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Executive Summaries

RESEARCH

Coordination Strategy Decisions in São Paulo's Fresh Produce Markets: An Empirical Validation of the Peterson, Wysocki & Harsh Framework

Denise Y. Mainville and H.Christopher Peterson

The Peterson, Wysocki & Harsh (PWH) framework for coordination strategy decisions draws from Strategic Management and New Institutional Economics fields to address some of the criticisms of Transaction Cost Economics' contributions to understanding coordination strategy decision-making. This paper provides additional empirical validation of the PWH framework, drawing evidence from four firms' procurement strategies in São Paulo's fresh produce markets. The paper begins by addressing criticisms of Transaction Cost Economics' applicability to the analysis of coordination strategy decisions, and argues for a framework that is theoretically consistent while operationally tractable. An overview of the PWH framework is then presented, and the empirical context of São Paulo's fresh produce market is introduced. Next, the evolution of four firms' (three retailers and one processor) coordination strategy decisions for fresh produce procurement is analyzed using the framework. The results support the hypothesis that the PWH framework provides empirical and theoretical insight into firm managers' coordination decisions. The case analyses demonstrate the effects of asset specificity and complementarity on the costliness of coordination decisions, how costliness drives the decision to change coordination strategies, and how feasibility and risk/return criteria also apply. Additional insights into coordination strategy decisions that were generated in applying the framework and their potential relevance to the framework are discussed.

Agricultural Producer Cooperatives as Strategic Alliances

Roslynne G. Gall and Bill Schroder

Defining a cooperative as any form of alliance formed by agricultural producers for their mutual benefit, the objective of this paper is to examine the linkages between four bodies of theory (transaction cost analysis, the resource-based theory of the firm (RBV), social network theory and theories of trust and cooperation) to the design, governance and operation of three types of cooperative; traditional, "new generation" and learning networks.

To date theories have tended to focus on dyadic relationships leaving a gap in the literature relating to the analysis of alliances with more than two members (such as cooperatives), so the linkages between the theories and cooperative types must be seen as being somewhat tentative. We hypothesise that the RBV, social network theory and trust and cooperation theories are in fact, applicable to multiple-member alliances, but their relevance is likely to become less as the number of members increase.

Two case studies provide examples of two different types of cooperatives each with their own distinctive features and highlight a number of the insights developed from the literature. Tatura Milk Indsutries is a traditional cooperative that has reshped itself to take on a number of aspects of the new generation coopertative model. Riverine Plains was established as a learning (through practical on farm research) and knowledge sharing network.

The important insights from the literature review and the two mini-case studies can be summarized as follows;

- Transaction cost analysis (TCA) is a major contributor to our understanding of design and governance issues in traditional cooperatives. New Generation Cooperatives (NGCs) incorporate governance mechanisms which seek to overcome the TCA problems of traditional cooperatives.
- The Resource-based view (RBV) is highly relevant to the analysis of alliances between cooperatives (whether traditional or NGCs) as illustrated by the TMI case and also provides the underpinning for learning networks.
- Social networks are important in the establishment phase for all three types of cooperative.
- Trust and cooperation are seen as seen as important for the on-going operation of the alliances however as far as trust between members is concerned, legal and institutional arrangements reduce both the need and opportunity for it in all three types of cooperative.

The application of the RBV and social network theory to learning networks appears to be an attractive research opportunity given there is limited prior research in this area.

Guangzhou Buyers Preference for Premium Hawaiian Grown Product Gift Baskets

Catherine Chan-Halbrendt, Jin Yu, Helen Keun. Tun Lin and Carol Ferguson

Using survey data from Guangzhou, China, buyers' preference for premium Hawaiian grown product gift baskets using conjoint analysis method was examined. The gift basket attributes that were examined were types of container (made out of Koa, protea and bamboo), price and products and container origin (grown in Hawaii or not grown in Hawaii). Results showed that for business buyers the most preferred basket profile is Koa container, made in Hawaii and cost 1,200 RMB. For individual buyers, the most preferred basket profile is Koa container, made in Hawaii and cost 2,800 RMB. The study also estimated relative importance for each of the gift basket attributes. For the business buyer, price is the most important attribute which carried a weight of 35% followed by Koa container (29%). For the individual buyer, Koa container is the most important attribute which carried a weight of 42% followed by price (28%). Expenditure equivalent index was used to evaluate how much more the average respondent is willing to pay for a gift basket when comparing with the reference basket which is the one with the lowest rating. Results showed that an individual buyer is willing to pay 2.47 times more for a Koa container, made in Hawaii as compared to the reference basket which is bamboo, not made in Hawaii and cost 800 RMB. In general, three main conclusions can be made from the study: (1) products and containers have to be 'made in Hawaii' in order for the buyers to pay the premium price; (2) business buyers, when compared to individual buyers, are generally less willing to pay a high price for any gift baskets; and (3) individual buyers, when compared to business buyers, are more willing to pay the higher priced Koa gift basket.

Growth-related Measures of Brand Equity Elasticity for Food Firms

Thomas L. Sporleder and Juan Liu

Intangible assets are increasingly becoming an important driver in the sustainability and competitive advantage of food firms within the global food supply chain. Brands are an important component of the food supply chain. In addition, brand names and building brand equity over time are recognized as an important strategy that enhances the firm's intangible assets over time. This article investigates the long-run potential of brand equity among food firms to actually create real options for a firm's management.

The value of a real option is embedded in strategic flexibility when irreversible investments are made under uncertainty. The value of decision flexibility in some future time period may be important. This analysis quantifies the 'value' that may be associated with this enhanced flexibility. Building brand equity also builds brand extension potentials for the future. Hence brand marketing investment is conceptually analogous to buying a call option. Subsequent exploitation of these potential brand extensions is a right but not an obligation for firm managers.

The empirical analysis views brand equity among food firms as a real option of growth and empirically tests selected drivers that are conceptually associated with firm growth. Results indicate that brand equity has a positive effect on the growth option value of the firm, after accounting for other major drivers of firm growth. Brand equity elasticity is estimated with respect to a firm's growth value for both the industry- and firm-level. One major implication of the analysis is that managers of food firms should evaluate the efficacy of brand equity building strategies in terms of the contribution brand equity makes to the firm's growth option value. The evidence suggests that categorizing and managing advertising expenditures solely as an expense item may be too narrow from a strategic viewpoint.

CASE STUDIES

The Amadori Group: Free-Range Chicken and the Impact of Avian Flu

Gregory A. Baker and Francesco Braga

This teaching case describes a challenge faced by the Francesco Amadori, the President of Amadori Group. Amadori is one of three large commercial chicken producers in Italy and the only commercial producer of free-range chickens. The case centers around the challenge of raising and marketing free-range chickens with the very real possibility that the avian flu virus may be found in areas where free-range chickens are raised. If the avian flu virus were to be found near a commercial poultry facility, one likely outcome would be that all birds would be required to be raised indoors, posing a particularly difficult challenge for producers of free-range birds.

The case is ideal for an upper-division or graduate level marketing or capstone class. Students may be asked to identify and analyze the principal alternatives that Amadori should consider and make a recommendation.