is asked. Our interpretation in this case evolves into reality being defined as the

¹⁴ Bryman and Bell 2003 page 76-80

¹⁵ Easterby-Smith et al, 2002 page 53. Bryman and Bell 2003 page 35-53

common conceptions that are agreed upon by all the actors. Reality in our opinion further evolves into being redefined as the mutual consensus that the different actors agree upon. Our goal in this case becomes trying to position the content of our thesis within this general consensus. Any deviances from the common norm will in this case stand out and be susceptible to analysis based upon the light of the common consensus.

Subjectivity and validity

The biggest challenge we have ahead of us when maintaining our validity is dealing with the subjectivity that will characterize our qualitatively oriented work. We see no meaning in trying to exclude the subjectivity, the reason for this is that we see no way in realistically doing so. The way we have chosen to deal with this is that we have made rigorous efforts in trying to contain what is said by referring the contents to who has said it. Our goal is that the reader of this thesis should at all times be aware of who's opinion it is that is being displayed. We find it crucial to distinguish whether the expressed opinions are ours, one of our references, or one of our interview subjects. We find that subjectivity only possesses a threat when its presence is not acknowledged. If the subjectivity is contained through acknowledgement, it is suddenly transformed from a liability to a potential asset.

Given the importance of the content and application of our definition of validity, we have highly prioritized maintaining high levels of it throughout the thesis. Concerning the way we have chosen to work with validity, there is now very little room for “getting away” with any biased opinions without opening oneself for scrutinization.

Validity within our primary data

The way we have maintained the validity in our interviews is by providing all of our subjects, regardless of roll within the industry, with an identical initial set of interview questions. There is certainly a difficulty in replicating identical interview processes when conducting semi structured interviews. The fact that our interviews are semi structured is per definition a lack of complete structure. Despite this lack of complete structure, we believe that the varying responses caused by the different structure of interview processes should not be regarded as flawing our validity. We believe that the freedom of maneuverability through unstructured interviews grants an insight that vastly outweighs any criteria of clinical validity. Validity is by us seen as a way to accentuate the levels of truth within our subjects' statements, not hinder them from ever being made.

Language

In addition, our interviews are made in Swedish and Danish thus, when the data is translated into English the worst case scenario is that some of the information might be lost, “twisted”, or even misunderstood. By being aware of this prior to the study we believe that we have minimized the inaccuracy that could else occur. This has lead to very intensive processes where the interviews have been extracted. We have been extremely careful in making sure that the original content of our data is as little distorted in extraction and translation as possible.

3.6.2 Reliability

Reliability is concerned with whether the results of a study are repeatable¹⁶. In order to come to grips with this repeatability, it is of central importance of describing how the research has been conducted. In regards to our research we have made efforts in interviewing a handful of strategic actors in the industry in order to cover the full spectra. As mentioned, this has been done by collecting data from the farmers, wholesales, retailers, consultants, and specialized academics.

We are fully aware of the fact that a lot of the information we have gotten a hold of is circumstantial. With that said, should anybody attempt to redo our study, we believe that they will be met with a whole different set of circumstances. We believe that qualitative subjects are theoretically impossible to replicate with full accuracy. The reason for this is that these types of studies contain too many variables.

Reliability in this case is in our opinion the ability to do the best with what you have. Complete replication criteria are impossible, but you need to do your utmost in portraying the research process in order to highlight which part of the process that is vulnerable to being tainted with a weak level of reliability.

The best metaphor we have is that reliability is for a thesis what the scaffolds are for a house. In a good thesis, the scaffolds are never taken down. The scaffolds should remain visible in order to illustrate the way in which the house has been built. We intend to live up to these criteria by providing an exact description whilst simultaneously arguing for the specific journey and process that we are to embark upon. If the reader after having read our thesis can conceptualize a map of how our work has been conducted, then it is our opinion that we have lived up to the criteria of reliability.

3.6.3 Generalizability

When discussing generalizability we are in truth discussing applicability. We believe that a large part of a thesis's relevance can be defined by the criteria of to what degree conclusions can be applied onto other areas. If the findings are widely applicable then the work has a high relevance due to it living up to the criteria of generalizability.

In relation to generalizability, namely if the findings and ideas from the project are applicable to other settings within the field of produce, we are confident that it is. Our study focuses on the general industry and can therefore be utilized for future research on how to create strategies for all the different actors that compose this industry. This means that our work is in no way limited to any specific actor, on the contrary, we believe that any actor involved in the Swedish produce industry will find thoughts within our thesis that are applicable to their line of work.

Although some scholars, as discussed by Bryman et al. (2003), believe that the scope of the findings of qualitative investigations are restricted, we believe that the data collected

¹⁶ Bryman et al. (2003) pg. 40

and analyzed can be generalized to the majority of Scandinavia. Many of the interviewees, who have done cross-national studies, find the consumers in Scandinavia to have quite similar preferences when it comes to the purchasing of produce¹⁷. Despite the fact that consumers may have similarities, we are well aware that there probably exist large differences in the structural (institutional, legal, cultural) elements between these countries. This does to some degree limit the generalizability.

3.7 Delimitations

We are aware of the fact that the complexity of conducting interviews are sometimes underestimated and that they from time to time are utilized in spite that other data collection methods could be more appropriate¹⁸. Given the fact that we need qualitative interpretations of how the present situation is within the fruit and vegetable industry and how the future will look we despite this find interviewing to be preferred.

Regarding the physical parameters of where the study took place, namely the southern part of Sweden, we are aware that the interviewees may perhaps be biased by their culture and norms. If the study was preformed i.e. Asia or the US we might come to some different conclusions. As we desired to get their unique knowledge we choose to interview specialist within the Scandinavian settings in order for us to focus our research and not make it to broad. Moreover, we find it most interesting to investigate the immediate settings in which we live and conduct our shopping in.

Another approach that could have been taken would be the use of a consumer oriented study. Here the primary data could be collected by interviewing a vast number of consumers on their produce habits, needs and wishes. This could be done by questionnaires, focus groups and interviews combining both qualitative and quantitative data. Their answers could then have been analyzed and on the basis of this we could have concluded what we saw as the current trends and desires from a consumer perspective. By the means of this we could have answered the research question as of what the consumers desired in the future and how we then believe the future produce industry might look. The methodological framework could for example have been the utilization of triangulation thus, combing quantitative and qualitative research methods¹⁹. However, we believe and crosschecked it with Ramsted, Finn a Senior consultant with the Copenhagen Institute for Futures Studies, that if we had interviewed even as many as a hundred consumers our findings would not enlighten the possible future of produce in the same degree as we are able to with the unique data collected from a few strategically important players within the produce industry. This due to many reasons but primarily because the range of interviewees we conducted has put us in contact with the actors that are in constant interaction with the consumers. As well as this we are also in contact the manufacturing actors and in addition the link between these two sides being the consultants.

¹⁷ Fisker, Björklund, Thestrup (2007)

¹⁸ Easterby-Smith et al, 2002 chap. 5

¹⁹ Bryman and Bell 2003, page 291

4. Theory

The following rather extensive section will offer a description of the theories employed in this project. As mentioned above we came to choose these theories after having started our primary data collection as we are of the notion that these theories could help in answering our research question. First Porters Five Forces are defined. Then his theory concerning Competitive Strategy is briefly touched upon. Hereafter, Kapferers Brand Identity Prism is explained combined with his ideas on the Two Ways of Managing the brand. Finally, we draw attention to the Game Theory which we will employ to the scenarios. Additionally, we have found it pivotal to explain the brand set and how it is defined and conceptualized around the whole 'gestalt' concept. Hereafter, the concept of unbranded products (generics) is briefly described.

4.1 Porters Five Forces

Porter's five forces is a widely used model for describing a company or the overall situation within the respective industry. The model draws attention to both the competitive situation within the industry and the threats that lie with the external factors. The model suggests that strategists needed to consider five forces when examining the nature of the current environment in which they compete: new entrants, suppliers, buyers, substitutes, and competitors. This model could provide essential insight for a company when they are deciding their competitive strategy within its business environment.²⁰

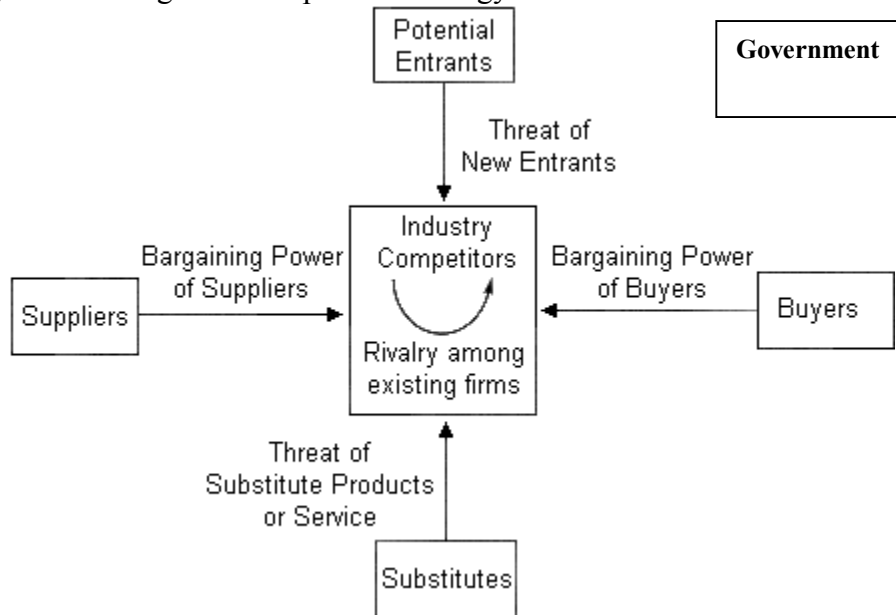


Figure 2. Porters Five Forces²¹

²⁰ Porter, M. (2004)

²¹ Market Modelling Limited, UK <http://www.market-modelling.co.uk/Images/Five%20Forces.gif>24-04-07

By the utilization of this model we can investigate the different factors that are of influence regarding the potentialities of the different actors within the industry.

Competitive Rivalry between Existing Players

Porter's Five Forces theory centers its focus on a company and the rivalry with the existing competitors. In the central part of the model, questions such as how many companies are there in the industry, how is the power structure inside this industry and are the particular products homogenized or are they diverse, occur.²²

Suppliers

Porter's framework concerning the bargaining power of suppliers assesses the question concerning how easy it is for suppliers to, for example increase prices. This is driven by the number of suppliers of each key input, plus the uniqueness of their product or service. On top of this their strength and control over you as well as the cost of switching from one to another is explored. Henceforth,²³ and the greater the need for suppliers, the more powerful bargaining power the suppliers have²⁴.

Buyers

Bargaining power of buyers relates to the impact that the buyers or consumers have on the company or industry as a whole. The buyers or consumers can be more or less restrained to a specific company. Thus, the less restrained the buyer or consumer is to the relevant company, the larger their bargaining power is.

Some of the typical questions to be answered in this section are: how easily can the customers gain access to the same product from a different producer/company and what type of, more or less, identical products are offered within the industry.²⁵

Threat of Substitutes

Is the company in an industry with highly unique products or are there alternatives for their particular product? When there are alternative products with lower prices or better performance parameters for the same purpose, the threat from substitutes is a pivotal issue, since these "substitutes" can have the potential of attracting a significant proportion of market volume and hence reduce the potential sales volume for existing players.²⁶

Threat of New Entrants

In this aspect of Porter's five forces the attractiveness of a market, and by that the threat of new entrants is under investigation. How easy is it for new companies to establish themselves in the particular industry and thereby are the entry investments, in terms of specialized employee's machinery authorization etc. high or low? Is an industry profitable to enter or do the existing players force profits down with the intention of keeping potential new entrants out? When the entrance costs and barriers in an industry

²² Porter, M. (2004) Page. 17-24

²³ Ibid.

²⁴ Anderson, J. Hedegaard, O. & Lauritsen, H. (2002) Page 30-39

²⁵ Ibid.

²⁶ Ibid.

are high, the less attractive it becomes and thus, the risk of new entrants attempting to enter the industry is lower.²⁷

Government

The governmental effect is sometimes added as a sixth force as they can have a leading role within the shaping and manufacturing of an industry due to government regulation etc.²⁸

By the implementation of this theory we can identify which factors are of importance in our empirical findings. It thus, enables us to further structure our findings and research and displays how the current situation is within the produce industry.

4.2 Porters' Competitive Strategy

Michael Porters theory focuses on how a firm can go about developing a competitive strategy and advantage, this proposes three competitive strategies; The two broad ones being cost leadership or differentiation, and finally cost focus or focused differentiation which is often identified as the narrow niche strategy.²⁹

| | | Competitive Advantage | |
|-------------------|---------------|-----------------------|---------------------------|
| | | Lower Cost | Differentiation |
| Competitive Scope | Broad Target | 1. Cost Leadership | 2. Differentiation |
| | Narrow Target | 3a. Cost Focus | 3b. Differentiation Focus |

Table 1. Competitive Strategy Adapted from Porter, M. (1985)

Cost Leadership

In cost leadership a firm sets out to become the low cost producer in its industry. Depending on the respective industry the foundation of cost advantage varies. They may include the pursuit of economies of scale, preferential access to crops or distribution channels and many other factors. It is crucial for a company that utilizes the cost leadership strategy to find and exploit all sources of cost advantage in order to be a profitable performer in its industry.³⁰

²⁷ Ibid.

²⁸ Rugman, A.M.; Verbeke, A. (2000) Page 376

²⁹ Porter, M. (1985)

³⁰Ibid.. Page.12

Differentiation

In a differentiation strategy a firm seeks to be unique in its industry along the factors that are widely valued by the consumers³¹. By this differentiation and way of positioning itself the brand is rewarded for its uniqueness with the capability of charging a premium price.³²

Cost focus or Differentiation Focus (Niche Strategy)

Here the company targets a narrow market and employ the strategy of either focusing on its cost or focusing on how to differentiate it self in the segmented niche market³³. Smaller firms often utilize these narrow strategies. They can thus, battle over customers applying either two of the focus strategies³⁴.

Stuck in the middle

If a company tries to use more of the generic strategies, and then fail to achieve them, their organization can get stuck in the middle without a competitive advantage. Thus, stuck between low price and differentiation and not well positioned in the mind-set of the target consumer³⁵. This implies that companies need to commit to one strategy or the other.

We find the means of this theory is very applicable to our project since we by the use of it can look into the positioning possibilities for both the retailer and manufacture in accordance with the current trends concerning the produce industry.

4.3 Kapferer

The brand identity prism theory by Kapferer concerning the identity of a brand, deals with the brand as a human. By the utilization of using the human as a metaphor for the 'brand' an environment is created where it is more illustrative to discuss the factors that a brand stand for.³⁶

³¹ Ibid. Page.14

³² <http://www.ifm.eng.cam.ac.uk/dstools/paradigm/genstrat.html> 24-04-07

³³ Porter, M. (1985) Page.15

³⁴ http://marketingteacher.com/Lessons/lesson_generic_strategies.htm 24-04-07

³⁵ Porter, M. (1985) Page 16

³⁶ Kapferer, J.N. (2004)

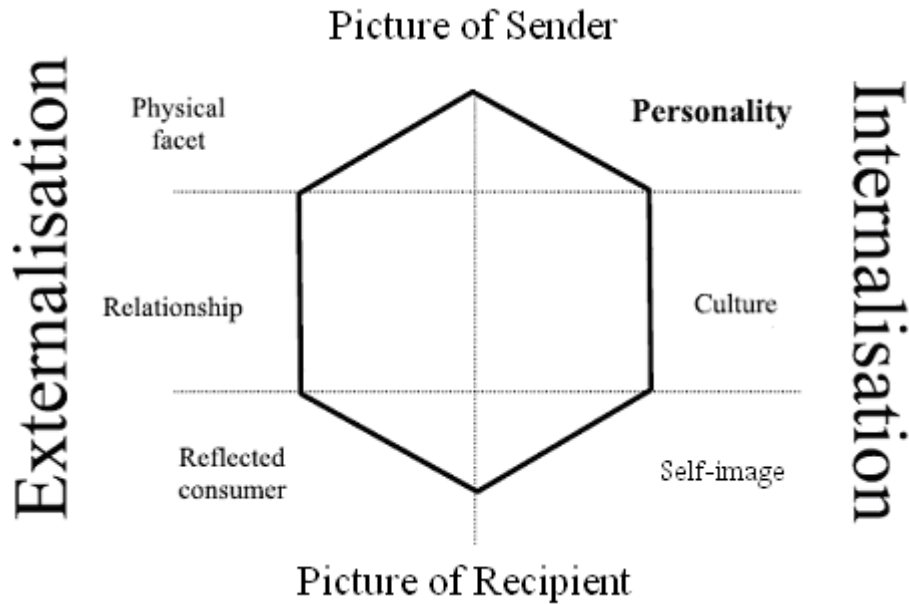


Figure 3. Brand Identity Prism, adapted from Kapferer (2004)

As can be seen in the above figure the prism consists of six subjects/ facets with three on each side of the hexagonal prism. Each of these two sides represents an explicit character of the brand. The six facets are as following, taking the left hexagonal first:

Physical Facet

A brand has physical qualities. These qualities are a mixture of salient features or emerging ones³⁷. These physical brand qualities are hence, the essence of the brand and as Kapferer argues for; if a brand is a flower, the physique is the stem³⁸.

Relationship Facet

Since brands often connect people by the means of transactions and exchanges, brands should be able to build an external relationship. This facet defines the mode of conduct that most identify the brand.³⁹

Reflection Facet

How does the target customer reflect upon the product or service to be? By the means of this reflection the brand is able to grasp the implicit and unexpressed desires of the consumer. Thus, the more positive reflection the stronger the brand stands⁴⁰.

Personality Facet

Refers to the idea that a brand has a personality of its own like a human would have. This facet has to do with the idea that a brand should build up a character which then will lead to a product alignment with the target customers. A company such as Chiquita have

³⁷ Ibid. Pg. 107

³⁸ Ibid. Pg.110

³⁹ Kapferer, J.N. (2004) Page 111

⁴⁰ Arunashish Ghosh (2005), Brand Prism. Institute of Management Technology, Ghaziabad
http://www.coolavenues.com/know/mktg/arunashish_prism_1.php3 20-04-07

utilizes a front figure, the lady with a basket carrying fruits on her head in order to help creating the personality⁴¹. Henceforth, by communicating this brand personality the specific brand character is build.

Culture Facet

A brand communicates a certain culture and from this culture its product or services arise⁴². Again this is related to the communication since the brand through its product or service communicates its culture. I.e. Harley Davidson expresses freedom and roughness whereas The Body Shop reflects environmental considerations and friendliness. The cultural facet is therefore, at the core of the brand.

Self image Facet

What does one reflect by the utilization of this brand? The brands ability to create and shape a self image for the respective consumer. Through ones attitude towards certain brands, we indeed develop a certain type of inner relationship with ourselves and the brand image that we want to project. Some examples of this could be the VW Beetle and Cadillac.

The reason for why we have decided to utilize this theory is due to its capability to draw a clear picture of a brand.

4.4 Brand Management

Kapferer differentiates between two ways in which the brand can be managed. He believes that one can focus on the ‘flagship’ and by doing so renovating and reinventing it or focus on innovations. He argues that the best brands manage to balance between these two factors. He claims that by innovating, the brand benefits both in terms of image and sales and hence, creates a spill over effect. This is because the brands flagship is strong in the mindset of the consumer and hence, the possible promotion of a new product or innovated one can activate the ‘flagship’. Additionally, Kapferer argues that there is another important factor, namely that every new product attracts new customers and thus, their perception of the old brand is re-evaluated.⁴³

⁴¹ Kapferer, J.N. (2004) Page 108

⁴² Ibid. Pg. 107

⁴³ Kapferer, J.N. (2004)

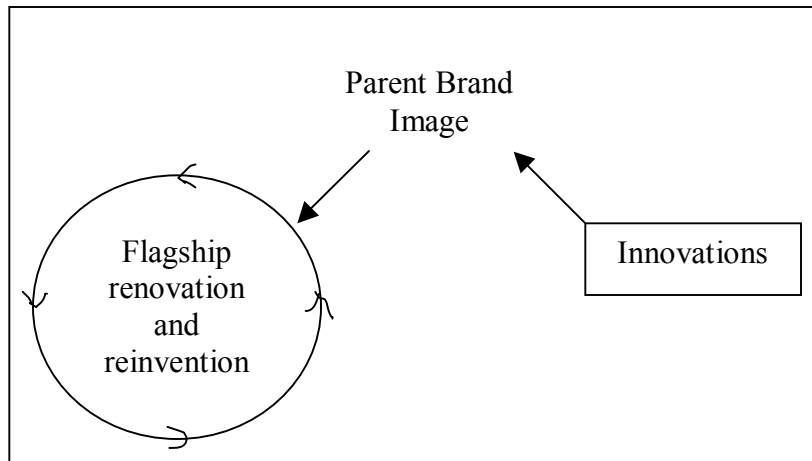


Figure 4. Two ways of managing the brand. Adapted from Kapferer (2004)

This theory enables us to investigate what the respective brand can build its brand through focusing on the innovation.

4.5 The Game Theory

The Game Theory reflects the possibility of an individual (either as a person or an economic entity) to maximize its profits using a specific spectrum of institutions such as money, property rights, perfect competition markets, etc. within an environment with defined rules⁴⁴. The Game Theory also conveniently chooses not to look at the ways of maximizing profits outside that box, i.e. outside the money economy. The Game Theory can be divided in two parts; Cooperative and Non-cooperative. The cooperative perspective explains the action of two or more players (players are basically any economic entity on the market) on the market that collaborate in order to both maintain economic supremacy, close the market for outsiders, sustain the prices of their products/services on the market.

On the other hand, the non-cooperative perspective looks more at the interactions between players in a highly competitive market, where collaborative fusions emerge rarely and only for short periods of time to serve the players' ad-hoc interests. The cooperative and non-cooperative perspectives could be best explained by the famous Prisoners' Dilemma Game.⁴⁵

Prisoners' Dilemma Game

A method to describe any game is to list the players (individuals, companies, trade partners, etc.) participating in the game. It is also necessary to list the respective player's strategies. Using a matrix for a two-player game, the actions of the first player form the rows and the actions of the second player the columns. The entries in the matrix are two numbers representing the payoff or gain to the first and second player respectively. "Prisoners' Dilemma" is a well-known game. Two criminals committed a robbery and were caught by the police. Due to lack of evidence the police needs one of the

⁴⁴ Bierman, H. and Fernandez, L(1993)

⁴⁵ Bierman, H. and Fernandez (1998)

perpetrators to confess. Each suspect is placed in a separate cell, and offered the opportunity to do so. The game can be represented by the following matrix of payoffs:

| | | Player 1 | |
|----------|-------------|-------------|---------|
| | | not confess | confess |
| Player 2 | not confess | 5 \ 5 | 0 \ 10 |
| | confess | 10 \ 0 | 1 \ 1 |

Table 2. Game Payoffs Matrix

The higher the number is, the more utility. One can hence, describe the game as following; each player has the choice of confessing or not confessing thus, if both do not confess they go free and receive 5 points. Nevertheless, if player 1 or 2 confesses and the other party does not, the player who confess and thus, testifies against the other in goes free and gets the entire 10 points of utility, while the prisoner who did not confess goes to prison and gets nothing. On the other hand if both player 1 and 2 confess they will be given a bargained time but they will both be convicted. They are thus, giving 1 point each since it is to prefer compared to having the other confess against you although not as good as going free which gave 10 points.⁴⁶ In this game each player's action is a crucial factor for the outcome of the other player's payoff. Game Theory has numerous applications to business, such as branding and price competition as argued by Miller, James D. (2003)⁴⁷.

The game can be visualized in a game tree.

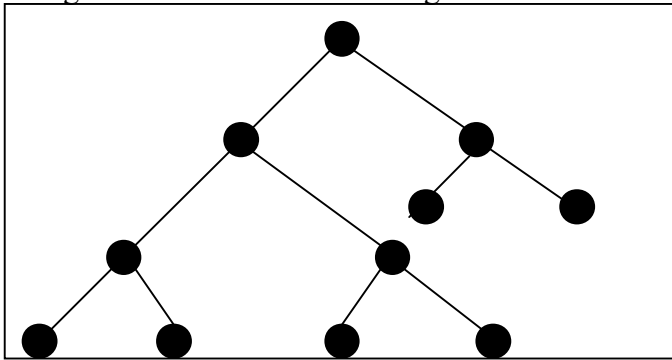


Figure 5. Game Tree example

We have decided to use the Game Theory in this thesis since we by the means of it can test our scenarios. Additionally, we believe that the use of this theory will enhance the reliability, validity and generalizability of our research.

The last two theories regarding brand set and unbranded products are not explicitly touched upon in the analysis. We however believe that it is impossible to address our subject without having an understanding for the omnipresent content that we believe

⁴⁶ Levine, D UCLA <http://levine.sscnet.ucla.edu/papers.htm> 15/04-2007

⁴⁷ Miller, James D. (2003)

these theories grant us. These theories thus play a supplementary roll rather than a leading one.

4.6 Brand set

We find this concept to be important for our research since it deals with the environment in which both the branded and unbranded products are purchased in. We further believe that this type of theory will be able to grant insight in the context consumers choose to conduct their shopping based upon their brand conceptions.

When discussing brands, can one really do so without unconsciously tainting it with the context we are used to experience it within? To put it differently, is it possible to analyze a brand without making any associations? The answer is no. Associations are the name of the game when it comes to branding. For example; interview a passionate individual who is immaculately restoring a vintage Cadillac. If the passion for the restoration is strong enough, this individual will make no compromise whatsoever when it comes to using any parts that deviate from the original construction. There will only be a specific engine, carburetor, exhaust pipe, dashboard, steering wheel, headlight, the list is endless. What we mean to say is that there are plenty of solutions that will fulfill the function, but there is only one specific part per solution that will accumulate to what comprises a Cadillac. The specific part and the Cadillac itself are interdependent and seek meaning through the existence of the other in order to acknowledge it. Separately the Cadillac and the specific part are nothing, meaning only occurs when they are combined. It is impossible to discuss one without indivertibly discussing the other? According to us, we would define branding as the art of creating references. When referring to a Cadillac, what are we actually talking about? Apparently; quite a lot of different things.⁴⁸

To some degree we are amazed over to which extent brands are regarded and referred to as isolated entities. It is only within a theoretical framework that brands exist as isolated objects. Truth of the matter is that brands never presented themselves within a vacuum like setting. When exposed to a brand, whether through advertising, purchase or consumption, the brand is in itself produced within the context of how it is portrayed.

4.6.1 Gestalt

So, is it realistic to discuss brands without positioning it within a context? This is a question where one can argue for both sides. However, we think it is safe to say that brands always appear within one kind or another omnipresent context. From a retail perspective it is possible to prove that there is a positive relationship between in store environment and purchase behavior.⁴⁹ If this is the case, then apparently the brand itself

⁴⁸Despite this, some things are apparently more critical in determining the identity then others according to Corey Lawrence G, *Comment on research-brand attributes that determine purchase*, 1974, Journal of Advertising Research, vol 14, vol 5, p. 77

⁴⁹ Susan H.C. Tai and Agnes M.C. Fung, *Application of an environmental psychology model to in-store buying behaviour*, 1997, The International Review of Retail, Distribution and Consumer Research, vol 7, nr 4, p 311

is not the sole determining factor that leads to purchase. In order to more realistically come to grips with the brand in its context it is a good idea to adopt a gestalt perspective.

Gestalt is frequently used by researchers to convey the idea that the individual's perception of any object incorporates innumerable bits of separate information that are combined in such a manner that the end result of the integration of the inputs amount to more than the sum of its constituent parts.⁵⁰

It seems odd to adopt a theoretical framework that is traditionally associated with psychology. However, when discussing the fundamentals of business management and consumer behavior, psychology seems like a discipline one should have a close look at. What is gestalt theory and why should we have any use of it?

The traditional way of studying business under the *prevailing positivist paradigm of management science* is to take a business scenario, freeze-frame it, and continue to dissect all the different components that embody it.⁵¹ Instead the gestalt theory tends to see the world as non-linear and focuses on the interactive dynamics that constitute the studied object. Often the value of something is determined by calculating the combined costs for each individual component. The gestalt theory elevates the perspective into making us look at the efficiency and outcome of the process as a whole rather than isolating its different parts. The gestalt approach is interdisciplinary. It seeks to describe and illustrate the alliances that exist between areas, which previously have been studied individually.⁵²

This perceptual elevation does to some extent complicate the quantifiability of what is studied. On the other hand it helps to better come to grips with a higher accuracy the worth of the entire process. According to Chowdhury et al. (1998) there are researchers who firmly believe that the uses of structured scales are constricting the current knowledge field. Instead it is of great importance to investigate the use of unstructured scales in order to further understand the gestalt of a studied object. It is interesting to question the predominantly common use of structured scales. One possible explanation to this is that structured scaling tends to measure and reflect self reported behavioral measures.⁵³ By using this type of method, you are maintaining to some extent a form of control in creating data that corresponds to the desired predictability and outcome. Unfortunately this is done at the expense of keeping you in the dark. Favorable data is only of use if it reflects reality. Gestalt has the ambition to capture far more dimensions than traditional management science. Traits such as “body”, values, relationships, timing, process, creation, and future focus to name a few are central.⁵⁴

Gestalt theory is the art of *pinning down butterflies*. *It is about developing the presence of the organization and supporting contact- and meaning- making through creative*

⁵⁰ Jhinuk Chowdhury; James Reardon; Rajesh Srivastava, (1998) Page. 72

⁵¹ Francis Ty (2001) Page. 20

⁵² Rosa Chun, (2005) Page 91

⁵³ Jhinuk Chowdhury; James Reardon; Rajesh Srivastava, (1998) Page. 72

⁵⁴ Francis Ty (2001)

experimentation. It is about gaining sensitivity and knowledge to the process and environment that the object exists within.⁵⁵

The only way we will learn to understand the system is through knowledge of how the system actually works. It is like the three blind men describing an elephant. One of them gets the ear and claims it is as a large fan. The other gets a foot and states that it is a tree trunk. The third gets the tail and tells the others it is a rope.⁵⁶ It is seldom we have the possibility to change the system; therefore it is of vital importance that we know as much as possible about the system. It is only through knowledge that we have the capability of optimizing our presence within the system.

4.7 Unbranded Products

In this section of the project we intend to describe and investigate unbranded products (generic products), as the majority of produce falls within this segment. Finally, by the utilization of prior research done concerning this topic, we will attempt to elaborate on the discourse regarding how consumers perceive and behave towards these unbranded products and who purchase them. Further more we believe this theory to be closely related to Porters price differentiation theories.

Generic products are products which are distinguished by the absence of a brand name, often merely a rather small label which at most tells the retailers name and frequently offered in simple or no packing and are thus, 'unbranded'. These unbranded products are products that are often identified only by product category, as produce often is. The first appearance of commercialized generic products within a brand-oriented industry can be found approximately thirty years ago in the French retailer chain Carrefour. They introduced a number of own grocery brands without any attempt at creating a significant packing but merely positioned the products at a comparable quality level to the national brands, but were offered at substantially more competitive prices. These generic products gained the interest of the consumers in such a manner that sales of these products acquired an average of 30 per cent of Carrefour's sales in the product categories in which these unbranded products were offered⁵⁷. Hereafter, the utilization of unbranded products fast became a way of selling good quality goods at a lower price, although it from time to time had its up and down turns⁵⁸.

As discussed by Prendergast et al. (1997) a recent major topic within the food business is the rapid proliferation of the above mentioned so-called unbranded products. These products with their plain packaging and lack of a "recognized" brand name have won an enhanced interest within the mindset of the consumer, mainly due to the fact that the consumer finds it attracting that there is significant price differential between unbranded

⁵⁵ Francis Ty (2001) Page. 21

⁵⁶ Ibid., Pg. 28

⁵⁷ Hawes, J.M.,(1982)

⁵⁸ McGoldrick, P.J. (1981)

products and their branded equivalent. This price difference can partly be found in the cost savings created by reduced packaging and promotional expenses.

As can be interpreted from the above mentioned a great deal of the creation of a brand lies within the packing, but these diversified packing also leads to higher costs and thus, less competitive prices compared to unbranded products⁵⁹. Many consumers often assume low price with low quality⁶⁰, the discourse regarding if this can be applied to generic products is of immense importance for our investigation of produce. Most produce is unbranded and thus, implicitly relates to the brand of the retailer instead (brand set)⁶¹.

Many studies such as Wheatley, J.J., (1980) and McGoldrick, P.J (1981) have argued for the fact that low price has been a major incentive for consumers of unbranded products and that these buyers find the quality of these unbranded product to fulfill their needs and offer excellent value for their money⁶². This can be correlated to the whole produce segment since most produce is unbranded and unpacked. Due to this the consumer is left to merely pick from presumed freshness, quality, availability and price.

Concerning the discourse surrounding who purchases these generics, studies has showed that it is often lower household income groups hence the more cost-conscious customers who are the main consumers of these unbranded products⁶³. In relation to the age of the generic consumer's, prior studies shows that generic consumers are not to be found in merely one age group (Prendergast, P.,1997, Yucelt, U.,1987), but are within almost all age groups. This could be due to the fact there is a wide range of generic product categories and thus, people of all ages can consume generics which has lead researched within this field to find the age perspective insignificant in segmenting the generic market⁶⁴.

Furthermore, as regards to the produce segment, all consumers are advised to eat at least 400 grams of produce a day and therefore the potential consumers segment and amount of people who are in contact with produce is amazingly broad⁶⁵. What is of great importance is how the consumers behave in relation to these generic products.

4.7.1 Consumer behavior towards unbranded products

Concerning consumer behavior towards generic food products and branded food products, a study made by Friese, M. et al (2006) have showed that consumers whose explicit and implicit preferences concerning unbranded and branded products were

⁵⁹ Prendergast, P., Marr, E. (1997)

⁶⁰ Ibid.

⁶¹ Ibid.

⁶² Yucelt, U.(1987)

⁶³ Prendergast, P., Marr, E. (1997)

⁶⁴ Ibid.

⁶⁵ <http://www.uk.foedevarestyrelsen.dk/Search/Soeg.htm>, and http://www.slv.se/templates/slv_page.aspx?id=11320&epslanguage=sv and <http://www.sweden.gov.se/sb/d/8220/a/7567>

dissimilar. They were inclined to choose an implicit preferred brand over the explicitly preferred one when they were given little time to pick. On the contrary, when having plenty of time they would choose the explicit alternative. This we find to be of great importance for the retailer and the big produce brands such as Chiquita. This does not mean that consumers who have much time always choose generic products, but merely that if their preferences are towards generic products and they have a good deal of time to shop, they are more likely to choose these generic products. In addition, for consumers where explicit and implicit preferences converged, participants still chose the respective product arrangement under all circumstances⁶⁶. Furthermore, this means that if there is an implicit preference in the consumers' mindset, of a produce brand such as Chiquita or Zespri, this will be purchased if the shopping time is limited. Nevertheless, the vast majority of fresh produce are in the unbranded low degree of differentiation category, therefore the price and presentation of the products is where the most competition is placed by retailers⁶⁷.

By the above description of generics we can strengthen our scenarios and our modest attempt at foreseeing prediction the future of the produce industry.

5 Empirical data

By the utilization of this section we will elaborate on the primary data collection, namely the interviews which were conducted and are the foundation of this research. In addition we will enlighten two respective examples regarding how some produce companies have become leading players by differentiation themselves through branding and innovation.

General comments about exemplification of targeted actors

In order for us to make an analyses and conclusion we find that illustrating our results through concrete examples that everybody can relate to is the best way in legitimizing our discussion. We do not favor, concentrate, or by any other way single out any of these brands or actors for any other reason than that we firmly believe that their recognition will grant us the common middle ground knowledge that is necessary for us to communicate our discussion to the readers of our work. On top of this we believe that we need to anchor our findings in order for our conclusions to fulfill the basic requirements of validity. We are aware that the generalizability of our research is somewhat limited by targeting specific actors. Despite this we believe that the advantages outweigh the disadvantages as we consider many of the conclusions of our company specific examples to be representative for generally applicable trends of similar actors.

⁶⁶ Friese, M. et al. (2006)

⁶⁷ Grunerta, Klaus G. , Vallib, Carlotta (2001)

5.1 Interviews

By the utilization of this differentiation between trend and uncertainties within the different player in the produce industry we will be able to connect our empirics to our scenarios. Our scenarios are built upon the common trends but endeavor to foresee the uncertainties and by doing so establish how the future just might look.

Interviews were conducted with the following 7 experts (in order of appearance) within the produce industry, who as mentioned above were chosen due to their strategic knowledge regarding the produce industry as well as their differentiated backgrounds:

Hans Fisker, Consultant at Scandinavian Retail Center; **Thomas Björklund**, Teacher at Alnarp Agricultural university; **Martin Moström**, Account Director at Retail House; **Mariannes Härning-Nilsson**, CEO at Mariannes Morötter; **Mats Dalin**, General Produce Purchasing Director at ICA; **Magnus Ohlquist**, Everfresh and **Philip Thestrup**, Marketing Manager at Aarstiderne.

The data in this section is from the interviews and the name of the interviewee is stated whenever he or she has said something. When ‘we’ occur it means that it is the authors speaking.

5.1.1 Trends within the general industry

One indication according to Björklund that there may be a potentially large interest for niche products is the fact that there currently exist a lot of specific products that are target marketed at segments with specific lifestyles. Examples of this is healthy foods, low fat foods, low carbohydrate foods, supplement foods, ethical foods etc. When listening to Björklund it becomes apparent that there are many other channels besides the retailer to sell your produce through. Countless examples are brought up with local producers selling their crops at a price premium due to their locally renowned reputation. This is done in some examples to the extent that people engage in pilgrimage like processes in order to purchase their goods.

A tomato is not necessarily a tomato according to Marianne. She brings up the example of Vikens tomatoes where a tomato farmer started producing tomatoes of various sizes and colors. These tomatoes were distributed towards different restaurants and have now attained a brand like status. One of the reasons for Vikens success is according to Dalin the trend amongst consumers that one eats more outside the house than before. Beyond this catering is also becoming very common, this gives way for alternative channels. These channels have for example resulted in many different and new types of salads.

Fisker further emphasizes that it is important not to only stare at the retailers when discussing the potential branding of produce. There are other channels for produce to reach the public besides the retail arena. Catering is becoming a steadily increasing enormous business that uses choice of raw materials as means of positioning and differentiation. As well as this Fiskers explains that the healthy carrot alternative to fries at McDonalds in Sweden is the result of the success of “Marianne’s Morötter” to lobby

her product into their menu assortment. Reaching the public is not solely done through the retailer.

Another strong trend that Björklund sees is growing in importance is fair trade and ecology. The potential market response is exemplified by the fact that in Sweden fair trade coffee is referred to within religious gatherings as church coffee. The reason for this is that Swedish churches have resorted to only buying ethically produced coffee. Many people are prepared to pay extra in order to ensure that it has been produced properly. Ohlquist concurs to this and states that ecology is of central importance as he believes that there is an interest from the public to buy these kinds of products. Ecology is regarded as a competitive advantage and is seen as something that all involved parties can capitalize on.

Innovation is according to Dalin extremely important. Ohlquist agrees as he tells us about the enormous innovation tomatoes have gone through during the years. A few decades ago there existed two or three different tomatoes. Today this number is more in the regions of 25-30. Here there has been a massive amount of innovation. One of the most important factors is the taste. This has resulted in tomatoes becoming smaller and smaller in order to capture and concentrate this taste. There is constantly coming out new tomatoes on the sole basis of taste. Ohlquist tells us a story of a tomato that they called romatica. This was a name whose only function was that it needed to be called something. After about a month the customers started craving this specific tomato. This market response was a result from a total lack of branding and marketing efforts. This product did however mirror the same added value as branded products would; the only difference was that this tomato had reached this status from the sole differentiation of taste. This was a very interesting outcome with regards to the fact that they had no intention of creating this kind of response. Taste in itself seems to be a very important factor within produce, this factor within this industry seems to be able to with ease outmaneuver any marketing plan that is attempted.

Fisker is astounded by the simplicity of that the lack of packaging is a plausible reason (along with purchase tradition and logistics) that fruits and vegetables are not currently branded. Moström agrees as he explains that the reason for the lack of branding within the vegetable department is highly dependent on logistical limitations of being able to provide seasonal products that in turn have to be fresh. If you take away the logistical limitations the canned and frozen goods section is an area where there exists quite strong brands for fruits and vegetables. The produce segment is very wholesales oriented. This type of orientation favors buying quite large amounts at a time. This type of buying behavior combined with the logistical difficulties creates very complicated conditions for effective branding. Due to these circumstances country of origins will probably become a much more determining factor of explaining buying behavior.

Despite all the focus that is put on the retailer Dalin claims that the traditional market place is an enormous venue for selling produce. This is a fact that is commonly overlooked. Marianne reinforces this statement by elaborating about Covent Garden in

England. Covent Garden is an example of a traditional market place where produce would arrive at night and be sold during the mornings. This was at the time the natural arena for retailers to buy their produce. As time went on this traditional market place was excluded by the suppliers driving their products directly to the retailers. The manufacturers of produce who had now lost their clients were forced to come up with creative ideas in order to survive. This type of scenario evolved into what started the “local farmer market” trend. This trend is the result of several manufacturers without any distribution channels who start cooperating in order to instigate a market demand for their products. People know who these farmers are and they are familiar with the products they are selling. These collaborations mean that all the delicacies that are demanded are suddenly sold within the same venue. This paves way for goods that are sold at a price premium due to the brand simile that is associated with the product assortment. Not only can the products be sold for a slightly higher price but also the margins are larger as the middlemen are left out. This dramatically raises the profitability for the producers.

5.1.2 Uncertainties within the general industry

According to Ohlquist farmers and organizations can have brands; this is common within the banana industry for example. It is however very difficult for the retailers to have brands since it is not possible to have a steady flow of supply. Branding is about consistency and since the seasonal products per definition are not consistent, it is impossible to maintain a steady flow of produce that lives up to a common standard. Another reason for the difficulty of branding vegetables is the fact that it is a product category that is very sensitive. If not handled correctly these goods will be easily damaged and thereof the brand will suffer a heavy loss. What would happen if upon inspection produce would be found to be non desirable and at the same time branded? Some retail goods are extremely low maintenance and only need that their expiration dates are respected. Produce on the other hand is extremely high maintenance and need to be shipped handled and stored under quite scrutinized conditions in order for them to live up to an acceptable standard. Since this handling will to a large extent be done by the retailers, there is very little reason for the manufacturers to start branding a product whose welfare and accordingly reputation will be out of their control.

Ohlquist claims that it is possible to brand produce, but very difficult. Wholesalers are not very interested in branding. Instead quality, origin and production circumstances are of primary importance. Accountability that the produce fulfils its requirements is much more important then whatever brand it is. Wholesalers do not care much for branding as it is the wholesalers customers that see that the products are promoted in according fashion. Our interpretation is that it is very difficult to get the brand in the supply chain unless you have wholesalers who see a value in the branding.

What is a brand? This is a question that Ohlquist finds intriguing. He develops this statement by discussing Ketchup companies highlighting their fantastically sweet tomatoes that go into their product. The sweetness of the tomatoes later becomes a key roll in the brand that the ketchup consists of. This is despite of the fact that the ketchup

companies are affected by the same logistical inconsistencies of produce as anybody else. Is it possible to brand tomatoes with a specific private label? Ohlquist is skeptical to this due to the fact of the varying taste caused by the logistical dilemmas. In a case like this, what is the added value?

The biggest challenge of branding produce is according to Moström the fact that fruits and vegetables have limited possibilities for refinement. Moström draws parallels to the fresh fish and meat industry that faces similar refinement possibilities. Products that are susceptible to refinement and packaging have much better possibilities of being branded successfully. Examples of companies that have branded basic goods like rice and potatoes often do so by means of using the packaging as a tool. Packaging is therefore regarded as quite a strategic criterion for branding.

Thestrup agrees with the notion that Packaging will play a greater role in the future, it will of course not be as big a factor as in many other product segments, but a packaging that sells, carries and protects the produce will be utilized.

The main reason according to Marianne why vegetables are unbranded is primarily due to the fact that fruits and vegetables are generic. She claims that branding is extremely difficult if the goods are unpackaged. The fact that goods are unpackaged has a lot to do with practical reasons. Most often fruits and vegetables need to be refrigerated once they are packaged. The retailer on the other hand would rather see that their produce is displayed in the store rather than crammed into expensive refrigerator units. This is why packaging is very seldom done with fruits and vegetables. Dalin on the other hand does not believe that branding is limited to packaging. There is however a trend to package goods. This is partly driven by the retailers but also by the customers. Dalin claims product is more hygienic when it is packaged. This packaging prolongs the lifetime of the goods as well as raising the hygienic levels. The bacterial development is much higher if the product goes unpackaged. Packaging retains the moisture levels much longer which results in products that are fresher. It is quite interesting that we have two established actors taking opposing arguments concerning a common topic. We believe that these inconsistencies can be derived from the different agendas they have.

According to Fisker one of the main reasons for the lack of branding in the produce department has to do with the tradition wholesalers have of buying directly from the producers. Beyond the purchasing tradition Fisker explains successful branding is dependent on consistency. Fruits and vegetables are first of all seasonal; on top of that they vary in quality. The fact that it is logistically almost impossible to maintain a steady flow supply is one of the main reasons why branding this type of product is so difficult. In order to meet consumer demands the retailers have to buy whatever products are suitable at the moment. When looking at all other branded goods the common denominator is often that they don't have the same purchasing channel tradition as well as the seasonal limitations that are plaguing fruits and vegetables.

Beyond the discussion of logistical limitations and quality Ohlquist states that country of origin can sometimes be of more importance than even the strongest brands. Israel is a

great example of a producer of fruits and vegetables and at the same time plagued with controversy. This controversy evokes strong reactions that can be traced into country of origin preferences. Even though Jaffa is a strong brand, its origin of Israel plays an even more important role.

Institutional decisions play a large roll for the manufacturers. Fisker explains that one institutional request that is gaining momentum is that fact that products should be labeled with how much CO₂ levels they account for. This means that products with long and expensive transport distances will be heavily disadvantaged. This kind of decision will be devastating for countries like South Africa who supply a lot of flowers and produce during the winter season. These kinds of decisions will heavily favor local manufacturers rather than foreign. Contrary to this statement Marianne takes a different stance to who will be favored by the emissions discussion. Carrots are grown and stored in October. The refrigerated goods are stored consuming energy all through winter with Styrofoam insulated storage facilities. After this long and costly storage they are transported by truck to wherever they are to be sold. Simultaneously to this it is possible to get a hold of fresh and naturally produced carrots from Italy that has been grown naturally during the winter season. Given the choice the foreign carrots are more favorable, not only from an emission point of view, but also from a nutritional perspective.

Emissions are a mayor concern according to Marianne. When trying to manufacture produce in the northern climates of Sweden there is a lot of energy that needs to be spent in order to adapt the production to the cold weather. Domestic produce does from an emission point of view not stand much of a chance in comparison to the foreign competition. Swedish tomatoes are grown in gas powered green houses. After they are harvested they are stored in nuclear energy powered fridges. Instead you can buy an identical product from Italy that is grown outside in natural conditions. Despite the transport costs that these products result in they are still far below the emissions that are being produced for the domestic alternative.

5.1.3 Trends within the retailers

Contrary to our own personal experiences as consumers we cannot from the top of our mind state very many brands belonging to the produce department. Despite this Dalin insists that there already exists an established brand within ICA in the form of private labeling of produce. This statement is exemplified by Dalin through explaining the evolvement of the brand of Rica that further on developed into ICA. During this process they simultaneously took away some of their sub brands. This was done in order to concentrate their marketing budgets on as few brands as possible in order not to dilute their efforts. Today ICA has a private label share on produce that amounts to about 50%; the opposing 50 % is a packer's brand. Upon this statement we asked Dalin if consumers went out specifically to buy an ICA apple or to buy an apple at ICA. Upon this question Dalin did however agree that it was a combination of the two.

When it comes to branding produce Dalin explains that the base of all branded produce is done through the EU directives of standardized specifications of vegetables. The bar is raised beyond the standards that are required by the EU directives to the even higher standards that formalize the specification of what comprises an ICA product. We believe that Dalin elaborates about the quality of produce in order to highlight the importance that this has when branding this product category.

Marianne discusses the circumstances of dealing with a large retail chain like ICA. Everything that is sold must be consistent with the ICA standards. This standardization applies high criteria on the goods that are sold. In order to live up to these criteria it is often necessary to stick with the big suppliers that have a previous experience which grants them an understanding and experience for living up to these criteria. It is therefore very difficult to bring in small suppliers due the fact that these seldom have the resources, routines or knowledge to adapt to the retailer's standardization. These circumstances are interpreted by us as being unfavorable for small suppliers.

According to Dalin the produce section plays different rolls depending on which type of store (stores vary in size) you look at. However, generally the produce section plays the roll of attracting customers to the retail venue. The customer might be drawn to the specific venue largely because they have an appealing produce section. The produce section to some degree profiles the retail venue. Dalin refers to research that has been done that shows that produce is heavily accountable for the choice of retail venue in the same way that meat is. Meat however does not seem to play as an important roll as produce when it comes to retail choice.

Moström adds to this discussion by explaining that the produce part of the store plays a central roll for many different reasons. First of all it is by far one of the most profitable product groups in the store. Second of all it has a health aspect that mirrors the discussion that is dominating a large part of the messages, which are broadcasted through contemporary Medias. The third reason is that many retail stores are trying to profile themselves as catering to culinary experiences. Björklund adds to this last conclusion by informing us that the poultry company Ingelsta Kalkon will be having a shop within coop forum where they will be selling their goods. This is regarded by Coop as favorable due to the fact that this will profile them as the delicacy store they strive to be. Within this culinary experience profiling Moström claims that the produce segment plays a key part in taking the role that this Ingelsta Kalkon cooperation is further reinforcing.

An aspect that constantly reoccurs within our interviews is the importance of locally produced goods. Björklund tells us about how one example of retailers taking a step towards locally produced goods is Coop Nära. Coop Nära is a retail venue that allows the freedom to purchase a certain amount of their stock from local producers as long as it lives up to the prerequisite standards. This type of solution offers generous margins not only for the retailer, but also for the producer as the additional costs of wholesalers is excluded.

During the process of retail trends Ohlquist reminds us that the value of the wholesaler is seen through the eyes of the customer. This means that wholesalers concentrate their efforts into logistically making their organizations as efficient as possible in order to supply fresh fruit at a low cost with as little storage time as possible. It is within these circumstances that the wholesalers are selling goods to the retailers.

5.1.4 Uncertainties within the retailers

Within the produce industry there does not exist a tradition of building brands. According to Dalin ICA conducts a lot of surveys that indicate that their customers prefer ICA products. These preferences according to Dalin exceed ICA's expectations as they have not invested the equivalent amounts of money in marketing that can be accountable for the positive response. Dalin claims that frequent customers in ICA purposely look for produce labeled with ICA's logo. Despite this Dalin is aware that there are many customers that do not care about the branding. There seems to be reluctances in making claims in either direction about the future importance of brands within produce. Dalin however indicates that there is a possibility to brand produce.

There is however no uncertainties from Dalin's side about the fact that the future importance of ecological demands on produce is on the rise and this is something that ICA tries to live up to. This is however not very easy as this necessitates having to find farmers that are willing to cooperate under these conditions and supply the demanded quantities. The conclusion that can be drawn is that there is an interest from all parties in order to make ecological farming profitable.

In order to make this type of farming appealing Fisker refers to the many different ways that this can be promoted in order to try to raise the levels of demand. One of the ways in which produce is being marketed in the retail environment is through flats screen TV's. The common way to appeal to the customer is through the TV vignettes illustrating the strenuous task and dedication that is put behind growing these products. The strategy seems to be to legitimize the price of the products by pointing to the efforts that go into them thus implying a superior quality. Fisker claims that the problem with this is that the customer does not see the connection between quality and the brand.

5.1.5 Trends within manufactures

The success stories of existing brands within the produce department all have in common according to Ohlquist that they are actors that have the size and resources to somewhat control their production. When thinking of branded produce, most people think of bananas (Chiquita, Fyffe's, Dole, Del Monte) Banana companies is often quite wealthy and well known, this is no coincidence. The reason for this is that the banana industry first of all generates a lot of money. Second of all, this is an industry that used to be quite restricted and controlled through licenses. These licenses were built up through quotes. The more licenses you had the higher bargaining power you could exert. Today this license system has been abolished, but during the time when it was applicable many of

the actors fortunate enough to have the right to trade with bananas could essentially to a large extent control the rules of the game. Some companies during this time could make a living on these licenses alone. This system laid the grounds for banana companies gaining a lot of momentum in their accumulation of power. The banana industry is quite unique as opposed to other produce. Our interpretation of Ohlquist is that this is the type of market insight that explains contemporary power structures.

When asked about possible developments of manufacturers Björklund tells us that there are many examples of locally produced goods that profile themselves as having much higher requirements on themselves than the criteria standards of high requirement goods. There are many examples of successful entrepreneurs like this. Many local producers start cooperation's with each other's. This leads to local collaborations developing into brands. This discussion is reinforced by Marianne telling us that she does not believe in the retailer as the only channel for fruits and vegetables. She believes in a separate system for regional trade such as local farmers coming together and creating markets offering locally farmed produce.

Björklund tells us about the company Aarstiderne that is fronted by a celebrity chef. You can subscribe or buy one of their many different produce baskets. On top of this Aarstiderne has been let into the vicinities of the retail stores. In these stores they set up wooden boxes where their apples are sold at a higher price than the competitors. This idea has been very successfully marketed and the market response has been overwhelming. Normally apples look identical, Aarstiderne on the other hand have mixed the sizes of their apples in order to highlight the authenticity of their products. Aarstiderne have successfully managed to convince the market that an apple is more than an apple. We find Aarstiderne to be an interesting example of the potential that exists within branding produce without being confined solely to the retail channel.

5.1.6 Uncertainties for manufacturer

According to Björklund the largest problem that faces produce manufacturers is the fact that a domestic tomato looks and tastes somewhat identically to a tomato from Italy. Of course there is a possibility to market the domestic alternative but this is something that seems to be generally overlooked. We interpret it as Björklund is questioning the passive behavior of produce marketing departments. Due to the general lack of marketing there is currently not as strong reason to choose a domestic alternative as there potentially could be. Björklund repeatedly refers to the lack of successful marketing to communicate the advantages of this local alternative. One way of doing this would be to convince the retailer of why there should be some kind of labeling on the produce indicating that it has been locally produced.

When asking Dalin about the importance of origin he explains that the origin discussion varies depending on which kind of product it is. The consumer has different preferences of locally grown products. Domestic cucumber is an example of an item that is second to none. Swedish tomatoes on the other hand can without reflection be replaced by foreign competitors.

The importance of branding within the produce department is a matter that is met with varying degrees of uncertainties by our interview objects. Ohlquist takes up the example of Zespri as a strong brand. But the question is how this brand is portrayed in the eyes of the consumer. Zespri has by far the majority of the market and they are really good at what they do. Despite this Ohlquist is not really sure if the consumers are familiar with this brand though.

The fact that domestic producers are overlooked is explained by Björklund through referring to the wholesales dominated purchasing channels as an answer to why they are rarely considered. Even though a producer might have an enormous production facility, it is rare that the facilities are large enough to make the retailers consider them as potential suppliers. The retailers prioritize continuous deliveries that are only possible through working with large-scale suppliers. Björklund questions this priority as he believes that the locally manufactured produce offers better margins and with the right marketing could become quite attractive in the eyes of the consumer. This is a competitive advantage that Björklund hopes the wholesalers will acknowledge in the future.

Marianne furthers this discussion by claiming that the wholesalers and retail chains have always earned more money than the producers. If you are a small manufacturer who is good at what he does you will be able to produce small batches of a fantastic product. These products will get a good reputation and retailers will approach you in order to get a hold of it. This will create a favorable negotiation position that will give the producer the upper hand. Unfortunately this is not something that the producers are aware of, let alone take advantage of. What happens is that very often they sell themselves cheap and accept the offer to start supplying to the retailer. The money earned will be spent in buying machinery and optimizing the production facilities in accordance with the requirements of the retailers. All of a sudden a new actor enters the market that can do the same things for a smaller price. The current producer is stuck with customized machinery without anybody to sell the produce to. This is a vicious cycle that according to Marianne is the reason why the producer will never win over the retailer. According to this statement we interpret the future of non large scale producers to be filled with uncertainty.

Ohlquist elaborates on the wholesalers responsibilities by concluding that they have more power than what some actors may think. If a large actor has a substantial market share then any decisions made will have an outcome at the retailers. These are circumstances that Ohlquist points out must be handled responsibly. Ohlquist stresses the importance that any actions made should be a result of attentively studying and reacting to market demands rather than dictating the game rules.

Wholesalers play a central role as Marianne tells us about how big players like Chiquita that have vast amounts of production facilities and capital. Despite this they still can not get their products out in the stores due to the facts that retail chains are strong to the extent that they are deciding who is going to deliver to them. One way of getting around this is that they can purchase the distributing company. Fyffe's bought up the Everfresh

Group, which is the largest distributor in Helsingborg after ICA. Chiquita bought Fresh Express who delivers produce to big chains as McDonalds and KFC. Fyffe's needs to own a wholesaler in order for them to be able to distribute and sell their products in Sweden. Dole has done a similar move and bought up Saba who is the main distributor of produce to Willy's and Hemköp. What happened in the case of Saba was that Coop decided to end the business relationship. Suddenly Dole was stuck with a distributor who had nobody to distribute to. Even financial power does not according to Marianne seem to be a recipe for success within the produce industry. The retailers seem to have strategic advantages as opposed to other actors within the industry.

5.1.7 Trends within the consumers

In the surveys and focus groups that are conducted Dalin says that ICA has a high level of trust in the eyes of the customers. This results in that there are customers who specifically look for their products. There are some product categories where the search is more extensive than others. Grapes are a product where customers prefer the ICA brand as opposed to the generic alternatives.

According to Dalin the customers demand can be derived from a combination of them wanting an ICA apple, and at the same time that they want to buy an apple that has gone through ICA's strenuous standards. Dalin is not sure which part weighs the most but he firmly believes that demand is a product from both of these aspects. It is ICA's ambition that it should be a combination.

Fisker finds the discussion is limited when only discussing brands versus private/generic. Fisker claims that one of the most decisive factors in customer behavior when buying produce is the land of origin. Fisker exemplifies this by discussing if there is a difference between Swedish and foreign tomatoes. Apparently there is a much more positive response from the consumers if the tomatoes are domestic. The land of origin relevance is even more intensive when it comes to the meat department. If there is a Swedish flag on the packaging implying a domestic land of origin the effects are tremendous.⁶⁸ Customers are much wearier of buying foreign meat as opposed to domestic. Even though the land of origin seems to be quite a decisive factor when predicting purchasing behavior, Fisker points out that the customer is very price sensitive. The price sensitivity is rarely exposed to decisions extreme enough to make it trigger. It is impossible to taste the difference between a cucumber from Holland or if it is domestically grown. In a case like this there are a lot of customers that would choose the domestic choice as opposed to the cheaper foreign one due to the fact that the marginal extra cost does not create a substantial extra expenditure. Generally though the customer is extremely price sensitive and has a tendency to often favor cheaper alternatives rather than brand products. Place of origin is according to Fisker a much more important factor than brands when choosing a product. Origin is one aspect where you can see tendencies that the customer is willing to open their wallets.

⁶⁸ We see this as an interesting parallel to all the fast food businesses that flaunt their diplomas that certify that they only use domestic meats

Moström furthers this discussion by claiming that the place of origin varies in importance depending on what kind of product category it is. When it comes to meats the origin is of vital interest. When it comes to bananas on the other hand there seems to be little preferences of which country they come from. One conclusion that we have drawn from this is that the Swedish market tends to favor domestic fruits and vegetables rather than foreign. When having to choose alternatives where there does not exist domestic substitutes, as in exotic fruits, the land of origin discussion becomes less important.

Fisker states that consumer behavior seems to be quite similar in the Scandinavian countries. What differentiates the retailers from one country to the other is often explained by structural elements rather than consumer behavior. Globalization is leading to homogenizing of purchasing habits. The consumers are however difficult to predict and can change their habits quite quickly. It is therefore of utmost importance that one has a respect for the consumers. This is exemplified by the bird flu epidemics. During this epidemic it would not have made a difference if the products were branded or not. A scenario like this is devastating to the manufacturers. If there arise a reason for concern, the manufacturer's survival will be dependant on the result of the consumer's verdict. Since the consumer plays such a vital part, their opinions are heavily sought after by retailers

The central component of branding is according to Fisker innovation. It is very difficult to innovate fruits and vegetables; this is another central reason why produce is rarely branded. The modern consumer looks for innovation when choosing what to purchase. The fact that the fruit and vegetable department is not traditionally associated with innovation is a reason why there are so few examples of successful branding.

In the eyes of the consumer carrots are carrots according to Marianne. Due to the fact that the consumer does not differentiate around generics, this gives the retailer incentives to buy large quantities of whatever is cheapest rather than buying specific brands. A lot of the responsibility for the lack of branding can be traced to the purchase channel tradition of wholesalers. On top of this the seasonal limitations cause a lack of logistical consistency.

Björklund believes that locally produced goods will slowly be gaining strength. The reason for this is that a large part of the future market will be comprised of capital strong individuals born in the forties and fifties. This type of market favors these locally produced goods. Björklund means that this will have somewhat to do with the subliminally present vision of the unscathed countryside that is representative for the picture perfect setting in which wholesome goods must stem from. Having experienced this scenery and associating it with harmony, buying locally produced fruits and vegetables will be a way of cherishing the idyll setting they hold so dear.

5.1.8 Uncertainties within the consumer

When Fisker discusses the relationships the customers have to brands he is quick to point out that within the produce industry these relationships are not very firm. Within most purchasing scenarios brands seem to play a key roll, but within produce the customer is not drawn to any specific brand preferences. Due to this fact Fisker sees little reason to brand produce.

Ohlquist elaborates on this by discussing Zespri's share of the majority of the market. Despite their second to none recognition within the kiwi industry, this recognition is still not enough to create any specific preferences to their brand. Even though the consumer recognizes a certain brand, the generic alternative in competing with the recognized brands is also a quite possible purchase in the eyes of the consumer. Our interpretation of Ohlquist is that established brands have less competitive advantage then one might think. The consumer wants to asses the produce with their senses, not rely on the product living up to its promised positioning.

When it comes to branding produce Thestrup believes that they should be branded upon innovation driven quality improvements. Thestrup believes that produce will be primarily branded upon quality rather than any other features. This is according to him something that he believes the customer might be willing to pay extra for.

5.2 Big Manufacturer Brands Examples

In this section of the project focus is on two stories of some of the leading players/manufactures within the branded produce market. Our ambition with this section is not to do an indebt study of the respective examples but merely by the utilization of these two companies, being Chiquita Bananas, Zespri Kiwis, briefly tell some of the key success factors of these leading players within the branded produce segment. This will later help us when investigating how the future of the produce industry will materialize itself and how competitive such brands are.

5.2. Chiquita



The story of Chiquita is actually the story of how to differentiate something as ordinary as a banana. By the means of attaching a general name to the specific banana and marketing this banana as being something diverse and worth trying compared to other bananas, Chiquita has made a world known brand out of it self. This is something the

consumer can identify with and therefore, the product has a greater chance of being purchased⁶⁹.

Although the story of Chiquita Bananas (United Fruit) already started in the late nineteenth century the utilization and introduction of Miss Chiquita did not start until 1944 and thus, became the first company to brand a banana⁷⁰. In the early years, they experimented with putting the name Miss Chiquita on a paper band and wrapping it around hands of bananas. The idea of sticking labels on bananas came in 1963. Today, more than 40 years later, they still place the stickers by hand⁷¹. Concerning the financial aspect of Chiquita the net sales for the Chiquita's Banana segment were US\$1.9 billion in 2005.⁷² Today Chiquita holds approximately 25 percent of the worlds total banana sales.⁷³

They have by the use of these stickers and by strong target marketing campaigns been able to promote bananas for school lunches, celebrate major anniversaries, advertise their sponsorship of the Olympics in 1980, celebrate Miss Chiquita's 50th birthday, and feature their slogan "Chiquita. Quite Possibly, The World's Perfect Food." One of their newest labels is Chiquita Jr., placed on smaller size bananas, perfect for lunch boxes and snacks and thus targeting the consumers at an early stage⁷⁴.

In spite of Chiquita to a large extend merely being recognized for their banana sales, which account for about 56 percent of its sales, they are a leading player within many segments of produce and have now by the acquisition of Fresh Express entered the market of selling salad to major fast food chains including McDonald's Corp., Taco Bell and KFC⁷⁵.

To conclude, Chiquita has won the interest of the domestic as well as international consumer by standing out as being more than just a fruit and hence, are to prefer when the consumer purchases a banana. The factors mentioned above has been achieved by the utilization of broad marketing campaigns as well as more targeted ones and the usage labels on each banana.

Additionally, they make great efforts in their campaigns to display that they are devoted to 'Fair Trade'. This in spite of the incident which occurred between 1997-2004 where Chiquita plead guilty to engaging in transactions with a specially-designated global terrorist group (Autodefensas Unidas de Colombia, AUC) and having AUC paid more than US\$ 1.7 million. Because of this Chiquita paid a fine of US\$ 25 millions⁷⁶.

⁶⁹ Elliott, Richard and Wattanasuwan, Kritsadarat (1998)

⁷⁰ Jeremy N Smith (2006).

⁷¹ <http://www.chiquita.com>

⁷² <http://www.just-food.com/ia.aspx?id=1775>

⁷³ Ibid.

⁷⁴ Ibid.

⁷⁵ <http://www.bizjournals.com/sanjose/stories/2005/02/21/daily29.html>

⁷⁶ US Department of Justice; http://www.usdoj.gov/opa/pr/2007/March/07_nsd_161.html

5.3 Zespri Kiwi



The story of the world's leading kiwi company 'Zespri International' has its roots in a massive R&D project on crossing different Kiwi seeds done by various scientists in the late twentieth century in New Zealand. The result of this research within the Kiwi field was the development of the new commercial yellow-fleshed kiwifruit, (named 'Hort16A') the fruit which is marketed as Zespri Gold Kiwifruit. Up through the 1990's there were a number of tests made on this new type of Kiwi from New Zealand. In December 1996 the growers owned the commercial company that was responsible for the global marketing of kiwifruit; they registered its Zespri trade mark in New Zealand. Hereafter, the product was test marketed in several countries, with some favor in the UK, moderate acceptance in Japan and enthusiastic acceptance in Taiwan⁷⁷. Then in 1998 the first Zespri Gold Kiwifruit fruit were exported to Asia. First export of 4000 trays of Zespri Gold occurred, this was followed in 1997 with 32,000 trays and finally in 2000 the new 'Hort16A', fruit was marketed as ZESPRI™ GOLD Kiwifruit, was officially launched into international markets⁷⁸. With regards to the financials concerning the sales of the Zespri kiwis, the Zespri Group had a global net sale of US\$ 654 in 2004 making it one of New Zealand's largest exporters. Zespri International is owned by some 2,500 farmers and controls all marketing⁷⁹. Furthermore Zespri hold about 25 percent of the total year-round kiwifruit market share and more than 60 percent of global market share during the New Zealand kiwifruit-selling season⁸⁰.

As in the case of Chiquita the Zespri Kiwis are also labeled in order to differentiate them from other produces. Furthermore, some of the reasons for why the Zespri Kiwi has become such a big player so fast can be found in their major marketing campaigns to create consumer awareness in international markets and to receive premium prices. In addition, they have created target marketing campaigns such as their specific campaign for pushing Zespri Gold Kiwifruit through radio, outdoor and promotional events to Chicago's growing Hispanic population. Ads advertised the fruit as "Tu pila natural"; or "Your natural battery"; a play on a well-known Spanish phrase to get moving⁸¹.

In addition, Zespri International has grasped the vital importance of focusing on areas, such as the difficulties and importance of securing the much fought over shelf space in the major retailers, making potential consumers aware of the new product and its unique differentiating qualities compared to the currently available varieties. Additionally they have made huge product innovations as to what people perceived a kiwi to be under the skin combined with testing their products to fit the tastes of the respective consumers.

⁷⁷ Aitken, A. et al. (2005)

⁷⁸ Aitken, A. et al. (2005)

⁷⁹ Borden, Mark; (2006). Page 66

⁸⁰ New Zealand Trade and Enterprise; <http://www.nzte.govt.nz/common/files/latitude-zespri.pdf>

⁸¹ Jensen, Trevor. (2002)

Besides this they have hereafter focused on how to restrain the initial interest and sales⁸². Moreover, Zespri International collaborates with growers in Italy, USA, Japan and Chile to produce the kiwifruit under the ZESPRI™ System for counter-seasonal marketing by Zespri. This enables them to a worldwide 12-month supply into supermarkets and thus, a product which consumers can purchase all year.

6. Analysis

We have now brought forward the data which we have collected. This data is the foundation of our research and we will therefore apply the theories on our data in order for us to analyze it and look for patterns regarding possible outcomes of the future

6.1 Porters Five Forces

Competitive Rivalry between Existing Players

There is one thing for certain that we have learned about the produce industry regardless of which aspect one looks at; this is a fierce business. The high levels of rivalry ferociousness materialize themselves in all possible future outcomes of this area.

To some extent we believe that the main cause for this has to do with globalization. The fact that both capital and goods can to some degree venture freely has caused a game arena that favors output and is therefore very result oriented. If you are not the best at what you do, you will find difficulties in maintaining the upper hand that is necessary for the continued survival as a player within this arena and hence, the players are continually ‘jockeying for positions’ as Porter would call it. This type of orientation has paved way for a business arena where large scale advantages, at first glance, seem to be the only means of generating enough revenue in order to stay in business. What characterizes the industry as a whole is the margins are low, actors are few and competition is intense.

Suppliers

A supplier in the sense of what is interesting for us to study involves both produce manufacturers and wholesale distributors.

What we find adds an interesting angle is the fact that when it comes to traditional (large scale oriented) production it is perceived as if the sold goods are standardized. What our studies have shown is that different retail chains may have different requirements upon the production facilities and process. The conclusion that can be drawn is that manufacturers have to be cost leaders with differentiated products and in this process our research shows us that the focus is often placed on the cost in stead of the differentiation.

The wholesale arena is from our point of view limiting from two different perspectives. First of all there are so little margins in the business that unless you have vast large scale

⁸² R.A. Martin, P. Luxton (2005)

advantages you will not generate enough turnover to stay in business. Secondly the buyers (retailers) are both limited and powerful to say the least. Massive large scale advantages on its own are not a guarantee that you will make a profit, you also need to have someone to sell it to.

The common denominator for all of the actors we have interviewed is that they all conquer over the limited bargaining power that both manufactures and wholesalers have. All the involved actors have full information about each others margins (according to Ohlquist). The fact that this information is accessibly has paved way for the eradication of any unnecessary arbitrage opportunism. The bargaining power of these actors is quite limited.

Buyers

When discussing buyers we are dealing with both the retailers as well as the consumers. These two actors may well be on the receiving end of the value chain, but other than that they have little similarities.

There are countless amounts of secondary data that points to the fact that in most cases consumers will resort to buying whatever the retailers choose to market towards them. From this perspective the power of the retailer over the consumer is accentuated. On the other hand, the end consumer will always have the final verdict as it is this actor that casts the final decision concerning if they are willing to pay for what is offered. It is because of this fact that we have retail outlets that niche themselves on the primary basis of cost leadership and differentiation. What sets the produce department apart in this aspect is the fact that it to a large extent from the eyes of the consumer looks very similar regardless of which retailer one goes to.

The overall conclusion is that the consumers create a general demand that the retailers can satisfy within varying degrees of discretion through different alternatives. The fact that the retailer is granted with the luxury of alternatives (a privilege that seems to be quite rare in this industry), indisputably proclaims them to be an extremely powerful actor. The retailers seem to predominantly be the main influence enforcers that dictate the game rules that the remaining actors within the industry have to adapt to.

Threat of substitutes

Produce is by no means a unique product. Unfortunately a carrot is often globally recognized and acknowledged as nothing else but a carrot, although we are starting to see some changes in this view (Thestrup, Marianne and Ohlquist). Substitution in this case becomes a highly interesting subject to discuss. We believe that there exist two different types of substitution; product innovation oriented, and competition oriented.

With the product innovation oriented substitution, what is regarded as a substitute for a carrot? Is it maybe a baby carrot, or possibly something with similar nutritional value, maybe a whole different kind of vegetable itself, or is it that anything edible that can substitute this carrot. The point we are trying to make is that substitution comes in varying degrees. The vegetable industry may be characterized by many things, but

innovation is something that there is needed more of. From this perspective we believe that substitution will not arise from products that have high degrees of similarities. There is little risk that carrots will be replaced by some other alternative. The only way something like this would happen would be if the carrot industry suffered some kind of irreparable scandal.

However, when it comes to competitive substitution nobody working within this business should have any reason to feel safe. Since margins are low and stakes are high, there is a constant strive for achieving a better product for a lower price with logistical imperatives. Competitive substitution from alternative sources is a constantly a haunting threat for anybody engaged in the produce industry. We believe that the efficiency of this industry has been driven largely by the high levels of substitution that characterizes this business. Substitution has led to constant improvements within the areas that have been chosen to concentrate on. From this perspective substitution could be regarded as what this industry is built and based upon.

Threat of new entrants

When discussing entering an arena of any kind, we believe that barriers may exist either formally or practically. With regards to formal barriers there are according to Ohlquist none. Anybody wishing to compete with existing actors is more than welcome to join in. From a practical point of view there are however many barriers. The primary practical barrier exists in the form that survival in this industry, regardless of which part within this industry, is often the result of large scale advantages. Large scale advantages are often achieved after having been established through years of hard work. Establishment is per definition not anything that characterizes new actors.

Despite this we are not saying it is impossible for new actors to enter this arena, only very difficult. Taking market shares can only be done if you are very good at what you do; one of the ways of doing this is innovating existing processes. By finding ways to improve current solutions, existing market shares will be taken from competing actors.

Government

The government is focusing more and more on the general health condition of the population and therefore, encourages people to eat a certain amount of fruit and vegetables everyday. This means that the government is drawing attention to the produce industry and that the players within the industry consequently can gain from this by the increased focus on produce from society. The emission debate is also an example of the governmental influence on the institutional level.

Porters Five Forces Conclusion

- High level of rivalry
- The manufacturers have very little bargaining power
- The buyers both in the sense of the retailers and the consumers have the most bargaining power.

- Within the two types of substitution, product innovation oriented or competition oriented there lies a great amount of threat in the competition oriented substitution.”
- The threat of new entrants on the industry level is fairly small.
- No actor, regardless how large, can avoid institutional decisions.

6.2 Porters’ Competitive Advantage

When applying this theory to the produce industry and then analyzing the data, we find the following patterns.

As the theory displays, companies within this industry can either set out to be the cost-leader or differentiated as compared to the rest of the companies in the produce industry. We can firstly segment the retail industry between those who attempt to be the cost-leaders and those who focus on being differentiated. As Ohlquist mentioned the price of bananas are often referred to as the ‘Aldi price’. This clearly indicates that discount retailers such as Aldi has a cost-leadership strategy and is aiming at exploiting this as a competitive advantage. Additionally, as Marianne explains some farmers use this strategy of cost leadership in order to become a supplier to the retailers. On the other hand a retailer such as ICA focus on having an assortment, which concentrate both on quality, high standards, ecology, and creating their own produce brands that builds upon their general brand-set as Dalin claims.

When applying Porters theory to the manufacture segment with both the big brands such as Chiquita and Zespri and the smaller individual farmers, we find the following patterns. The big brands competitive scope is broad targeted at differentiation their products to the vast amount of generics and labels. Positioning themselves in the mind set of the consumer is about legitimizing their premium price charged as compared to the cheaper generics. Accordingly, the smaller scale manufactures/ farmers can be divided into two segments. The first is those who utilize a cost-focus in order to be attractive to the consumers in the local surrounding market as a competitor to the retailer. The other segment also has what Porter describes as a narrow competitive scope, but here the focus is on differentiating the product instead of the price. By the means of this therefore, increase the quality and to some extent uniqueness of the respective fruit or vegetable. They as both Marianne and Thestrup has observed, try to position themselves as having a special, sometimes ecological product that signals an appealing quality towards the consumer. Additionally, they can as discussed by Marianne use this competitive scope and advantage to get their products accepted and demanded by the consumers. This could then lead to the retailer being interested in having the respective farmers produce within their assortments, since there is a consumer demand for this high quality product.

These diverse strategies and advantages are illustrated in table 3. Here the horizontal line is the competitive advantage and the vertical is the competitive scoop.

| | | Competitive Advantage | |
|-------------------|---------------|---|--|
| | | Lower Cost | Differentiation |
| Competitive Scope | Broad Target | ALDI , Lidl Medium supply farmers | ICA Chiquita Zespri Mariannes Morot Aarstiderne |
| | Narrow Target | Local farmers who try to compete with the retail prices | Local farmers who are focused on creating a high quality product (Aarstiderne) |

Table 3. Competitive Advantage Matrix in the Produce Industry (Created by the Authors)

A company such as Aarstiderne lies in both the broad differentiation segment and the narrow focus since they target the whole spectra of consumers but also focus their products as only being ecological

By the means of the above segmentation we enlighten where we believe the different players in the industry fit in. ALDI and Lidl have chosen to utilize the cost-leadership competitive strategy. They stand strong as being the ones who can set prices as Ohlquist explained. They have thus been good at combining the broad targeting with the low costs. If we focus on ICA, as shown above we find them to draw on their wide assortment and hence, this differentiation from the discount retailers is their competitive advantage. Although ICA is doing well and has a market share of 36.5 percent of the total Swedish food retail market and a 9 percent increase in their produce sales in 2006 we find that their produce segment could face the possibility of being stuck in the middle in the future⁸³. The reason for this is that they both, as Dalin reveals, concentrate on private labels, generics and brands at the same time. As Dalin explains they are trying to get more private labels into their assortment because the consumer wants an ICA apple that has been through ICA's extensive quality checks and high standards. We are of the perception that their goal is to provide the consumer with as wide a range of produce products as possible. Nevertheless, by attempting to do so we see a slight possibility of the retailer getting stuck in the middle balancing between their private labels, manufacturer brands and generic products. As discussed by Thestrup, the consumers has difficulties differentiating between the diverse products and brand, they sometimes just

⁸³ ICA Group's Annual Report 2006 www.ica.com

pick what is cheapest as Ohlquist observes. Consequently, ICA is not stuck in the middle in the sense of being between utilizing a cost-leadership contra differentiation strategy, but stuck in the middle between on one side having the big produce brands as Chiquita etc. on the other having their private labels which relate to the brand-set within ICA, and finally having the cheaper generics.

Another player in the broad differentiation segment is a company as Chiquita. As explained in the empirics they try to differentiate their produce by marketing through various Medias, focusing on fair-trade etc. and labeling their produce in order for it to extend beyond other produce competitors. Chiquita are successful in this as can be seen from their market share of 25 percent, but also here our data tells us that the respective companies have to be alert. As Fisker and Thestrup mentions big produce brands have to innovate their products and a brand such as Chiquita has done little besides making smaller bananas for kids. Additionally, they have to constantly differentiate their product by marketing in order for the consumer to pick for example a Chiquita banana as compared to another. If this is not done properly another brand (Fyffe's, Dole, Del Monte), a private label or a generic might be purchased instead of the Chiquita banana.

If we move our focus to a company such as Aarstiderne, which are placed both in the broad and narrow differentiation strategy. We however, find that they by doing so can reach the general consumer who believes in ecology. On top of this they can also reach the consumer who desires a special to some extent niche ecological product that is also one of the reasons why Aarstiderne have grown as fast as explained by Björklund.

This theory and consequently, the segmentation of the various players within the produce industry will be useful for us when endeavoring into forecasting how the future scenarios of the industry could look like. Furthermore, it will help us in the forecasting of which scenario is most likely to be the structure of the future produce industry, as it allows us to focus our SWOT analysis even more.

6.3 Brand Identity Prism

As mentioned earlier we have chosen to apply this theory by Kapferer since we believe it is very efficient in drawing a greater picture of the different players within the Swedish produce industry. By the means of the Brand Identity Prism we can enlighten how three different players are perceived, namely the ICA brand as the main supplier of generics and private labels. Secondly, Chiquita as a leading manufacturing brand within bananas and in general when talking about the fruit and vegetable industry as discussed by Ohlquist and Marianne. Aarstiderne as the third brand due to the fact that they have come across a way for the manufactures including themselves, to reach the end consumers without utilizing traditional distribution channels. We will start by describing the ICA brand by the utilization of the Brand Identity Prism. But before starting we would like mention that this analysis is based upon both our data collection and our own personal opinions.

ICA Prism

As can be seen in the appendix the ICA vision is; “We make every day a little easier”, and their mission is; “To be the leading retailer with a focus on food and meals.”⁸⁴ This also tells something about their brand.

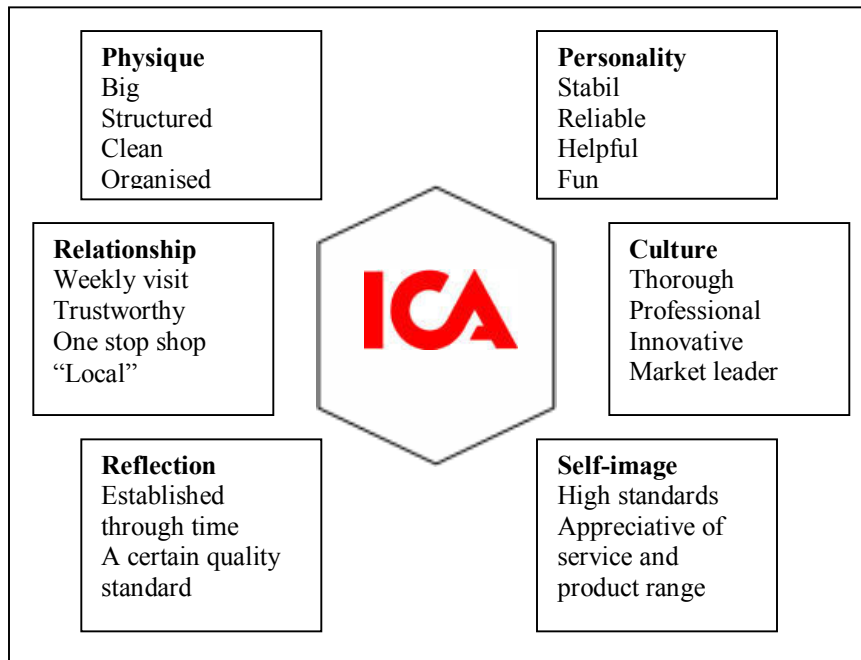


Figure 6. ICA Prism

When pondering about the composition of the ICA brand prism it is quite easy to get the impression that ICA is positioning itself towards a clean and wholesome profile. We find that this is a brand that magnificently manages to capture the essence if it's firmly anchored past, as well as mediating that they are steadily heading for the future. This is according to us portraying that ICA is a company that is characterized by stability, at the same they are also driven by innovation. We find that ICA has managed incorporate these two traits which often are regarded as opposing each other. ICA is in the minds of a consumer a one stop shop who's endorsed products one can purchase without the risk of putting oneself in jeopardy. ICA is a venue offering sensible and safe choices for all of your grocery needs but at the same time a convenience which the respective customers is willing to pay extra for.

⁸⁴ ICA Group's Annual Report 2006 www.ica.com

Chiquita Prism

As explained in the empirics Chiquita has utilized Miss Chiquita combined with the colorfulness for more than sixty years, to tell the brands identity to the respective consumers.

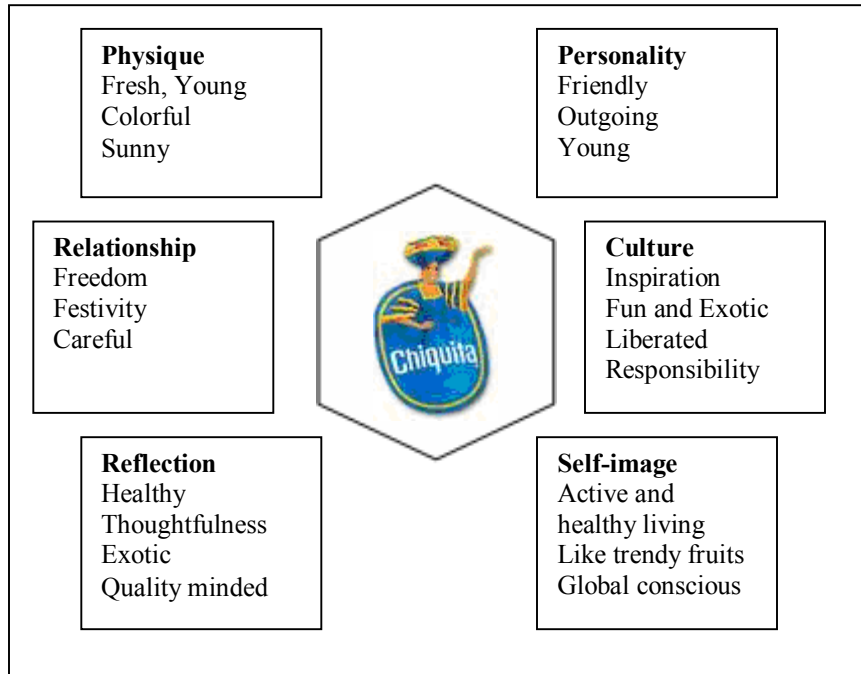


Figure 7. Chiquita Prism

As can be seen in the above figure 7, Chiquita has been able to communicate various feeling and thoughts merely by their brand. We therefore feel that we have a certain relationship to Chiquita and it is hence, differentiated in our mindset as consumers. Take the physique as an example. By the utilization of Miss Chiquita and the colorful logo the consumers feel that they are first of all buying and fresh and exotic product. This in it self is worth paying extra for. Additionally, the cultural facet contains responsibility, which as Thestrup, Marianne and Björklund express is important to nowadays consumers. Moreover, if we move on to the reflection of the brand we find words such as healthy, thoughtful and exotic describing it meaning that the reflection of how the consumer wishes to be seen as a result of using the brand. This correlates fairly well with the consumers own internal mirror so to speak, which hence means that the usage of the brand perform what it is supposed to.

Aarstiderne Prism

Aarstiderne is, as stated in the appendix a rather new company in the produce industry and still in its infancy on the Swedish market. Nevertheless, they have more than ten years of experience on the Danish market and since our interviewee's i.e. Fisker and Thestrup found the Swedish consumers produce desires and traditions to be close we find the usage of Aarstidernes brand Prism to be very helpful as a potential indicator of the Swedish produce market. Aarstiderne brand themselves by the utilization of ecology, specialties and tailored services. Their brand is as shown a combination of the green color

which express environmental concerns and ecology united with the use of @.com that reveals the emphasize on the use of the Internet⁸⁵. As the success of Aarstiderne has not been replicated in Sweden we feel that we must use this vivid Danish example in order to illustrate the success that this type of concept can have.

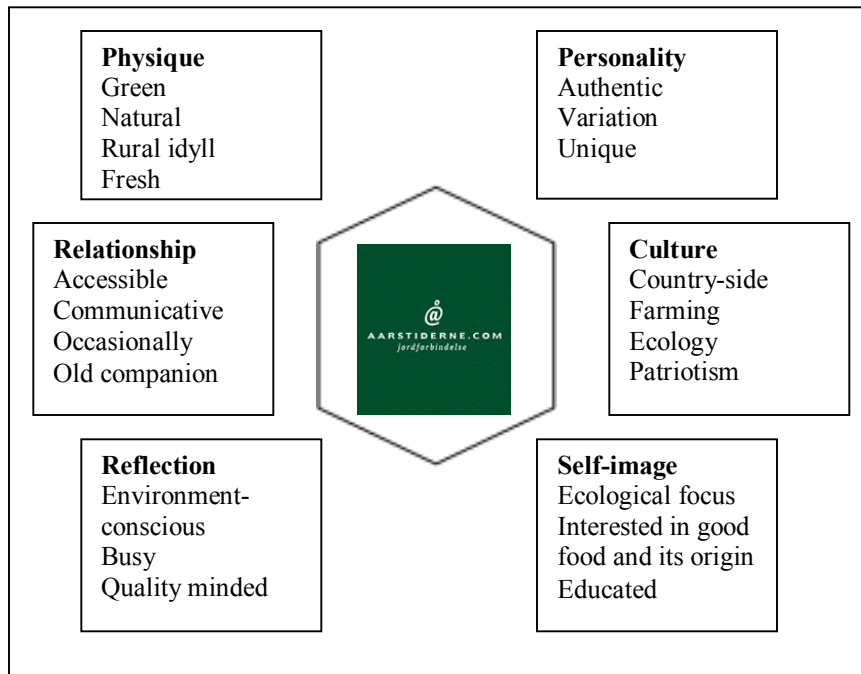


Figure 8. Aarstiderne.com Prism

If we look at Aarstidernes prism we find words such as green, fresh, rural, idyll, environment-conscious and country-side which are issues that many urban citizens would like to connect with fruit and vegetable but due to the busy everyday life do not have time to experience. This we can relate to what Björklund explained about that a large part of the future market will be comprised of capital strong individuals born in the forties and fifties and that these consumers favors these locally produced goods. Björklund means that this will have somewhat to do with the subliminally present vision of the unscathed countryside that is representative for the picture perfect setting in which wholesome goods must stem from. Aarstiderne can thus gain from the consumers having experienced this scenery and associating it with harmony and buying locally produced fruits and vegetables will be a way of cherishing the idyll setting they hold so dear. If this is true it could explain some of the reasons for why Aarstiderne have grown so much during the decade they have existed. Moreover, the vast majority of their customers come from urban areas where the citizens of Copenhagen are by far their biggest consumer group. This connected to what Björklund utters regarding harmony etc. explains fairly well why Aarstiderne is doing so well. If we furthermore, focus on the both the culture, reflection and self-image facets, we find that they are characterized by expression such as ecology, environmental consciousness and quality, which are all both trends within society and

⁸⁵ Craig, Tim, (2007) page 8

perceived as personal strength. Arstiderne is characterized by a controlled product variation in the personality facet. Many people with busy schedules seek this and combined with the easy accessibility in the relationship facet, which gives Aarstiderne to some extent a unique competitive advantage.

Brand Prism Conclusion

As discussed above the three brands are very dissimilar and consequently, the consumers they target are to some extent also different. If we start with the last one being **Aarstiderne** we will find that by creating the brand they have, their target market is:

- People who live in the city not nearby the farmers.
- People who have preferences towards ecological products.
- People who do not have the time to go to the farm themselves.
- People who are quality minded and will pay extra for it

The next company concluded upon is the generally well-known **Chiquita**. By looking into the prism we will find that by creating the brand they have their target market is:

- People who prefer a fresh and friendly brand.
- People who like to think that they buy a healthy product.
- People who would like to pay extra for a product that in general treats both the workers and the surroundings fair.
- People who like to have something exotic but are at the same time reliable in their daily life.

If we move to the Identity Brand Prism of **ICA** we find the brand attracts the following target market:

- People who like a certain amount of stability and structure in their shopping.
- People who like to be faced with many possibilities when shopping and are willing to pay extra for this service.
- People who do not have time for rambling shops.
- People who want their products to live up to a certain standard.

By summarizing it like this we are able to see how it correlates with the scenarios, which we intend to build in the final part of the analysis.

6.4 Managing the Brand

The utilization of Kapferers' conceptualization about how the brand can be managed in two ways, we can reflect upon how the future might look for companies such as Chiquita, Zespri, Mariannes Morötter and Aarstiderne along with ICA to some extent. As described in our theoretical section Kapferer finds two ways of managing the brand; one by renovating and reinventing the flag ship for example the banana, carrot or kiwi, and the other method is by innovating. He believes that the best brands are a balanced composition of both methods. If we keep this in mind, combine it with our empirics and subsequently reflect upon first Chiquita then Zespri followed by Mariannes Morötter and

finally ICA, which were all chosen for their products and positions in the industry. We see the following patterns:

Chiquita

As stated by both Dalin and Fisker there is not much product or brand innovation (*we here speak of Brand Innovation and Product Innovation as being close to the same thing due to the fact that this discourse surrounds the produce industry and the brands which brand relate closely to their products and with companies such as Chiquita, Zespri and Mariannes Morötter the brand is the product*) in the produce industry as compared to other industries. Additionally, Fisker enlightened the case of Chiquita that was an old well-know brand but did very little concerning the innovation of its product, at least from a consumers perception. We however, believe that they do quite a lot of renovating and reinventing the flagship. They follow the trends within society and thus focus on fair-trade policies, protecting the rainforest etc. and CSR in general. Nonetheless, when it comes to taste innovation and so fort we see very little nuance. They have made a smaller banana which target kids and lunchboxes. We in spite of this, find this to be reinventing the flagship and not innovation as in the case of Zespri.

Zespri

Zespri has as earlier stated done much product innovation and come up with the yellow sweeter kiwi, which additionally have been promoted as Zespri GOLD. By doing so they have gained approximately a 25 percent annual market share and as much as 66 percent during the New Zealand kiwi season. Furthermore, Zespri International is owned by 2.500 kiwi farmers, which all contribute to the kiwi production. Having this vast amount of owners also increase the input in the product and brand innovation. When directly connecting this to Kapferers' notions of how to best manage the brand we find that Zespri are well-balanced between innovation and renovating the flagship (old green kiwi). They as discussed by Kapferer (2004) draw attention to the whole kiwi assortment by presenting new kiwi varieties. This therefore, also attracts new customers and hence increases and boosts the sales of traditional kiwis and is accordingly, a well-balanced managerial utilization of both types of brand management.

Mariannes Morötter

Another company that has become successful through brand and product innovation combined with renovation and reinvention of the flagship is Mariannes Morötter. They (Marianne) have revolutionized something as normal and unexciting as carrots into a product, which is today sold to both young and elder instead of french-fries at McDonald. This is done by product innovation that has led to tiny nutritious carrots as a healthy suggestion instead of fries. Additionally, she has along with others reinvented the flagship so that the consumer can chose between carrots in colors such as purple and white carrots which actually existed before the commonly known orange carrot. Marianne has drawn attention to hear brand and carrots in general due to innovation and the re-painting of the flagship. Today she is Sweden's largest carrot producer which as she says they would not have been if it was not for the brand/ product innovation.

ICA

In order to maintain the continuation of ICA’s prosperity it is imperative that they do this by intimately nourishing the composition of their brand prism. ICA is currently renowned for their famous TV commercials that suggest an appealing and entertaining side. These commercial suggest innovation rather than relying on the undermining proclamations of previous generations trying to endorse ICA due to the fact that it is the retail venue they have grown up with. By doing this ICA is not altering the previous profiling that appeal to the older generations, at the same time they are also in the forefront when it comes to attracting the interests of the easily distracted younger, and future generations. ICA has managed to find a good balance between reliability and innovation that suggests that there does not exist any trade offs. With regards to the growing market shares of discount stores we would recommend ICA to continue its quest in positioning itself as the reliable choice.

Managing the Brand Conclusion

To summarize we have constructed the following figures in which the *arrows* symbolize the way the brand is managed and what the focus is on. We believe that within an industry where the competition is fierce it is crucial to utilize both brand management proposals, especially if ones competitive advantage is differentiation, which all of these players are. This due to the reason that if the consumer gets bored with the brands ‘message/ personality’ or ‘products/ physique’ there is no longer any incitement to pay the extra price. From the below figures we can see that Chiquita is the only player who does not use innovation as a way of managing their brand:

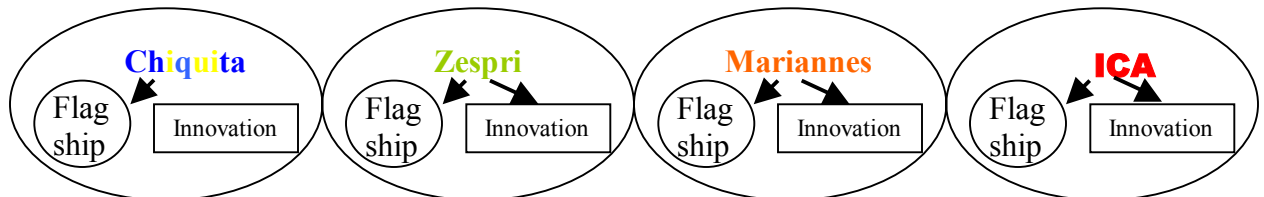


Figure 9. Managing the brand (Created by the Authors)

6.5 Brand set

We cannot with certainty predict the future of the produce industry. We do however firmly believe that success will follow the actor who manages to position himself with regards to the direct associations of his product. To put it differently, success will be dependant on if one has synchronized ones own product with a suitable environment.

With regards to this argument we are not limiting ourselves to any specific outcome of this industry. We believe that our empirics have showed that produce positioning, despite the orientation, has used the surrounding contexts as its primary means of differentiation. Since product interaction within the context has taken a central roll to add value, we also believe that this is an orientation that is here to stay.

The only evidence we have come upon were the context (what we know) has not taken a central position is in the example of the romantica tomato. What differentiated this example from the others is that, according to Ohlquist, the mere taste of the product was astounding enough to position it.

We believe that the romantica example is illustrative but unique. With this example it is quite clear that taste is of enormous importance. More importantly though, this example is illustrative of the very special circumstances that is necessary to successfully position a product. Many products do not have the levels of refinement that grant them the distinctive differentiation based solely of taste. As this type of differentiation is not realistically applicable, other means of differentiation must be explored.

If we explore this notion it is easy to conclude that a product has to be matched with a suitable environment. This idea frame does however present itself with a few problems.

First of all the product manufacturer has to find a suitable environment in which he would like to position his product. Despite the fact that this may sound like an easy task, we firmly believe that the passion associated with manufacturing a product may well be blinding. Sometimes it takes the objectivity of an external actor to see with clarity what type of solution that may be suitable. Without this clarity it is possible that the positioning choice of brand setting may be heavily mismatched with your product.

The second threat we find is that it is not necessarily that the brand set environment that one has chosen will be susceptible to letting you into their venue. There may be instances where the fate of your product will be in the hands of an external party. In order to use brand setting as a positioning tool there has to be a mutual agreement. If this mutuality is absent then we are presented with quite a big problem.

The last uncertainty about using brand-setting as a positioning tool is that its success is dependant on much more then just the composition of “brands”. The holistic unit of the brand set must be met positively by the market. From this perspective the market must first of all be inclined to demand the general type of goods assortment that is put on offer. If this criteria is fulfilled then the success of brand-setting will be the result of how efficiently marketed it is. This is according to us the biggest obstacle to hurdle as the levels of innovation in order to market these settings are limited to say the least.

6.6 Analytical central findings

Having concluded our analyses based upon applying our theories on our empirical data, we have now come up with the knowledge portfolio that is necessary for us in beginning the task of speculating for the future scenarios of produce. Before engaging in this task we find it important to summarize the general conclusions that we will be basing our scenario speculation upon.

The general trend that characterizes the industry as a whole is the fact that ecological demands on produce is on the increase. As the produce industry is according to Ohlquist driven by the mechanisms of supply and demand, the bottom line is that it is the customer that is going to be the primary driving force for whatever will happen in the future. As it turns out however, the fact that the customer wants ecologically oriented products proves to be beneficial for the industry as a whole. As long as one manages to convince the manufacturers of the possibilities of these ecological alternatives everybody will be able to reap the benefits of superior products sold with better margins.

There is little indication in our analyses that the retailers are going to decrease in their bargaining power. This conclusion leads to the very plausible outcome that there will be little change within the industry as it looks today. There are little possibilities for external actors to enter this industry as the necessary amounts of invested resources are enormous before one starts breaking even. The retailers are here to stay and when it comes to price differentiated produce it looks as if this is the arena we will have to turn to in the future.

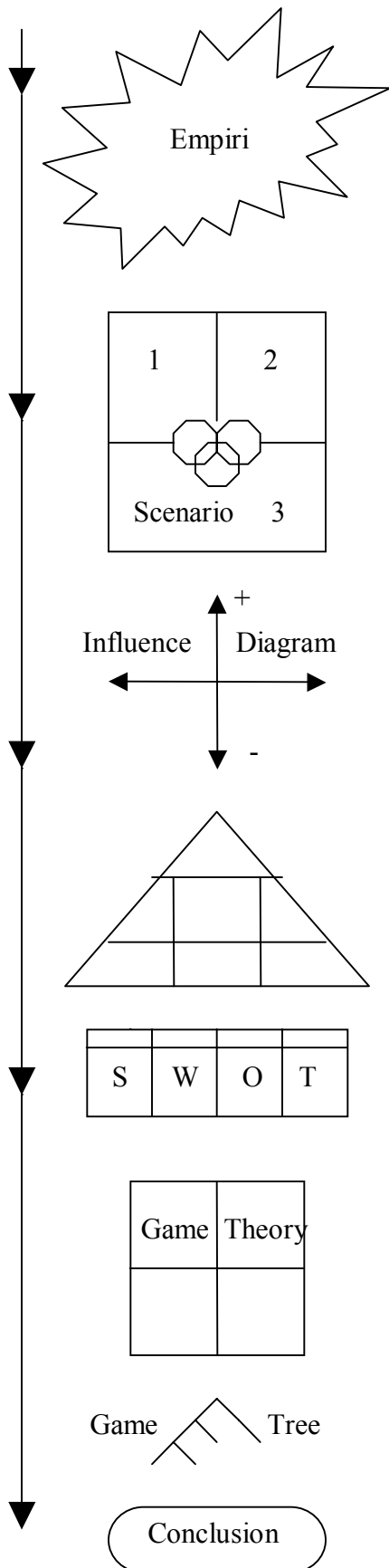
We find that the manufacturers' futures are a little uncertain. The reason for this is that the fate of their future is in the hands of the customers. This in turn implies that the second the consumer loses interest for them they will cease to purchase the products and the manufacturers will cease to exist. The future of the manufacturers lies within their ability of maintaining the interest of the consumers. The most favorable way of maintaining this interest is through inducing both brand and product innovation. Without innovation there will be little interest for the consumers to continue paying extra for value added features.

We are seeing indications that there is an interest for manufacturers to start promoting their products outside the traditional distribution channels of retailing chains. This is something that we believe is on the rise as the market response is that consumers are willing to pay extra for these niches products. According to our findings there are indications that this type of venturing enables the co-existents of existing as well as emerging actors.

In order for us to illustrate the process in which these central findings will be used, we have in according to what is stated in our methodology, drawn up a model that displays the method in which our previous results lead to the scenarios and conclusion that are drawn.

6.7 Scenario Creation Process

(See next page)



By the means of our 'chain of command' methodology we graphically show the order that we will apply our different figures and tables in which our scenarios are derived from. As can be seen the creation of a pictorial illustration has lead to the following.

The basis of our empirical data has when analyzed lead to the creation of three different, but at the same time related scenarios.

These three scenarios have some common trends, despite this the presence of uncertainties makes it quite clear that the future holds different possibilities and outcomes.

In order for us to focus on the right data when trying to create the future scenarios, we will create an influence diagram to find the trends which are most important.

When having found the four most significant trends we will add them to our Scenario triangle which is divided into 3 main categories; trends, scenario 1,2,3 and uncertainties.

After this we will create our three scenarios and make an individual SWOT analysis on each in order to reveal the circumstances that dictate this industry.

Following this we will apply the Game Theory to test how the different scenarios will stand against each other in order to see which one is most likely to occur.

These outcomes will be drawn into a game-tree to visualize the different results and end positions of each move.

Finally, we will end the Battle of the produce with our conclusion. In this conclusion we will argue for why we believe scenario number X is the most likely future for the produce industry.

6.7.1 Scenarios Building Stone

We have highlighted the following statements that we find crucial to our three scenarios;

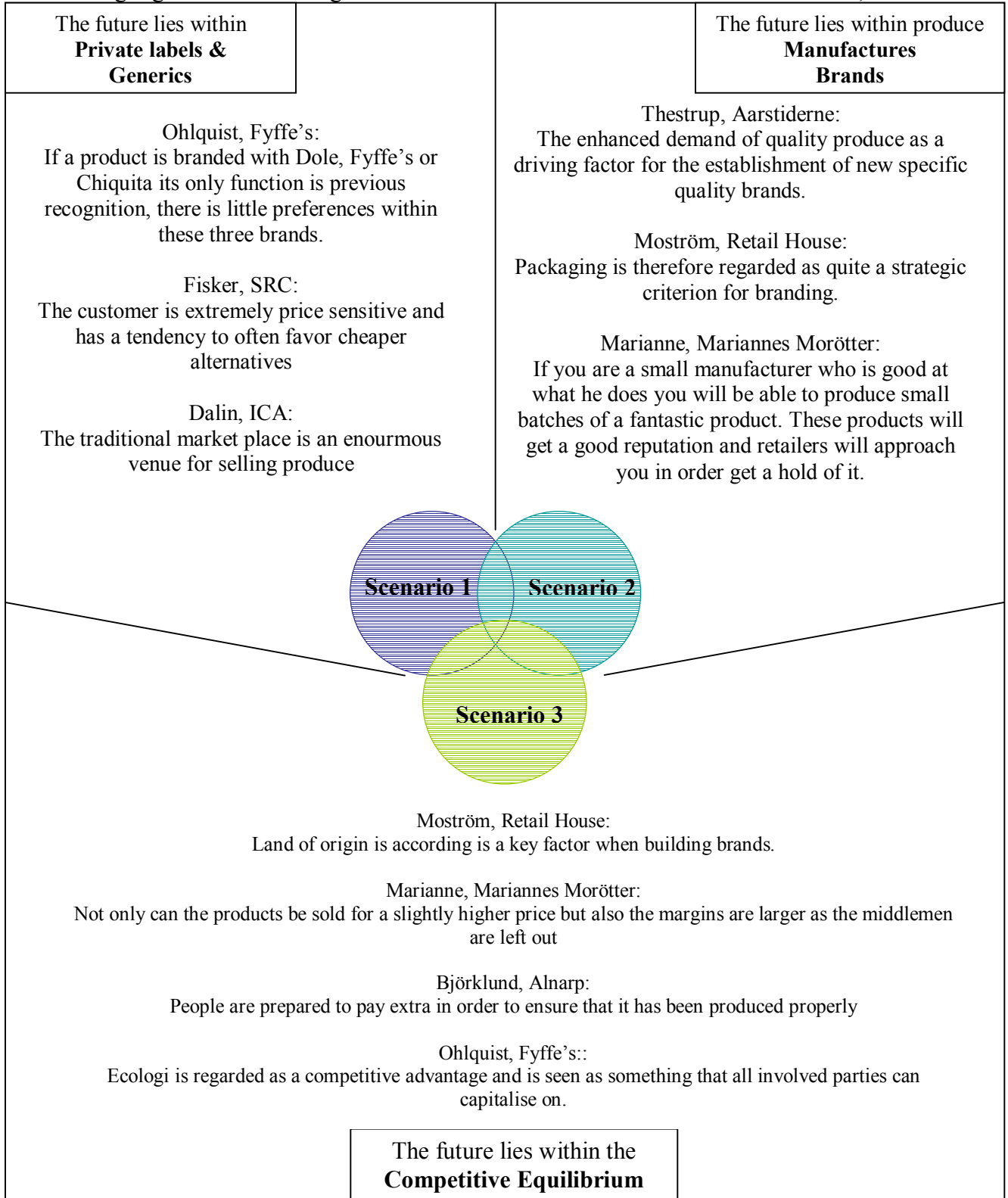


Figure 10. Scenario Building Stone (Created by the Authors)

By the below created influence diagram were the X axis is importance and the Y predictability (trend) we choose the four predictabilities with the highest importance, to be our common trends. We can now cluster our trends in our scenario triangle figure 12.

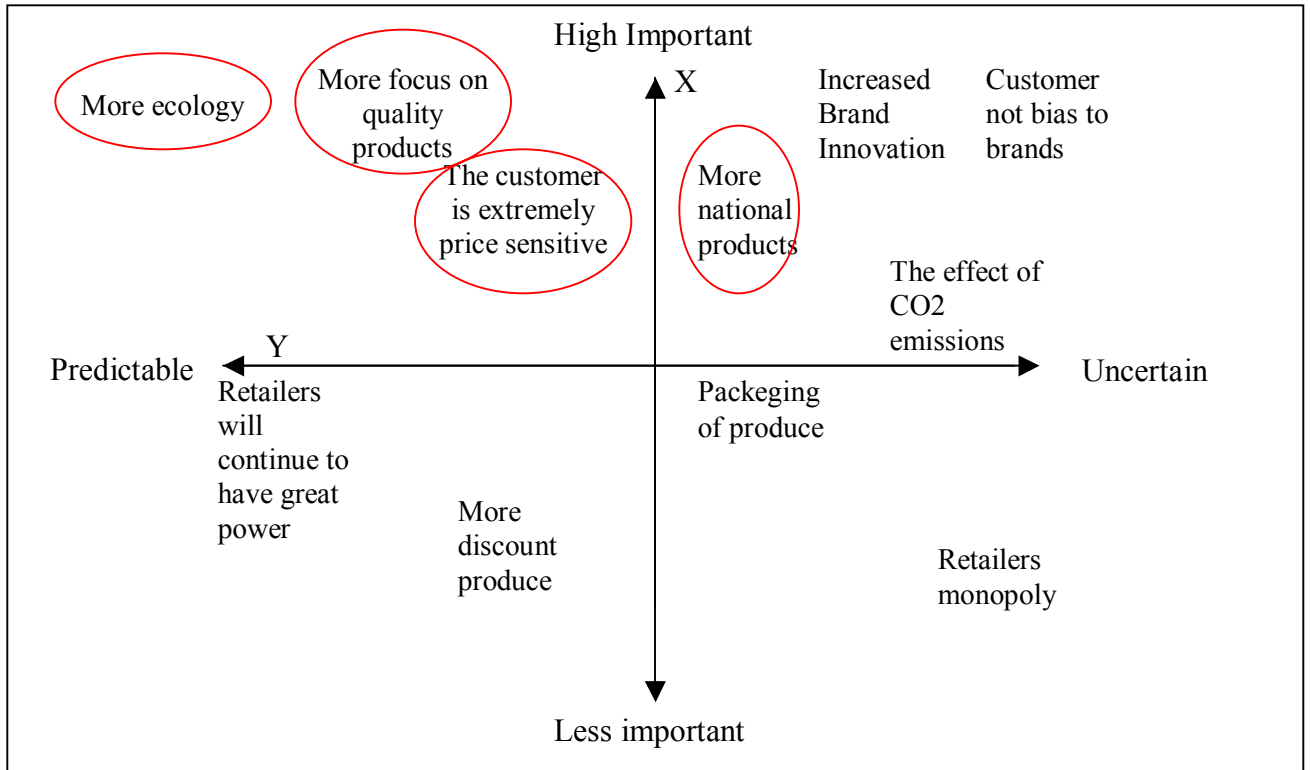


Figure 11. Influence diagram of trends and uncertainties

Now that we have uncovered the four most significant trends we will add them to our Scenario Triangle which is divided into 3 main categories; trends, scenario 1,2,3 and uncertainties.

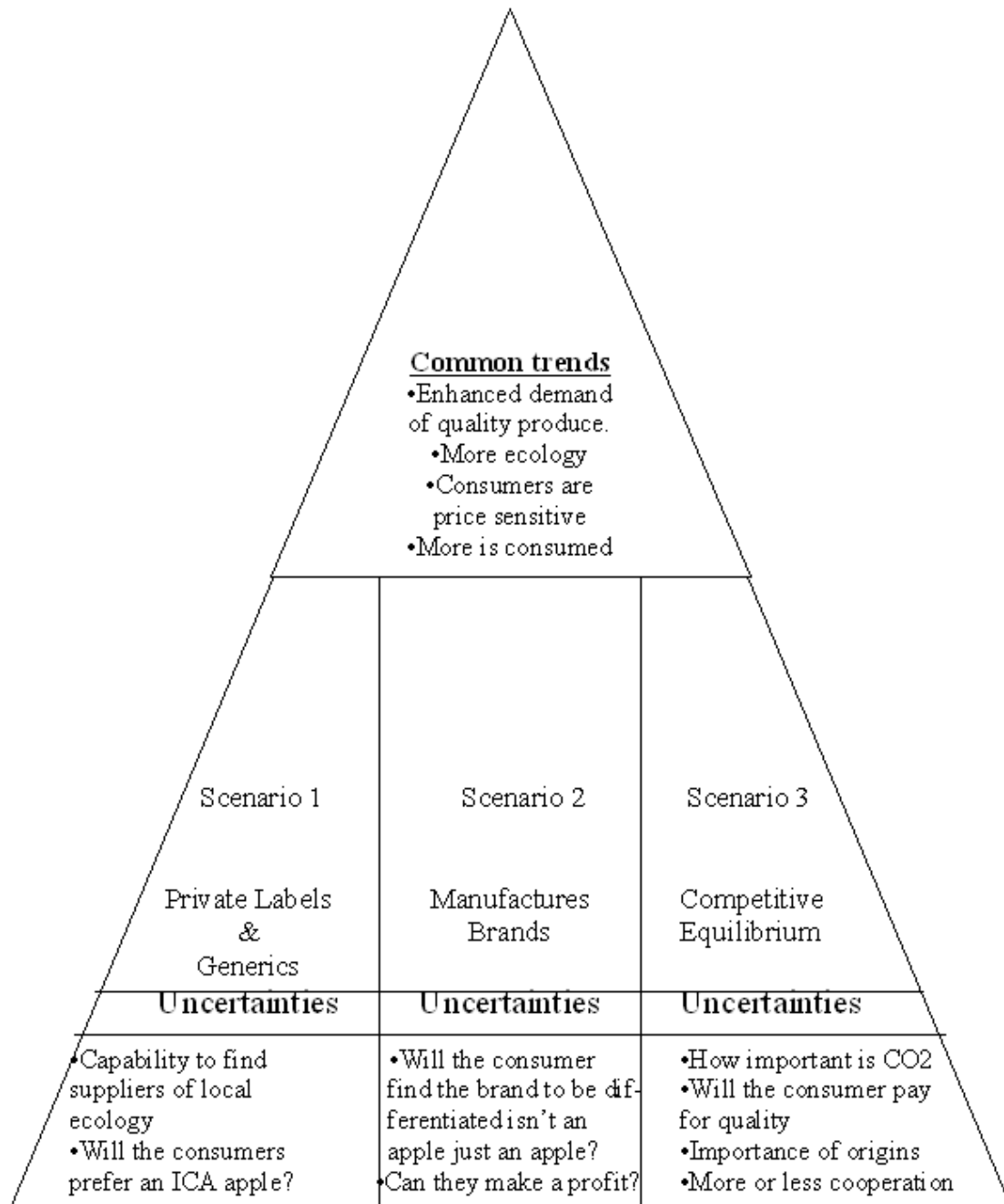


Figure 12. Scenario Triangle (Created by the Authors)

6.8 Scenarios 1, 2, 3

We now have the arsenal of knowledge that is necessary in order to start making predictions of future scenarios.

6.8.1 Scenario 1:

The future lies within **Private labels** and **Generics**

In the battle of the produce we see a possible winner being the private labels and generics. This we do since our data collection and analytical findings have shown us that firstly, the retailer has an enormous control in the industry and secondly, the consumers have difficulties differentiating between products which are not of national origin. Additionally, our research has shown that consumers are very price sensitive and have a tendency of favoring cheaper alternatives (see figure 10). When we combine this with the fact that ecological products are on the rise, which mean the price of the respective produce will also increase due to production costs etc. we consider that the consumer will pay a bit more for ecology but not a lot more for branded ecology.

There are many reasons to believe that the retailer will remain the primary venue for selling produce. The reason for this is that we see very little indications of any forces that would be able to disrupt the current domination of the retailers grasp over the vast majority of all produce that is currently being sold.

Primarily they know how much the production of the crops cost and how much the consumer will pay and secondarily they have an ample of other products which they can make money on, meaning that they can lower the prices on produce, but still make a lot of money since the margins are high and they have other areas of income. Not having all of your eggs in one basket is an enormous competitive advantage

According to our studies, the success of the retailers is measured in their ability to mirror the demands of its customers. With that said, successful retailers are the result of them adapting to their target market. There is little reason to believe that the retailers intend to divert from this adaptation. We find the discussion of changing consumer patterns to be irrelevant as any diverges will be adapted to. Market adjustment is what characterizes this industry and this is why we believe that the retailers will remain big distributors of produce in the future.

The globalization process has developed circumstances that marginalize profits and favors large-scale production processes. The retailers have a lot of control over the vast majority of wholesale distribution networks, these networks are the only sources that have the scope to buy the quantities that are necessary for the cost focused manufacturers to produce if they intend to generate a profit. Since large-scale production has become one of the only ways in which to survive in this tough business, there are few alternatives one can turn to in order to get the produce sold. Any wishes to stay in the business of manufacturing produce is inevitably adapting to the system that further enforces and enhances the existing power structures that favors the retailers continued control. This is

according to us an inevitable cycle that leads little alternatives to change the outcome of the existing power structures.

In order for us to determine which scenario is most likely to see that light of the future we have done a SWOT analysis on the basis of private labels and generics.

| Strengths | Weaknesses | Opportunities | Threats |
|---|--|--|---|
| <ul style="list-style-type: none"> • Enormous bargaining power • End consumer interaction • Vast assortment • Little indication of substitute alternatives • Market knowledge • Organizational know-how • Not all eggs in one basket | <ul style="list-style-type: none"> • Little flexibility • High exist cost • Lack of innovation • Stuck in the middle • Uncertainty filled products with the capability of disrupting the brand-set image • Fixated processes | <ul style="list-style-type: none"> • Large scale production orientation • Ability to adapt to costly standardization norms • Governmental incentives • Social health culture norms • International trading cooperation • International standardization | <ul style="list-style-type: none"> • CO2 emission • Trade restrictions • More new channels for produce purchasing • Refined consumer preferences • Adaptation-costs • Fair-trade incentives |

6.8.2 Scenario 2

The future lies within **Manufactures Brands**:

Whether we like it or not, we live in a world where the importance of brands is on the increase. The modern consumer resorts to the safety of previous recognition and familiarity in order to validate the process that goes into purchasing a product.

Due to this fact we see in the battle of the produce a possible winner being the manufacturer brands. This conclusion is drawn since our data collection and analytical findings have shown us that firstly, the threat of new entrants is fairly low in the produce industry as competition is fierce and the establishment cost is quite high and therefore the manufactures are certain of their capabilities before entering. Secondly, we see a common trend within society that the consumers due to enhanced globalization feel a need to differentiate him or her. By the use of these brands the consumer, as shown in figure 7 and 8 can feel differentiated. Moreover, much image and identity building is

done by the means of brands and this is something the produce brand manufactures can benefit from⁸⁶.

As stated by Thestrup the enhanced demand of quality produce can be found as a driving factor for the establishment of new specific quality brands. We can combine this with Moströms idea upon the effect of packaging that it is regarded as quite a strategic criterion for branding. Additionally, there are possibilities for smaller manufacturer brands to rise by the means of their higher quality and specialization. If we finally connect this to the currently strong emphasize and focus on CSR concerns, this is something that the manufacturing brands can build upon and incorporate to increase their market share. Consequently, as long as the brand is able to draw positive attention to itself there will be consumers who will purchase it.

Furthermore, the consumption habits are through globalization becoming more and more homogenous. Since local norms and preferences are slowly being diluted within this preference streamlining process there seems to be massive advantages in catering to this largely similar unit. Through the slow eradication of local norms it is possible to capitalize on the large-scale advantages that are synonymous with global societies.

What is it specifically about brands that make them such a powerful tool to market products? The short answer to this is that brands fulfill the function of differentiation. By purchasing a brand product that is synonymous with oneself you are differentiating/assimilating yourself with your immediate environment as mentioned above. By purchasing a brand product it is not necessarily the product itself that is central. Instead it is the associations/lifestyle that the brand suggests that is central.

We believe that branding works in the way that it together with globalization eradicates many of the existing/local norms, and regroups them into the globally acknowledged standards of the characteristic traits that are widely associated with the brands. Contemporary branding both dissolves and recreates norms. The fact that differentiated norms are suddenly becoming globally acknowledged is a vital factor that lays the grounds for the future success and further power enhancement of manufacturing brands.

Since globalization is slowly creating the grounds for a common market rather than a medley of different markets, the efforts can be concentrated and optimized in order to reach as many consumers as possible with the same efforts. This is a way of making current marketing strategies much more efficient and rewarding. The mechanism of globalization is a process that is fuelling the future of brand-oriented consumption.

In order for us to determine which scenario is most likely to see that light of the future we have done a SWOT analysis on the basis of manufacturers brands.

⁸⁶ Elliott, Richard and Wattanasuwan, Kritsadarat (1998), "Brands as symbolic resources for the construction of identity," *International Journal of Advertising*, 17 (2), 131-144

| Strengths | Weaknesses | Opportunities | Threats |
|--|--|---|---|
| <ul style="list-style-type: none"> • Differentiated • Product may become the traits you have strategically chosen to associated it with • Acknowledgement • “Buffered” for bad times • Longtime oriented • Sized induced potential | <ul style="list-style-type: none"> • “locked” on course • Lack of agility through size • Positioning is difficult to alter positively • Campaigns are very expensive • Failures are common and costly | <ul style="list-style-type: none"> • Increased trade cooperation • Need for differentiation • Quality oriented consumers • More focus on CSR • Standardized purchasing patterns • Global recognition • R&D | <ul style="list-style-type: none"> • Vulnerable to publicity • Anti corporatism • Eradication of local production • Lack innovation • International exposure makes susceptible to all international events • Private labels |

6.8.3 Scenario 3

The future lies within the **Competitive Equilibrium**:

We see a number of interrelated possible winners in the battle of the produce. These winners are the desires of the consumers manifested into players on the produce market. As our research has shown the consumer is price sensitive but at the same time willing to pay more for quality, ecology, specialties and differentiation. This leaves plenty of market opportunities for a wide assortment of players to establish in the produce industry. There is therefore, both room for the discounted generics within one produce segment, which is highly cherished by some consumers, but not by another. The consumer who yearn for a high quality, specialized, ecological or niche product within this produce segment, for instance carrots can thus purchase it from A) the retailers standardized private labels, B) the differentiated brands, C) companies like Aarstiderne or D) a whole new venue.

There are certain forces that are firmly fixed and difficult to disrupt. Challenging the power and authority of the retailers existing grasp over the market is one thing that we see as very unlikely to happen. Regardless of what the future holds we would think that it is hard to find someone who would challenge us making this claim. Any speculations about the future we believe should be based upon incorporating this difficultly disputed assumption

Along the lines of our previous assumption it is also our firm belief that the modern consumer is starting to put higher demands on the products they choose to purchase. According to our research we have seen tendencies that consumers are both cost oriented

and quality focused, these two different priorities however materialize themselves differently depending on what kind of product it is.

According to these previous two assumptions there appears to be a consumer induced difference between produce and produce. Apparently there are certain types of produce where price is imperative. This is the type of consumption patterns that in the future will be ventilated within the retailers cost oriented channels. As well as this there seems to also exist consumption patterns that strongly prefer quality oriented products that are sold at a price premium. We believe that this demand oriented preference will materialize itself within alternative channels like farmers markets.

Our research has revealed that there are many changes on the rise in the fruit and vegetable industry. The future produce industry will thus, be decided upon by the consumers, which all the current players will benefit from. They can differentiate themselves by buying a Zespri kiwi, they can get a tailor made produce ecological basket from Aarstiderne, they can get a potato of the same high standard as always at ICA and they can chose to combine their McDonald menu to fit their healthy line by the means of Mariannes Morötter along with many new produce channels we have yet to see.

The battle of the future will thus be won by those who are able to coop with the needs of the consumers. The consumers seem to have a diversity of needs and this suggests that there will be room for an assortment of differently oriented produce suppliers.

The central characteristic that speaks for this as being a plausible outcome is the peaceful coexistence and non competitiveness with the overwhelmingly powerful retailers that we are fairly sure will continue to exist in the same manor as they do today

Due to this fact we see no other alternative then the continued use of the retail venue as it functions today as well as the introduction of alternative venues offering differently oriented products then the retailer and thus, a produce industry offering the potential alternative of many new players and produce channels.

In order for us to determine which scenario is most likely to see that light of the future we have done a SWOT analysis on the basis of the competitive equilibrium.

| Strengths | Weaknesses | Opportunities | Threats |
|--|--|--|--|
| <ul style="list-style-type: none"> • Small batch flexibility • Intimate consumer interaction • Local knowledge and expertise • Quality oriented production • High degree of | <ul style="list-style-type: none"> • Lack of coordination, management and marketing skills • High startup costs • High exist costs • Finding an appropriate venue • Convincing the consumer | <ul style="list-style-type: none"> • Anti-corporatism • Differentiation in a homogenized society • Increased sophistication of preferences • Land if origin • Regional patriotism | <ul style="list-style-type: none"> • Virgin territory uncertainties • Price sensitive consumers • Increased retail private labeling • Weather conditions |

| | | | |
|---|---|---|---|
| independence <ul style="list-style-type: none"> • Potentially higher margins | <ul style="list-style-type: none"> • Difficult positioning • All eggs in one basket | <ul style="list-style-type: none"> • Governmental incentives | <ul style="list-style-type: none"> • Market saturation • Unpredictable consumption patterns |
|---|---|---|---|

6.9 Game Theory applied to scenarios

The game theory is a theory in which 10 points of utility are distributed between two parts. The desirability of the outcome is exemplified by the amount of utility points received.

We have now drawn up the three scenarios we see as a possible future for the produce industry. By doing so we have arrived to the conclusion that produce is either branded or not branded. As displayed we have differentiated between Private Labels/ Generics, Manufacturer Brands, and finally competitive equilibrium. When applying the Game Theory we find the following results.

If Player 1 brands and player 2 brands (or in the Prisoners' Dilemma the 'not confess' choice as it is their winning game) they reach the equilibrium, which we have named the competitive equilibrium. By both branding they each receive 5 points of utility whereas if they both do not brand they only receive 2 points of utility each. The two last options is that player one brands and receives 8 points of utility while player 2 merely receives 2 points of utility since they do not brand. If player 2 brands then 8 points of utility are received and player 1 is stuck with 2 points.

| | | | | |
|-----------------|-------------|-----------------|-------------|--------------------|
| | | <i>Player 1</i> | | |
| | | Brand | Don't brand | |
| Player 2 | Brand | 5 | 2 | Simplified version |
| | Don't Brand | 8 | 2 | |

| | |
|---|---|
| + | - |
| + | + |
| - | - |

Table 4. brand/ don't brand Game Matrix (Created by the Authors)

If we apply this to our scenarios we find that either all players brand and reach the competitive equilibrium or some players brand and win the battle of the produce. If the future of the industry resides within manufacturing brands will the retailer then not be left behind as the losers? The other question is if the manufactures will lose if the retailers start heavily branding their private labels?

The answer is no in both cases. The retailer is currently the strongest player in the produce industry. We consequently, see the game being in box 2\8 where player 1 is the retailer who has 8 points of utility as they both have their private labels, big manufacturer brands and generics and as stated earlier are very dominant. However, we as a result of our research find that the game is moving towards box 5\5 (the box could be named 5\8 as the retailers do not theoretically loose utility) where both manufactures and retailers share the market. This we do since, as explained in our analysis there are certain trends within the produce industry, such as ecology, enhanced focus on quality and niche products. Also the fact that the consumers are price sensitive and individually favor the quality of some fruits and vegetables higher than others. The retailers and the manufacturers can thus, reach a competitive equilibrium where the individual players focus on its competences. We thus see the various players of the industry combined with the consumer demands lifting the produce industry to a new and more sophisticated state.

However, if the manufactures do not notice the great possibilities in creating high quality, unique and special produce they will be run over by the retailers who fasten their iron grip and the game will end 8:2 to the retailers. A final possible outcome is the 2\2 game. Here the retailers do not manage to establish their private labels and neither does the manufactures. The whole industry therefore, does not gain from the enhanced focus on produce. This we however, find to be very unlikely due to our research.

The game can now be constructed as the following game tree where the end games can be seen: **P2(red)** is the **manufactures** and **P1(blue)** is the **retailers**. The **black circles** are the **end positions**. n1, n2, n3 and n4 are the different notes the game can take.

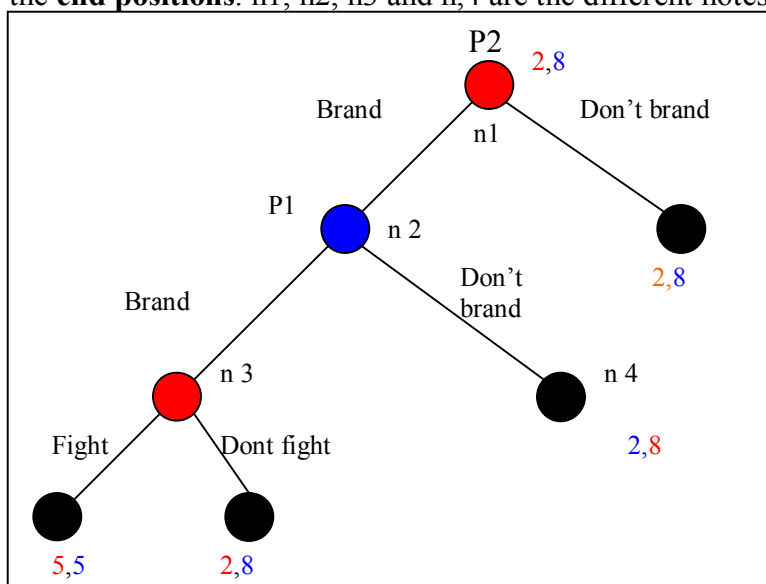


Figure 13. Future Produce Game Tree (Created by the Authors)

We will now further conclude on why we see scenario 3, the competitive equilibrium as the most likely future scenario. This we will be done by intensifying the discourse by the means of the empirical data collected and the analysis conclusions that we have reached.

7. Conclusion

The importance and future carrier of innovation

Dalin jokingly says that the last innovation that was done within produce was the yellow kiwi five years ago. Up until then the last innovation within produce was during the sixties, this was when they launched the green kiwi. To a large extent the current supply of goods is what there is to work with. There is very little innovation of this kind within the produce industry. This is why ICA is trying to innovate through packaging and presenting the products. Working with the customers through information and dialogue is another way in which innovation can be induced. We believe that Dalin is expressing the importance of innovation in order to develop and enhance the produce industry. The fact that this industry presents little innovation in its current setting is to us the reason why we believe that this will be the future frontier of produce. According to Dalin innovation consists of two different things. Either you create a whole new product like a different strain of tomatoes. The second type of innovation has to do with developing things around existing products for example the packaging.

Fiskers explains that he believes that produce manufacturers have stagnated in their market responsiveness. Little changes and adaptations have been done over the last 40 years despite that the market has gone through extreme transitions. Product innovation is what is needed and this is something that barely any of the manufacturers are striving for. When asking the manufacturers if they innovate they will all answer that that put great parts of their budgets into this? When further investigating their innovation it seems as if it is concentrated on production and distribution processes rather than the product itself. We interpret it as vegetables and fruit very much seem to be frozen in time and have totally disregarded the current discourse surrounding product oriented innovation in order to gain competitive advantage and consumer responsiveness. This stagnation lacks any benefits; everybody involved is implicitly accepting inferior products and profits.⁸⁷

Regarding the product innovation for produce Thestrup believe we will see a great deal of product innovation in the sense that we will reinvent some of the things which are very special and unique such as yellow carrots, which isn't new but reinvented. Thestrup hence, see the future brands within the quality segment as both reinventing and innovating the products.

⁸⁷ Compare this with the 2/2 box within the game theory.

If we conclude that innovation is what this industry needs, then we can start the process of pondering about which type of actor that will fulfill this need. Marianne claims that the large chains like ICA Lidl etc are described as being too large to enforce change upon. They have already made their heavy investments that have locked them onto a previously determined course. These types of companies strive to be global and this is why introducing local specialties is made impossible. McDonalds on the other hand has ulterior motives and strives to be as local as possible. Due to this they are susceptible to introducing local specialties in their offers. The conclusions that can be drawn from Marianne's statement is that she sees little reason for why retailers will be the carriers of produce innovation in the future. This statement however, leaves many alternative channels for innovation driven produce where even non obvious channels like McDonalds is used to describe the potential vast array of possibilities that exists.

The future of traditional branded produce

Moström regards branding as something very positive and highly sought after. This has largely to do with the fact it creates the perception of a secure foundation to legitimize ones choices. This foundation leads to facilitating a shopping experience that is often characterized with massive amounts of input and confusion. According to Moström, despite the challenges, there is no reason why fruits and vegetables should not be susceptible to branding.

Even though there is according to Moström little reason why produce is not susceptible to branding, as for the future of traditional manufacturer branded produce we see little indications of tendencies that are promoting the circumstances that their existence relies upon. Ohlquist elaborates by asking how it is possible to work with brands when you are cooperating with 75 different countries. This in itself is counteractive to the consistency that is needed. Beyond this factor he claims that nobody would ever invest efforts into branding something where you cannot guarantee consistency within taste and appearance. On top of this there is little reason to brand a product that peaks its sales one month every year.

Ohlquist believes that people do not choose their stores dependent if there is a specific sticker on the apples; people choose their stores depending on if the products have a high quality. Produce is bought with the senses. The consumer wants to see smell and fondle the produce prior to purchase. Ohlquist really believes in the power of the senses when purchasing produce. This would imply that branding efforts will have little effect. Ohlquist believes that the future of produce lies within innovation through appearance, taste and nutrition. These are factors that he claims the market would be ready to show interest in.

Fisker informs us that private labels is probably the largest threat to manufacturing brands, this is something that the manufacturers should be more attentive to. Consumers are becoming less and less brand oriented, instead they delegate the responsibility and trust into the retailer that they choose to shop from. The trend is to centralize the supply channels as this offers the volumes and efficiency that can provide the private labels. On

top of this private labels serve the purpose of creating a differentiation and uniqueness for the retailer. There seems to be very little incentives for the retailers to hold on to any manufacturing brands unless they possess the strength of being demanded by the consumer. The suppliers are actively looking for products that they can adopt and sell explicitly within their own chain. Our interpretation of this is that suppliers are much more interested in “monopolizing” manufacturing brands or creating their own. There is very little reason to invest in products that are made available by everybody. Differentiation seems to be a key focus.

Ohlquist states that most people are aware of banana companies like Chiquita, Fyffe's and Dole. Despite the fact that these are the strongest brands within produce, Ohlquist believes that generic bananas will be bought without reflection or regret should one of these other brands be absent. Even strong brands are not necessarily a recipe for success within the produce industry.

The customer is not according to Fisker biased to brands when presented with fruits and vegetables; it simply does not interest them when it comes to this segment. Brands seem to play an important role in all segments except the fruits and vegetables department. The key parameter to branding is according to Fisker the relationship the customer has to the brand. With the produce department the customer is according to Fisker not drawn to any specific brand. Branding in this segment does therefore, not correspond to creating the desired results.

The success of existing brands within the produce section can be accounted for companies who have been clever enough to develop logistics to the degree that they can offer a steady supply.⁸⁸

The conclusion that we have come up with is that the only way branding is going to succeed within the traditional produce section is if it is based around the concrete aspects of innovation combined with planned production.

The future roll of the retailers

According to Ohlquist the European price for bananas is commonly referred to as the Aldi price. This is to us an indication of the enormous grip they have over this industry. Björklund continues by explaining that the retailers have an enormous power that gives them little reason to consider external requests. This power extends to the degree that the retailers have the knowledge of knowing the exact amount to offer the producers due to the fact that they know exactly what the cost of production has been. This type of knowledge offers little bargaining power to the producers. Our interpretation is that the retailers are controlling the game and quite aggressively marginalizing the producer's profits. Moström predicts that the future of the produce section will be highly controlled by the retailer. There is no doubt in Moström's mind that the retailer will remain having total control of their produce section, little manufacturer brands will present themselves here.

⁸⁸ Such as the banana companies

When Fisker discusses the retailers role in buying produce he does this by stating that the retailer only has one goal; to earn money by providing the products and experience that the customer would like. We interpret this as the retailer is more responsive rather than proactive in its nature. According to us we unfortunately believe that the produce section seems to be an area where the retailers lack the nimble agility that is necessary to react to the markets demand for niche produce. The large chains are solely interested in what they can make money out of. Marianne therefore predicts that the retailers are going to maintain their overwhelming control of supplying basic produce.

A company like ICA has according to Marianne a policy of taking full responsibility towards any faults of their products. If you get salmonella from having consumed any of their goods it is the ICA brand that is going to pay the price for it. Due to the fact that they take full responsibility the standards that their suppliers have to live up to are rigorous. The production facilities need vast amounts of certifications, machine investments are massive and hygiene standards extremely high. Once having lived up to the standards of the retailer, production facilities resemble “spaceships”. These regulations work towards producing safe products, but the downside is that once having lived up to these standards the producer is at the mercy of the retailer. This type of behavior is working against local production sources. This is according to us the reason why the retailers will not be the main channel for niche products.

The future industries moral obligations

There are not very many products in Moströms opinions within produce that can be fair trade labeled. Fair trade primarily concerns third world countries. Not very many articles from the produce industry come from third world countries. Fair trade is apparently not going to be as important as Marianne claims emissions are going to be. Emission labeling is not going to favor domestic production out of two reasons. First of all there are long transports in Sweden despite that it is domestically grown. Second of all there are enormous amounts of energy that has to be applied in order to produce domestically.

The emission debate is on the contrary according to Dalin going to make a massive change in the future of the produce industry. This also seems to be the opinion of Trevor Datson from Tesco when he said on the Swedish news channel “Rapport”⁸⁹ that he believed that the emission debate will “revolutionaries consumption”. When Ohlquist is asked to comment this statement he is quick to emphasize that he does not put that much validity into this statement. According to Ohlquist Tesco is in the forefront of their industry. The fact that Tesco are making these massive investments on improving their emission levels has little to do with their will to benefit the environment. Tesco wants to make money, that’s the bottom line. Instead Ohlquist means that they are looking for a way to further the innovation of their produce in order to gain the publicity that is necessary to strengthen its brand. The emission debate if followed through will lead to seasonal products and restrictions. Ohlquist does not believe in restrictions as he believes

⁸⁹ Rapport, 18th of April 2007 SVT1

that there is much more to win by doing what it takes to create a steady supply. Ohlquist disregards the Tesco statement to be nothing more than a publicity stunt.

General trends for the future

Thestrup explains that traditionally produce has just been perceived as being produce. But since the consumers have become more demanding as to the origin of the products and how the crops has been treated, who has produced them etc. the creation of brands has increased within the produce industry. The consumer does not longer just perceive a fruit or vegetable as being a fruit or vegetable and hence a new market has evolved for produce. He believe we will see an increased focus on produce as brands as to where they have been grown and the circumstances concerning the production, how the quality is checked etc. by the individual producer. With this mentioned he thinks that we will still see a polarized market with the discount mass-producer that focuses on cost on one side. On the other side an increased focus on innovation driven quality and confidence to the producers connected to the story behind the fruit or vegetable will according to Thestrup probably gain importance. Thestrup is nevertheless, not sure that vegetables will be as branded as many other grocery products. But he firmly believes that we will see more produce brands in the sense of quality products. Thestrup thus, thinks that we will see more levels within the produce industry; some big brands where more types of produce is under the same brand and other brands that merely focus on one type of produce. Another type of brands is themselves, Aarstiderne.

England is according to Marianne on the forefront of selling fruits and vegetables. This is a country that has large consumer behavior similarities with Sweden, with the biggest difference being that they have a much larger population. In England they have a long tradition of private label and according to Marianne the quality of their products is fantastic. The consumer has no input whatsoever, but in return they are offered a very broad assortment of different goods. In England produce is bought from different countries offering a difference in origin, size, color and taste. Dalin claims that the reason why England is so far ahead is primarily because the population is concentrated on a small area. This advantage should however not be overestimated. We are open to the possibility that the Swedish market might follow the development that we have seen in England.

Fisker explains that ecology is becoming a very central focal point of produce. This is both relevant on the customer level as well as the institutional. The ecological foundation of a product is becoming one of its main competitive advantages. There are certain markets for example the German one, where the success of a product has largely to do with its ecological foundation. What we find making this a very plausible outcome for the future is the fact that ecology is something that all the different parts of the value chain can make a profit of as Ohlquist also mentions. There is no such thing as a free lunch and companies strive for achieving profit, not making altruistic contributions to society. Ecology is a way to cater to moral obligation whilst earning a profit due to the fact that this is something that the consumer seems to be willing to pay for.

Produce will remain a key part of the retailers' strategy due to the fact that it plays such an important part⁹⁰. Before it used to be the meat department that was most important for the consumers, nowadays it is the fruits and vegetables that have this roll.

As regards to the future of the small scale producers, Thestrup consider them to have good future prospects as long as they have a good quality product and even better if it is ecological. He says that there will be an enhanced demand for ecological product of great quality. Thestrup is of the notion that we will also see more farmers getting together in so-called 'farmers markets'. Marianne agrees as she believes that the large manufacturers of "base" produce in Sweden are going to get less and less. The small manufacturers are instead going to niche themselves into producing delicacies. Marianne suggests that these types of farmers markets could vastly increase their profitability if they started to structure it up more. Limiting themselves by just setting up stands will not create the same type of products flow that some more sophisticated organizing can. She mentions that it could be a possible idea to make these into franchises that start selling their goods within the confinements of shopping malls.

A final pivotal factor is the constant involvement and conversation with the consumer. As Thestrup mentions, in order to constantly understand and find out what the consumers are in need of and could desire, this close relationship to them creates a setting where it is much easier to fulfill the consumer's future wishes.

One way of domestically grown goods to get the upper hand would be if for example the price of diesel would be raised to the degree that transport costs would sky rocket. Despite the difficulties presented Marianne is not worried about the farmers. There will always be something to grow, but not necessarily the traditional items.

We believe that the retailers will probably continue supplying basic produce, but their lacking strive for local orientation will probably be a key reason for why they are not likely to becoming the main player of distributing niche produce. Dalin conquers to this as he believes that new actors, rather than traditional suppliers, will arrive and supply the market with niche products (like sliced produce). These two different actors will in turn then coexist independently. The demands on the traditional suppliers will not change to the degree that they will have to be doing this type of innovation. Even Mostrøm reminds us that it is important not to forget that there are other channels besides the retailer to distribute produce from. The classic channel is the traditional market place. Other modern alternatives are the possibilities of subscribing to ecological fruit and vegetable baskets.

Competitive equilibrium, the way of the future

We like to regard the produce arena as being ruled by the same mechanisms as an eco system. What we mean to say with that is that we want to stress the emphasis that all of the actors are dependant of each other in order to coexist. Discussing power structures is only relevant to a certain degree. Yes, there are forces that through structural power exert

⁹⁰10% of the retail assortment, 30% of the retail profit according to Dalin

pressure on other actors. However, this pressuring can never exceed the threshold of these opposing actors since the disappearance of them will lead to the collapse of the entire system. Due to this co-dependency we believe that a balance will be found and enforced to the satisfaction of all parties.

What makes the competitive equilibrium such an appealing alternative is the fact that the development of these alternative channels will not challenge the market share holdings of the existing players. Scenario one and two both has to their disadvantage that they suggest an internal division of a limited market resource. We believe in the importance of choosing ones fights. When it comes to competing over existing market shares we see little indication that anybody but the retailer will end up as the winner. Concluding that the retailer's domination is difficultly challenged, we therefore see no reason in why anybody would waste their energy in trying to dispute this domination. Our third alternative finds its plausibility in the fact that it does not meddle with the current power structures. In stead it uses the existence of these power structures in order to expand the market potential rather than squabbling over limited market shares. Many producers will have a tough time in continuing their existence as it is today, there is little indication that the retailers are going to loosen their influence. We see the competitive equilibrium alternative as the only realistic outcome in order for the manufactures to continue their existence in accordance with the power structures that are indirectly dictated by the retailer's distribution networks.

8. Contributions

By the utilization of this section we wish to reveal what we believe is our most important findings. In order to explain our contributions we do so in the light of our purpose.

Purpose;

With this thesis we intend to initiate the process of unraveling some of the questions and concerns that we have previously stated. Our intention is to commence a basic understanding and discussion around which underlying mechanisms that are shaping the arena and circumstances that the Swedish produce industry abides under. The outcome of our conclusions will be derived from having interviewed some of the leading actors within the different fields of which this thesis is concerned with. It is only through an understanding of these mechanisms that we believe it is possible to make an attempt in foreseeing future scenarios.

Our general purpose is as follows;

The purpose of our thesis is to explore different plausible scenarios concerning the future of the Swedish produce industry with regards to branding.

Contributions;

These findings compose the contributions that this thesis reveals about the current circumstances that will determine the future development of the produce industry.

Our contributions are in short as follows.

- The development of a specific scenario methodology that works towards filling a gap of knowledge that has previously been neglected, namely produce.
- The creation of a concise understanding and illustration of which factors that dictate the rules of this industry and therefore are important for the future industry.
- Illustrated the roads the different scenarios can lead to by the means of the Game Theory and consequently what the outcome will be in accordance with this theory.
- The usage of a multi sourced approach which covers the full spectra of the industry has lead to a wide applicability that favors a broad use and knowledge which can be beneficial for the whole industry.
- The construction of our own and adaptation of existing models and methods in order to illustrate the findings that we have come across.
- Laid the ground works for the continued research within this field

As a result of this, we modestly believe that we can to some extent constructively argue for which direction we believe the Swedish produce industry is heading.

9. Future Research

Our research has showed that there are many interesting factors within the produce industry that are worth researching. Here are some of our suggestions for research questions, which all relate to our research:

- What are the consumers' future wishes for the produce industry? An explorative study that is based upon both qualitative consumer interviews and quantitative questionnaires.
- How will the future of the produce industry look from a financial forecasting view? A study of the economical trends within the produce industry.
- How can the produce manufacture brands gain from the utilization of the retailer brand-set environment? A study that sets out to formulate a strategy for the manufactures to maximize the exposure of their produce.
- How important is ecology and niche produce from a consumer point of view? An explorative study that is based upon both qualitative consumer interviews and quantitative questionnaires.

What we would primarily would carry out do if we were to further research 'the Battle of the Produce' is to focus on the first two purposed research questions in order for us to see how they related with our present findings.

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11. Appendix

11.1 Interviews

Hans Fisker, Consultant at Scandinavian Retail Center, 18-04-20007 Helsingborg

According to Fisker one of the main reasons for the lack of branding in the produce department has to do with the tradition wholesalers have of buying directly from the producers. Beyond the purchasing tradition Fisker explains successful branding is dependent on consistency. Fruits and vegetables are first of all seasonal; on top of that they vary in quality. The fact that it is logistically almost impossible to maintain a steady flow supply is one of the main reasons why branding this type of product is so difficult. In order to meet consumer demands the retailers have to buy whatever products are suitable at the moment. When looking at all other branded goods the common denominator is often that they don't have the same purchasing channel tradition as well as the seasonal limitations that are plaguing fruits and vegetables.

The customer is not according to Fisker bias to brands when presented with fruits and vegetables; it simply does not interest them when it comes to this segment. Brands seem to play an important role in all segments except the fruits and vegetables department. The key parameter to branding is according to Fisker the relationship the customer has to the brand. With the produce department the customer is according to Fisker not drawn to any specific brand. Branding in this segment does therefore, not correspond to creating the desired results.

Fisker finds the discussion is limited when only discussing brands versus private/generic. Fisker claims that one of the most decisive factors in customer behavior when buying produce is the land of origin. Fisker exemplifies this by discussing if there is a difference between Swedish and foreign tomatoes. Apparently there is a much more positive response if the tomatoes are domestic. The land of origin relevance is even more intensive when it comes to the meat department. If there is a Swedish flag on the packaging implying a domestic land of origin the effects are tremendous.⁹¹ Customers are much wearier of buying foreign meat as opposed to domestic. Even though the land of origin seems to be quite a decisive factor when predicting purchasing behavior, Fisker points out that the customer is very price sensitive. The price sensitivity is rarely exposed to decisions extreme enough to make it trigger. It is impossible to taste the difference between a cucumber from Holland or if it is domestically grown. In a case like this there are a lot of customers that would choose the domestic choice as opposed to the cheaper

⁹¹ Interesting parallel to all the fast food businesses that flaunt their diplomas that certify that they only use domestic meats

foreign one due to the fact that the marginal extra cost does not create a substantial extra expenditure.

Ecology is becoming a very central focal point of produce. This is both relevant on the customer level as well the institutional. The ecological foundation of a product is becoming one of its main competitive advantages. There are certain markets for example the German one, where the success of a product has largely to do with its ecological foundation.

Institutional decisions play a large roll for the manufacturers. One institutional request that is gaining momentum is that fact that products should be labelled with how much CO2 levels they account for. This means that products with long and expensive transport distances will be heavily disadvantaged. This kind of decision will be devastating for countries like South Africa who supply a lot of flowers and produce during the winter season. These kind of decisions will heavily favor local manufacturers rather than foreign.

The success of existing brands within the produce section can be accounted for companies who have been clever enough to develop logistics to the degree that they can offer a steady supply.

According to Fisker it is important not to only stare at the retailers when discussing the potential branding of produce. There are other channels for produce to reach the public besides the retail arena. Catering is becoming a steadily increasing enormous business that uses choice of raw materials as means of positioning and differentiation. As well as this Fiskers explains that the healthy carrot alternative to fries in one of Sweden's most populare hamburger chains is the result of the success of "Marianne's morötter" to lobby her product into their menu assortment. Reaching the public is not solely done through the retailer.

One of the ways in which produce is being marketed in the retail environment is through flats screen TV's. The common way to appeal to the customer is through the TV's illustrating the strenuous task and dedication that is put behind growing these products. The strategy seems to be to legitimize the price of the products by pointing to the efforts that go into them thus implying a superior quality. Fisker claims that the problem with this is that the customer does not see the connection between quality and the brand.

When Fisker discusses the retailers role in buying produce he does this by stating that the retailer only has one goal; to earn money by providing the products and experience that the customer would like. We interpret this as the retailer is more responsive rather than proactive in its nature. The implication of this is that the produce segment will remain a reflection of what the customer wants, regardless if this is generic price differentiation, brand positioning or ecological alternatives.

Private labels is probably the largest threat to manufacturing brands, this is something that the manufacturers should be more attentive to. Consumers are becoming less and less

brand oriented, instead they delegate the responsibility and trust into the retailer that they choose to shop from. The trend is to centralize the supply channels as this offers the volumes and efficiency that can provide the private labels. On top of this private labels serve the purpose of creating a differentiation and uniqueness for the retailer. There seems to be very little incentives for the retailers to hold on to any manufacturing brands unless they possess the strength of being demanded by the consumer. The suppliers are actively looking for products that they can adopt and sell explicitly within their own chain. Our interpretation of this is that suppliers are much more interested in “monopolising” manufacturing brands or creating their own. There is very little reason to invest in products that are made available by everybody. Differentiation seems to be a key focus.

Fisker is astounded by the simplicity of that the lack of packaging is one of the main reasons (along with purchase tradition and logistics) that fruits and vegetables are not currently branded.

The customer is extremely price sensitive and has a tendency to often favor cheaper alternatives rather than brand products. Place of origin is according to Fisker a much more important factor than brands when choosing a product. Nationality is one aspect where you can see tendencies that the customer is willing to open their wallets.

Consumer behavior seems to be quite similar in the Scandinavian countries. What differentiates the retailers from one country to the other is often explained by structural elements rather than consumer behavior. Globalisation is leading to homogenising of purchasing habits. The consumers are however difficult to predict and can change their habits quite quickly. It is therefore of utmost importance that one has a respect for the consumers. This is exemplified by the bird flu epidemics. During this epidemic it would not have made a difference if the products were branded or not. A scenario like this is devastating to the manufacturers. If there arises a reason for concern the manufacturers survival will be dependant on the result of the consumer’s verdict. Since the customer plays such a vital part, their opinions are heavily sought after by retailers

Ecological trends are becoming massively popular. This is a trend that should be heavily monitored.

Distribution is a central concern. It is very important to keep the time from harvest to shop as short as possible. Additionally there is a focus on CO2 levels and hence, products shipped from remote places have a much higher CO2 figure.

The central component of branding is innovation. It is very difficult to innovate fruits and vegetables; this is another central reason why produce is rarely branded. The modern consumer looks for innovation when choosing what to purchase. The fact that the fruit and vegetable department is not traditionally associated with innovation is a reason why there are so few examples of successful branding.

Fiskers explains that he believes that produce manufacturers have stagnated in their market responsiveness. Little changes and adaptations have been done over the last 40 years despite that the market has gone through extreme transitions. Product innovation is what is needed and this is something that barely any of the manufacturers are striving for. When asking the manufacturers if they innovate they will all answer that that put great parts of their budgets into this. When further investigating their innovation it seems as if it is concentrated on production and distribution processes rather than the product itself. We interpret it as vegetables and fruit very much seem to be frozen in time. This stagnation lacks any benefits, everybody involved is implicitly accepting inferior products and profits.

Before it used to be the meat department that was most important for the consumers. Nowadays it is the fruits and vegetables.

Martin Moström, Consultant at Retail House, 19-04-2007, Telephone

According to Moström the reason for the lack of branding within the vegetable department is highly dependent on logistical limitations of being able to provide seasonal products that in turn have to be fresh. If you take away the logistical limitations the canned and frozen goods section is an area where there exists quite strong brands for fruits and vegetables.

Moström regards branding as something very positive and highly sought after. This has largely to do with the fact it creates the perception of a secure foundation to legitimize ones choices. This foundation leads to facilitating a shopping experience that is often characterized with massive amounts of input and confusion. According to Moström, despite the challenges, there is no reason why fruits and vegetables should not be susceptible to branding.

The biggest challenge according to Moström is the fact that fruits and vegetables have limited possibilities for refinement. Moström draws parallels to the fresh fish and meat industry that faces similar refinement possibilities. Products that are susceptible to refinement and packaging have much better possibilities of being branded successfully. Examples of companies that have branded basic goods like rice and potatoes often do so by means of using the packaging as a tool. Packaging is therefore regarded as quite a strategic criterion for branding.

Place of origin varies in importance depending on what kind of product category it is. When it comes to meats the origin is of vital interest. When it comes to bananas on the other hand there seems to be little preferences of which country they come from. One conclusion that we have drawn from this is that the Swedish market tends to favor domestic products rather than foreign. When having to choose alternatives where there does not exist domestic substitutes, as in exotic fruits, the land of origin discussion becomes less important.

Land of origin is according to Moström a key factor when building brands.

Moström predicts that the future of the produce section will be highly controlled by the retailer. There is no doubt in Moströms mind that the retailer will remain having total control of their produce section.

The produce part of the store plays a central roll for many different reasons. First of all it is by far one of the most profitable product groups in the store. Second of all it has a health aspect that mirrors the discussion that is dominating a large part of the messages that are broadcasted through contemporary medias. The third reason is that many retail stores are trying to profile themselves as catering to culinary experiences. With this type of orientation the produce segment plays a key roll.

The produce segment is very wholesales oriented. This type of orientation favors buying quite large amounts at a time. This type of buying behavior combined with the logistical difficulties creates very complicated conditions for effective branding. Due to these circumstances country of origins will probably become a much more determining factor of explaining buying behavior.

It is important not to forget that there are other channels besides the retailer to distribute produce from. The classic channel is the traditional market place. Other modern alternatives are the possibilities of subscribing to ecological fruit and vegetable baskets.

Thomas Björklund, Proffesor at Alnarp University, 25-04-2007, Alnarp

According to Björklund the largest problem that faces produce manufacturers is the fact that a domestic tomato looks and tastes identically to a tomato from Italy. Of course there is a possibility to market the domestic alternative but this is something that seems to be generally overlooked. We interpret it as Björklund is questioning the passive behavior of produce marketing departments. Due to the general lack of marketing there is currently not as strong reason to choose a domestic alternative as there potentially could be. Björklund repeatedly refers to the lack of successful marketing to communicate the advantages of this local alternative. One way of doing this would be to convince the retailer of why there should be some kind of labeling on the produce indicating that it has been locally produced.

Björklund refers to the wholesales dominated purchasing channels as an answer to why local producers are rarely considered. Even though a producer might have an enormous production facility, it is rare that the facilities are large enough to make the retailers consider them as potential suppliers. The retailers priorities continuous deliveries that are only possible through working with large-scale suppliers. Björklund questions this priority as he believes that the locally manufactured produce offers better margins and with the right marketing could become quite attractive in the eyes of the consumer.

The poultry company Ingelsta kalkon will be having a shop within coop forum where they will be selling their goods. This is regarded by Coop as favorable due to the fact that this will profile them as the delicacy store they strive to be.

There is a company in Denmark called Årstiderna⁹² that is fronted by a celebrity chef. You can subscribe or buy one of their many different produce baskets. On top of this Årstiderna has been let into the vicinities of the retail stores. In these stores they set up wooden boxes where their apples are sold at a much higher price than the competitors. This idea has been very successfully marketed and the market response has been overwhelming. Normally apples look identical, Årstiderna on the other hand have mixed the sizes of their apples in order to highlight the authenticity of their products. Årstiderna have successfully managed to convince the market that an apple is more than an apple.

One indication that there may be a potentially large interest for this type of product is the fact that there currently exist a lot of specific products that are target marketed at segments with specific lifestyles. Examples of this is healthy foods, low fat foods, low carbohydrate foods, supplement foods, ethical foods etc.

When listening to Björklund it becomes apparent that there are so many other channels besides the retailer to sell your produce through. Countless examples are brought up with local producers selling their crops at a price premium due to their locally renowned reputation. This is done to the extent that people engage in pilgrimage like processes in order to purchase their goods.

The retailers have an enormous power that gives them little reason to consider external requests. This power extends to the degree that the retailers have the knowledge of knowing the exact amount to offer the producers due to the fact that they know exactly what the cost of production has been. This type of knowledge offers little bargaining power to the producers. Our interpretation is that the retailers are controlling the game and quite aggressively marginalising the producer's profits.

One example of retailers taking a step towards locally produced goods is Coop nära. This is apparently a franchisee that grants the proprietor the freedom to purchase ten percent of their stock from local producers as long as it lives up to the prerequisite standards. This type of solution offers generous margins not only for the retailer, but also for the producer as the additional costs of wholesalers is excluded.

Björklund believes that locally produced goods will slowly be gaining strength. The reason for this is that a large part of the future market will be comprised of capital strong individuals born in the forties and fifties. This type of market favours these locally produced goods. Björklund means that this will have somewhat to do with the subliminally present vision of the unscathed countryside that is representative for the picture perfect setting in which wholesome goods must stem from. Having experienced this scenery and associating it with harmony, buying locally produced fruits and vegetables will be a way of cherishing the idyll setting they hold so dear.

Another strong trend is fair trade and ecology. This is exemplified by the fact that in Sweden fair trade coffee is referred to within religious gatherings as church coffee. The reason for this is that Swedish churches have resorted to only buying ethically produced coffee. Many people are prepared to pay extra in order to ensure that it has been produced properly.

There are examples locally produced goods that profile themselves as having much higher requirements on themselves than the criteria of high requirement goods. There are many examples of successful entrepreneurs like this.

Many local producers start cooperations with each other's. This leads to local collaborations developing into brands.

Marianne Härning-Nilsson, CEO at Mariannes Morötter 30-04-2007, Strövelstorp

The main reason according to Marianne why vegetables are unbranded is primarily due to the fact that fruits and vegetables are generic. She claims that branding is extremely difficult if the goods are unpackaged. The fact that goods are unpackaged has a lot to do with practical reasons. Most often fruits and vegetables need to be refrigerated once they are packaged. The retailer on the other hand would rather see that their produce is displayed in the store rather than crammed into expensive refrigerator units. This is why packaging is very seldom done with fruits and vegetables.

According to the consumer carrots are carrots. Due to the fact that the consumer does not differentiate around generics, this gives the retailer incentives to buy large quantities of whatever is cheapest rather than buying specific brands. A lot of the responsibility for the lack of branding can be traced to the purchase channel tradition of wholesalers. On top of this the seasonal limitations cause a lack of logistical consistency.

When dealing with a large retail chain like ICA, everything that is sold must be consistent with the ICA standards. This standardisation applies high criteria on the goods that are sold. In order to live up to these criteria it is often necessary to stick with the big suppliers that have a previous experience which grants them an understanding for living up to these criteria. It is therefore very difficult to bring in small suppliers due to the fact that these seldom have the resources, routines or knowledge to compete with the retailer's standardisation.

Marianne does not believe in the retailer as a channel for fruits and vegetables. She believes in a separate regional system for regional trade such as local farmers coming together and creating markets offering locally farmed produce.

England is according to Marianne on the forefront of selling fruits and vegetables. This is a country that has large similarities with Sweden, with the biggest difference being that they have a much larger population. In England they have a long tradition of private label and according to Marianne the quality of their products is fantastic. The consumer has no

input whatsoever, but in return they are offered a very broad assortment of different goods. In England produce is bought from different countries offering a difference in origin, size, colour and taste.

The retailers in England work with large suppliers, but there is a tradition of changing supplier every two years. Changing for the sake of changing is especially cruel as the produce manufacturers often have to declare bankruptcy every two years due to the fact that they lose the base of their market. When engaging in cooperation with a retailer the production has to be specified according to the specific standards of the retailer. This involves enormous investments in customizing the production to the tailored requirements of one specific producer. Once this customisation is done, the producer is completely tied up to this retailer. When the retailer changes supplier every two years the supplier is put in a very difficult position. In England the retailers have a terror like grip over the producers.

A company like ICA has a policy of taking full responsibility towards any faults of their products. If you get salmonella from having consumed any of their goods it is the ICA brand that is going to pay the price for it. Due to the fact that they take full responsibility the standards that their suppliers have to live up to are rigorous. The production facilities vast amounts of certifications, machine investments are massive and hygiene standards extremely high. Once having lived up to the standards of the retailer production facilities resemble “spaceships”. These regulations work towards producing safe products, but the downside is that once having lived up to these standards the producer is at the mercy of the retailer. This type of behavior is working against local production sources.

A tomato is not necessarily a tomato according to Marianne. She brings up the example of Vikens tomatoes where a tomato farmer started producing tomatoes of various sizes and colours. These tomatoes were distributed towards different restaurants and have now attained a brand like status.

The large chains like ICA Lidl etc. are described as being too large to enforce change upon. They have already made their heavy investments that have locked them onto a previously determined course. These type of companies strive to be global and this is why introducing local specialities is made impossible. McDonalds on the other hand has ulterior motives and strives to be as local as possible. Due to this they are susceptible to introducing local specialities in their offers.

Emissions are a major concern according to Marianne. When trying to manufacture produce in the northern climates of Sweden there is a lot of energy that needs to be spent in order to adapt the production to the cold weather. Domestic produce does from an emission point of view not stand much of a chance in comparison to the foreign competition. Swedish tomatoes are grown in gas powered green houses. After they are harvested they are stored in nuclear energised fridges. Instead you can buy an identical product from Italy that is grown outside in natural conditions. Despite the transport costs

that these products result in they are still far below the emissions that are being produced for the domestic alternative.

Emissions labelling is not going to be a success out of two reasons. First of all there are long transports in Sweden despite that it is domestically grown. Second of all there are enormous amounts of energy that has to be applied in order to produce domestically.

Carrots are grown and stored in October. The refrigerated goods are stored consuming energy all through winter with Styrofoam in the walls. After this long and costly storage they are transported by truck to wherever they are to be sold. Simultaneously to this it is possible to get a hold of fresh and naturally produced carrots from Italy that have been grown during the winter season. Given the choice the foreign carrots are more favourable, not only from an emission point of view, but also from a nutritional perspective.

Marianne tells us about how big players like Chiquita have vast amounts of production facilities and capital, but they still can't get their products out in the stores due to the facts that retail chains are strong to the extent that they are deciding who is going to deliver to them. One way of getting around this is that they can purchase the distributing company. Fyffe's bought up the everfresh groups that is the largest distributor in Helsingborg after ICA. Fyffe's needs to own a wholesaler in order for them to be able to distribute and sell their products in Sweden. Dole has done a similar move and bought up saba who is the main distributor of produce to Willy's and Hemköp. What happened in the case of saba was that Coop decided to end the business relationship. Suddenly Dole was stuck with a distributor who had nobody to distribute to. (Chiquita has bought Fresh Express a big player in the US which sell and distributes produce to for example McDonalds; edit J&M)

Marianne believes that the large manufacturers of "base" produce in Sweden are going to get less and less. The small manufacturers are instead going to niche themselves into producing delicacies.

Covent garden in England is an example of a traditional market place where produce would arrive at night and be sold during the mornings. This was at the time the natural arena for retailers to buy their produce. As time went on this traditional market place was excluded by the suppliers driving their products directly to the retailers. The manufacturers of produce who had now lost their clients where forced to come up with creative ideas in order to survive. This type of scenario evolved into what started the "local farmer market" trend. This trend is the result of several manufacturers without any distribution channels who start cooperating in order to instigate a market demand for their products. People know who these farmers are and they are familiar with the products they are selling. These collaborations mean that all the delicacies that are demanded are suddenly sold within the same venue. This paves way for goods that are sold at a price premium due to the brand simile that is associated with the products. Not only can the products be sold for a slightly higher price but also the margins are larger as the middlemen are left out. This dramatically raises the profitability for the producers. This is

the type of cooperation's that Marianne thinks is going to become more common when it comes to small manufacturers of produce. By no means will these collaborations replace the retailers. Marianne thinks that the base products will be bought at the retailers, but the specialised goods will be bought at these local communions. Marianne predicts a future where the retailers and local producers coexist without directly competing with each other.

Marianne suggests that these types of farmers markets could vastly increase their profitability if they started to structure it up more. Limiting themselves by just setting up stands will not create the same type of products flow that that some more sophisticated organising can. She mentions that it could be a possible idea to make these into franchises that start selling their goods within the confinements of shopping malls.

The large chains are solely interested in what they can make money out of. Marianne therefore predicts that the retailers are going to maintain their overwhelming control.

One way of domestically grown goods to get the upper hand would be if for example the price of diesel would be raised to the degree that transport costs would sky rocket.

Despite the difficulties presented Marianne is not worried about the farmers. There will always be something to grow, but not necessarily the traditional items.

Marianne predicts that it might be possible that the retailers divide up the year in different segments where the seasonal effects will determine with regards to emissions which manufacturer is most favourable.

The wholesalers and retail chains have always earned more money then the producers. If you are a small manufacturer who is good at what he does you will be able to produce small batches of fantastic products. These products will get a good reputation and retailers will approach you in order get ahold of this product. This will create a favourable negotiation position that will give the producer the upper hand. Unfortunately this is not something that the producers are aware of, let alone take advantage of. What happens is that very often they accept the offer to start supplying to the retailer. The money earned will be spent in buying machinery and optimizing the production facilities in accordance with the requirements of the retailers. All of a sudden a new actor enters the market that can do the same things for a smaller price. The current producer is stuck with customized machinery without anybody to sell it to. This is a vicious cycle that according to Marianne is the reason why the producer will never win over the retailer.

Magnus Ohlquist, Everfresh Group 08-05-2007, Helsingborg

Produce is all about supply and demand. It is impossible to store and thereof plan the supply. Prices are set dependant of the world market prices. Sometimes there is a surplus in one part of the world and in another part of the world there might be a deficit. Depending on the availability of goods the prices will differ. Ohlquist compares the

pricing mechanisms of produce as with gold, it is the exact same parameters that are going to dictate the pricing.

Farmers and organisations can have brands; this is common within the banana industry for example. It is however very difficult for the retailers to have brands since it is not possible to have a steady flow of supply. Branding is about consistency and since the seasonal products per definition are not consistent, it is impossible to maintain a steady flow of produce that lives up to a common standard. Another reason for the difficulty of branding vegetables is the fact that it is a product category that is very sensitive. If not handled correctly these goods will be easily damaged and thereof the brand will suffer a heavy loss. What would happen if upon inspection produce would be found to be non desirable and at the same time branded? Some goods are extremely low maintenance and only need that their expiration dates are respected. Produce on the other hand is extremely high maintenance and need to be shipped handled and stored under quite scrutinized conditions in order for them to live up to an acceptable standard. Since this handling will to a large extent be done by the retailers, there is very little reason for the manufacturers to start branding a product whose welfare and accordingly reputation will be out of their control.

The success stories of existing brands within the produce department all have in common that they are actors that have the size and resources to somewhat control their production. Banana companies are by tradition often quite wealthy. The reason for this is that the banana industry first of all generates a lot of money. Second of all, this is not an industry that is open to anybody; instead it is controlled through licenses. These licenses concerns where built up through quotes. The more licenses you had the higher bargaining power you could exert. Today this licence system has been abolished, but during the time when it was applicable many of the actors, fortunate enough to have the right to trade with bananas, could essentially to a large extent control the rules of the game. Some companies during this time could make a living on these licenses alone. This system laid the grounds for a monopoly.

According to Ohlquist it is possible to brand produce, but very difficult. Wholesalers are not very interested in branding. Instead quality, origin and production circumstances are of primary importance. Accountability of that the produce fulfils its requirements are much more important then whatever brand it is. Wholesalers do not care much for branding as it is the wholesalers customers who sees that the products are promoted in according fashion. 'Our interpretation is that it is very difficult to get the brand in the supply chain unless you have wholesalers who see a value in the branding'.

The value of the wholesaler is seen through the eyes of the customer. This means that wholesalers concentrate their efforts into logistically making their organisations as efficient as possible in order to supply fresh fruit at a low cost with as little storage as possible.

Ecology is of central importance as Ohlquist believes that there is an interest from the public to buy these kinds of products. Ecology is regarded as a competitive advantage

and is seen as something that everybody can capitalise of. Wholesalers have more power than what sometimes is believed. If a large actor has a substantial market share then any decisions made will have an outcome at the retailers. These are circumstances that Ohlquist points out must be handled responsibly. Ohlquist stresses the importance that any actions made should be a result of attentively studying and reacting to market demands rather than dictating the game rules.

How is it possible to work with brands when you are cooperating with 75 different countries? This in itself is counteractive to the consistency that is needed.

What is a brand? Ketchup companies highlight the fantastically sweet tomatoes that go into their product. The sweetness of the tomatoes later become a key roll in the brand that the ketchup consists of. This is despite of the fact that the ketchup companies are affected by the same logistical inconsistencies as anybody else. Is it possible to brand tomatoes with a specific private label? Ohlquist is sceptical to this due to the fact of the varying taste caused by the logistical dilemmas. In a case like this, what is the added value?

Zespri is a strong brand. But the question is how this brand is portrayed in the eyes of the consumer. Zespri has about 95% of the market and they are really good at what they do. Ohlquist is not really sure if the consumers are familiar with this brand though.

Most people are aware of banana companies like Chiquita, Fyffe's and Dole. Despite the fact that these are the strongest brands within produce, Ohlquist believes that generic bananas will be bought without reflection or regret should one of these other brands be absent. Even strong brands are not necessarily a recipe for success within the produce industry.

Produce is bought with the senses. The consumer wants to see smell and fondle the produce prior to purchase. What is of high priority is the country of origin. Israel is a great example of a producer of fruits and vegetables and at the same time plagued with controversy. This controversy evokes strong reactions that can be traced into country of origin preferences. Even though Jaffa is a strong brand, its origin of Israel plays an even more important role. If a product is branded with Dole, Fyffe's or Chiquita its only function is previous recognition, there is according to Ohlquist little preferences within these three brands.

Nobody would ever invest efforts into branding something where you cannot guarantee consistency within taste and appearance. On top of this there is little reason to brand a product that peaks its sales one month every year.

People do not choose their stores dependent if there is a specific sticker on the apples, but choose their stores depending on if the products have a high quality. Ohlquist really believes in the power of the senses when purchasing produce. This would imply that branding efforts will have little effect.

Branding is according to Ohlquist not the solution for the future of produce. Innovation through appearance taste and nutrition on the other hand is something that the market would be ready to show interest in.

Tomatoes have gone through enormous innovation through the years. A few decades ago there existed two or three different tomatoes. Today this number is more in the regions of 25-30. Here there has been a massive amount of innovation. One of the most important factors is the taste. This has resulted in tomatoes becoming smaller and smaller in order to capture and concentrate this taste. There is constantly coming out new tomatoes on the sole basis of taste. Ohlquist tells us a story of a tomato that they called romantica. This was a name whose only function was that it needed to be called something. After about a month the customers started craving this specific tomato. This market response was a result from a total lack branding efforts. This product did however mirror the same added value as branded products would, the only difference was that this tomato had reached this status from the sole differentiation of taste. This was a very interesting outcome with regards to the fact that they had no intention of creating this kind of response. Taste in itself seems to be a very important factor within produce, this factor within this industry seems to be able to with ease overcome any marketing plan that is attempted.

Branding is push oriented, vegetables is pull oriented.

Emissions are going to play a greater roll in the future. Essentially this is a discussion that concerns if the transport and shipment of goods. Due the nature of this discussion it is important to ask us if we believe that the consumers are going to accept only having a certain product for a limited amount of time. Ohlquist does not believe in limitations. Ohlquist does not believe that the emission discussion is going to lead to a limited supply of produce since this is something that will not serve anybody's needs. Goods are shipped in the cheapest ways possible with regards to living up to the rigorous standards that they have to be shipped under. Aeroplane transport is an extremely small part of the overall transport that occurs. The types of products that are shipped with these methods are very niche products that need this type of shipment in order to arrive in a good condition. Our interpretation is that Ohlquist means that these types of products could be charged with the extra emission costs without affecting demand that much. The two other methods concerning shipment are by boat and train and this is the primary way of shipping goods. The emission discussion is something that the retailers have to deal with towards their customers rather than it becoming an issue for the wholesalers. According to Ohlquist there is in present day not a very large demand for products that have a low emission quote.

The problem with emissions in Sweden is according to Ohlquist the fact that we live in a very cold climate. Sweden is basically the end of the line when it comes to transportation of southernly grown goods. But the problem is larger then that not only are we far away from producing countries, we are also a very long and spread out country that results into very expensive domestic transports.

A lot of our domestically grown produce is the result greenhouses. These greenhouses use massive amounts of energy in order to mimic the environment that occurs naturally in the warmer countries. On top of this the manufactured produce needs to be stored in refrigerated units that also use massive amounts of energy. Ohlquist means that the biggest problem is not necessarily the transport emissions, but the domestic production emissions.

There is an interest from the wholesalers to reduce emissions, but mostly because heavy emissions are a result from expensive transportation

Ohlquist does not understand why England is regarded like such a forefront country when it comes to produce.

Tesco is according to Ohlquist a company that is extremely skilled in doing business. Their commitment to reducing the CO₂ emissions is a result from them seeing a way of earning money by doing this. Tesco has no intention of saving the world. According to Ohlquist Tesco is the first player to make this type of commitment in such a large scale. This is probably a result from Tesco trying to find a way to drive their innovation and marketing. If Tesco had not seen a business opportunity of launching their emissions campaign they would never have done it. Ohlquist does not like this type of action due to the fact that it puts all the responsibility with the consumer. Ohlquist stresses that when the consumer goes to their retail venue they need to have some kind of trust in this venue that it has goods that live up to a moral standard. According to Ohlquist it is the retailers and distribution chain that have to enforce the desired emission levels, not the consumer. This is not an area that Ohlquist believes one should be doing business with. Instead Ohlquist believes that they should be doing business with trying to help and support the producers efforts of farming ecologically, this is a much more beneficial area to promote.

Even though Ohlquist admits that the manufacturers are extremely pressured, he simultaneously develops that there exists a co-dependency. According there is no reason to push the manufacturers without proper reason. The manufacturers need enough profit to be able to deliver goods that live up to a common standard. Keeping manufacturers content is a way for the wholesalers to guarantee that they will get the right type of goods. Ohlquist believes that it is wrong to pay a price premium for production processes that try to enforce some kind of altruistic passion. According to Ohlquist it is possible to produce morally correct goods and still earn a tidy profit, and this is the type of behavior that he wants to encourage and support. Ecologically grown products essentially result in a finer product. This is something which the farmers can get paid accordingly for. There does not necessarily exist a trade off.

If you look at the development within standardizing goods the process has been extraordinary. What ten years ago used to be regarded as morally correct goods⁹³ is today the basic standard for all goods. The quality developments have been astounding. There is today not a single farmer that can afford to apply an extra amount of fertilizer or

⁹³ Krav märkt

pesticide due to the fact that he simply will not get paid for doing this. Ecological farming is apparently the future.

Niche products are according to Ohlquist something that will characterize the future. Despite this he states that the niche products needs to reach substantial volumes in order to find sustainable quantities within the retail environment. Base products on the other hand will according to Ohlquist never develop into manufacturer branding. Attempts to brand complete produce sections with their own private label have yet to be done successfully⁹⁴. Despite this Ohlquist sees an emerging trend for private labelling.

The produce industry is according to Ohlquist very traditional. Not a lot of things have happened during the past and little changes are predicted for the future.

Historically all the different retailers had their own distributors. After a while they discovered that this was not a good idea since the chains quickly discovered that the distribution channels where not optimizing their potential. 1995 they decided to concentrate their efforts on an actor that knew what they where doing. This resulted in the emergence of Saba taking this responsibility.

The specific handling requirements of fruits and vegetables are much more delicate then other retail goods, this is why this type of category will probably remain outside the traditional branding spheres. There are to many parameters within produce that hinders the predictability that branding necessitates. This is a very special product category that operates within its own set of rules and conditions.

The system that dictates the pricing of produce is completely transparent. The customers of the wholesalers can go in and find out exactly how much profit they are making. This insight makes way for very high levels of trust in all directions. Anybody is welcome to come in and try to compete, but it is not very likely that anybody else but the large actors will survive.

The farmers need to concentrate on what they to best and that are delivering good products. The business side to it all should be handled by collective affiliations and not by the individual farmers.

Produce takes up about 10% of the retail share but accounts for about 20-30% of the profit.

Consumers choose retailers primarily based upon the quality and assortment of their produce department. Produce has in this sense replaced meats as the category that determines purchasing venue. If you have a good produce section you will create a customer flow that is needed to sell the remaining product categories within your venue.

The wholesalers have a responsibility to pressure there producers into making their production more efficient. This means that hey should concentrate their efforts into what

⁹⁴ Coop have tried with signum, ICA have tried with Rico

they are good at rather than diverging into other areas. The wholesalers have a responsibility to catering to the welfare of the farmers; both these actors need each other.

A wholesaler does not have the power to exert influence on a global producer. The producers will always sell to whoever pays the most money. This means that if you are not willing to pay the wholesalers price you will not be able to participate in the purchasing of this product.

The Danish produce industry is completely different than the Swedish one. The same parameters are present but the retail chains have through tradition their own channels. The Danish retailers are fairly tough negotiators. This results in that agreements are not always made and the consequences are that there is not a constant supply of all goods at all times.

Prices for produce go up and down but the Europe prices for bananas are referred to as the Aldi price. What Aldi pays for their products commonly becomes the price that everybody else pays.

Banana companies bought the large distributors because these distributors at the time were the ones who had the license to sell. This was a way for them to be able to sell their products

Mats Dalin, General Produce Purchasing Director at ICA; 08-05-2007, Telephone

According to Dalin there are brands which exist within ICA, in the form of private labelling of produce. This started off with the Brand of Rica and further on developed into ICA. Whilst doing this they simultaneously took away some of their sub brands. This was done in order to concentrate their marketing budgets on as few brands as possible in order not to dilute their efforts. Today ICA has a private label share on produce that amounts to about 50%, the opposing 50 % is a packers brand.

Within the produce industry there does not exist a tradition of building brands. According to Dalin ICA conducts a lot of surveys that indicate that their customers prefer ICA products. These preferences exceed ICA's expectations as they have not invested the equivalent amounts of money in marketing that can be accountable for the positive response. Many frequent customers in ICA purposely look for produce labelled with ICA's logo. Despite this Dalin is aware that there are many customers that do not care about the branding.

In the surveys and focus groups that are conducted, ICA has a high level of trust in the eyes of the customers. This results in that there are customers who specifically look for their products. There are some product categories where the search is more extensive than others. Grapes are a product where customers prefer the ICA brand as opposed to the generic alternatives.

According to Dalin the customers demand can be derived from a combination of them wanting an ICA apple, and at the same time that they want to buy an apple that has gone through ICA's strenuous standards. Dalin is not sure which part weighs the most but he firmly believes that demand is a product from both of these aspects. It is ICA's ambition that it should be a combination.

The main branding of vegetables is done through the EU directives standardised specifications of vegetables. The bar is raised beyond the standards that are required by the EU directives to the even higher standards that formalise the specification of what comprises an ICA product.

Dalin does not believe that branding is limited to packaging. There is however a trend to package goods. This is partly driven by the retailers but also by the customers. The product is more hygienic when it is packaged. This packaging prolongs the lifetime of the good as well as raising the hygienic levels. The bacterial development is much higher if the product goes unpackaged. Packaging retains the moisture levels much longer which results in products which are fresher.

Innovation consists of two different things. Either you create a whole new product like a different strain of tomatoes. The second type of innovation has to do with developing things around existing products for example the packaging.

Dalin jokingly says that the last innovation that was done within produce was the yellow kiwi five years ago. Up until then the last innovation within produce was during the sixties, this was when they launched the green kiwi. To a large extent the current supply of goods is what there is to work with. There is very little innovation of this kind within the produce industry. This is why ICA is trying to innovate through packaging and presenting the products. Working with the customers by through information and dialogue is another way in which innovation can be induced.

Innovation is according to Dalin extremely important.

Ecological demand on products is on the rise and this is something that ICA tries to live up to. This is however not very easy as this necessitates having to find farmers that are willing to cooperate under these conditions and supply the demanded quantities.

There are not very many products within produce that can be fair trade labelled. Fair trade primarily concerns third world countries. Not very many articles from the produce industry come from third world countries.

The emission debate is according to Dalin going to make a massive change in the future of the produce industry.

The produce section plays different roles depending on which type of store (stores vary in size) you look at. However, Dalin claims that generally the produce section plays the role of attracting customers to the retail venue. The customer might be drawn to the specific

venue largely because they have an appealing produce section. The produce section to some degree profiles the retail venue. According to research that has been done produce is very accountable for the choice of retail venue in the same way that meat is. Meat however does not seem to play as an important role as produce when it comes to retail choice.

The origin discussion varies depending on which kind of product it is. The consumer has different preferences of locally grown products. Domestic cucumber is an example of an item that is second to none. Swedish tomatoes on the other hand can without reflection be replaced by foreign competitors.

According to Dalin there will be little change in the presence of existing brands within the retail environment. There is no reason to go in and change the existing structures that dictate the current demand patterns.

Dalin claims that the market place is an enormous venue for selling produce. This is a fact that is commonly overlooked.

There is a trend amongst consumers that one eats more outside the house than before. Beyond this catering is also becoming very common. This gives way for alternative channels. These channels have for example resulted in many different and new salads.

Dalin believes that new actors will establish who will supply the market with superior products (like sliced produce) than the traditional suppliers. These two different actors will in turn then coexist independently. The demands on the traditional suppliers will not change to the degree that they will have to be doing this type of innovation.

The reason why England is so far ahead is primarily because the population is concentrated on a small area. This advantage should however not be overestimated.

Philip Thestrup, Marketing Manager Aarstiderne 11-05-07, Telephone

Traditionally produce has just been perceived as being produce. But since the consumers have become more demanding as to the origin of the products and how the crops have been treated, who has produced them etc. the creation of brands has increased within the produce industry. The consumer does not longer just perceive a fruit or vegetable as being a fruit or vegetable and hence a market for produce has arisen. As he believes we will see an increased focus on produce as brands as to where they have been grown and the circumstances concerning the production, how the quality is checked etc. by the individual producer. This said he thinks that we will still see a polarized market with the discount mass-producer which focuses on cost on the one side and an increased focus on quality and confidence to the producers connected to the story behind the fruit or vegetable. Thestrup is nevertheless, not sure that vegetables will be as branded as many other grocery products. But he firmly believes that we will see more produce brands in the sense of quality products. Thus, he thinks that we will see more levels within the produce industry; some big brands where more types of produce are under the same brand

and other brands that merely focus on one type of produce. Another type of brands are themselves, Aarstiderne.

As mentioned above he think there will still be consumers who focus on the discount products but at the same time Thestrup sees and incensement in the consumers who prefer quality produce. In gerenal here sees this enhanced demand of quality produce as a driving factor for the establishment of new specific quality brands.

Regarding the product innovation for produce he has believes we will see a great deal of product innovation in the sense that we will reinvent some of the things which are very special an unique such as yellow carrots, which isn't new but reinvente". Thestrup hence, see the future brands within the quality segment as reinventing both reinventing and innovating the products.

Packing will play a greater role in the future, it will of course not be as big a factor as in many other product segments, but a packing which sells, carry and protects the produce will be utilized. Another factor which he thinks will receive more focus from the consumer is the CO2 emissions levels.

When asked if he sees a future change/ shift in the way in which produce is sold, Thestrup believes that we will see more farmers markets and other ways of selling goods in the future in both Sweden and Denmark. Connected to the aspect of how close the mindset of the Danish and Swedish consumer is concerning produce, he finds it to be very close. But due to the differences in the size of DK and SE more consumers by directly from the local producers in example southern Sweden compared to the greater area of Copenhagen where Aarstiderne has the majority of their customers. In this time where people are more and more busy he sees many possibilities for companies which ease the accessibility to good quality produce products.

Concerning the future of private labels from the retailers side Thestrup believes that we will see an enhanced level of communicating where the produce origins from and how it has been treated. He believes that the retailers will focus more and more on their own private labels. Thus, substituting the products they prior sold under another label. This could be due to the facts that many of the present labels maybe not have been good enough at differentiating and the consumer hence, do not demand them.

As regards to the future of the small scale producers, Thestrup consider them to have good future prospects as long as they have a good quality product and even better if its ecological. There will be an enhanced demand for ecological product of great quality since this is the part of the produce segment which he is familiar with. Thestrup is of the notion that we will also see more farmers getting together in so-called 'farmes markests'.

A final pivotal factor is the constant involvement and conversation with the consumer. As Thestrup explains in order to constant understand and find out what the consumers are in need of and could desire, this close relationship to ones customers creates a setting where it is much easier to fulfill the consumers future wishes.

11.2 Company descriptions

Aarstiderne



Aarstiderne is a Danish produce producer and distributor which were established in Denmark in 1996. It has hereafter, grown into a fairly big ecological produce seller with a more than a 150 employees. Their product range covers all from fruit and vegetables to fresh fish and wine and cheese. Aarstiderne was established on the basis of a desire to set up stronger connections between the farmer and the consumer and make more people eat ecological. It has over the last decade gone from having a hundred customers who individually came and picked up their boxes with ecological produce 10 weeks a year into a company which distributes to an area which covers 85 percent of Denmark and has more than 40.000 customers. Additionally, Aarstiderne are now established in Sweden and can reach customers in vast part of southern Sweden but also in the Gotenburg and Stockholm areas⁹⁵.

Aarstiderne reach their end-consumers directly delivering the products directly to the consumer after the consumer has purchased the products the websites. By the means of this delivery they are a great solution for the consumers who like ecological products but have not got the time to find them in the daily routines. This innovative way of targeting the consumers who are interested in good quality ecological produce has lead hem to having a net sales in 2006 of approximately US\$ 36 millions⁹⁶. They furthermore, have a diverse product portfolio both concerning the size of their boxes and variation of goods which suits the needs of most consumers who desire ecological food products.



ICA Sverige one of Sweden's leading food retailers. It is the principal supplier to ICA retailers, who own and manage their stores independently. The ICA vision is; We make every day a little easier, and their mission is; To be the leading retailer with a focus on food and meals. In 2006 ICA had a market share of 36.5 percent on the Swedish food retail market. In regards to their produce segment they in total have an assortment of 450

⁹⁵ www.aarstiderne.com (2007-04-25)

⁹⁶ Ibid.

different fruits and vegetables and their sales of produce increased 9 percent from 2005 to 2006.⁹⁷

Mariannes Morötter

Mariannes morötter is Sweden's largest producer of carrots. Their company vision is to be the most innovative and trustworthy specialist company when it comes to fresh fruit in the Nordic countries. Their business idea is to promote the consumption of carrots through creating a dialogue and trust with actors within the distribution channels in order to offer the consumer different products based on fresh carrots.

11.3 General Interview questions

- Why is produce the only product line within a retail venue that lacks added value in the form of branding?
- Does produce need to be branded?
- What is necessary to brand produce?
- What characterizes the contemporary produce industry?
- What will characterise the future of the produce industry? Is it going to be more generics, private labels, manufacturer labels, or ecological products?
- Which role do institutional decisions play?
- What advantages does the retailer have in order to convince the consumer to purchase their products?
- What advantages does the manufacturer have to convince the consumer to purchase their products?
- What do the power structures within the industry look like?
- Who is going to win the battle of the produce?

⁹⁷ ICA Group's Annual Report 2006 www.ica.com