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Using Country-Of-Origin In Strategy: The Importance Of Context And Strategic Action

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ABSTRACT

Although the idea that a nation's image is a factor in buying decisions has long been accepted, research on the effect of country-of-origin (COO) on consumers' evaluation of brands and on firms' strategic positioning is contradictory. The strategic use of COO would appear to be highly dependent on context. The authors examine six agribusinesses in New Zealand - all of who use COO to varying degrees in their global brand programs - and argue that the use of COO is highly contextual and evolves over time. The different contextual elements affecting the appropriateness of COO programs are then explored. In the final part of the article, the implications of using COO for firms' strategic actions are discussed, and the benefits and limitations of COO are identified.

INTRODUCTION

Several authors contend that COO is important in buying decisions (1-9). For example, findings suggest that the geographical location from which a product originates is linked to the brand and generates secondary associations (7, 10-11). There are, however, authors who claim that COO is of little importance in brand evaluation (12-14). Studies also show that highlighting COO may backfire on an unknown country if competitive counterparts have better profiles, even with products where research indicates that COO plays little part in brand evaluation (15).

Despite several years of research on the importance of (COO), the strategic uses and limitations of COO remain unclear (1-2, 4-5). Firstly, a review of the COO research found that COO can be operationalised in several ways, but that a number of firm, consumer, strategic, historical, and product-related variables influence the appropriateness of this use (1-5). This would indicate a contingent model of COO (16). Secondly, entrepreneurship theory would suggest that firm action could potentially have an effect on the nature of competition and the structure of the market (17-18). This suggests that firms who use COO affect the nature of the market they operate in, and

that the use of COO would, therefore, evolve over time. As a result, not only is the use of COO contingent on different contextual factors, but the appropriateness of COO changes in response to changes in context. Developing a model, which accounts for these factors, would enable managers and researchers to gain a greater understanding of the benefits and limits of COO, as well as draw necessary boundary conditions around the concept (19).

Agribusiness provides an excellent context in which to study the effect and role of COO, as agricultural products have historically been tied to COO or region-of-origin (ROO) (20). New Zealand has a well-established reputation for agricultural production (21), and as such meets O'Shaughnessy and O'Shaughnessy's (7) requirement for reputational capital in respect to agricultural product categories. The agribusinesses included in the research were Merino New Zealand, Sealord, the New Zealand Game Industry Board, the New Zealand Dairy Board (now Fonterra Group), the Wine Institute of New Zealand, and Zespri (kiwifruit). These particular businesses actively use COO as part of their international positioning strategy and were, therefore, deemed appropriate for this research.

STRUCTURE OF ARTICLE

Our article is built from a multiple case study of six agricultural marketing (or producer) boards, all of who have operationalised COO to varying extents in their global branding programs. As we have proposed a relationship between context and the use of COO, we first examine the extant literature on COO. We then present the research methodology used to collect the data. The case study method - with an embedded design with six cases – was believed to be an appropriate method for getting an understanding of how boards operationalise COO in global branding programs. Moving on, we report on the case findings. The findings highlight a number of other contextual variables not identified previously in the literature such as COO-product category history and legitimacy. We also identify how the use of COO programs by the various producers have had an affect on the marketplace, necessitating the evolution of COO use. The findings imply a contingency model of COO and suggest that the use of COO needs to be placed within a dynamic, evolutionary framework. We then proceed to discuss the findings with reference to

further relevant literature, as well as to identify managerial implications and areas for future research.

COO AND CONTEXT

Research indicates that context has the potential to influence the appropriateness of COO strategy (1-2). The research on COO suggests a number of contextual variables affecting the strategic use of COO including consumer-related variables, as well as product and COO-product category variables, and relationship-related variables. We will briefly review each of these areas in order.

Although there is extensive research on the effects of COO on consumers (1), much of it remains contradictory (3, 7, 22), and there is little consideration of when firms should include COO in their brand programs, or what role COO plays in the make-up of an overall brand positioning statement (2). Papadopoulos (1) found that, in certain instances, consumers use COO cues when evaluating products. These cues are often used in judgements about product quality, or status acceptability. However, all consumers making product evaluations do not use COO, nor do they use it in the same way (2). COO is stronger among the elderly (23), the less educated, and the politically conservative (24). Personal background and socialisation also effect consumers' reception to COO (2). Consumer expertise has also been found to be important: novices use COO when they evaluate a product whereas experts only rely on COO stereotypes when they have no, or only ambiguous, product attribute information (25-26). This would suggest that the impact of COO on purchase choice and brand evaluation is contextually driven and must, therefore, be used with some caution. Perceptions of COO also change over time when consumers have acquired more knowledge about the country, when the marketing practices supporting the product are improved, or when the quality of the product is enhanced (27). Loussaïef (22) found that highly involved consumers are more sensitive to COO, but that this sensitivity diminishes, as they become more familiar with the product.

Firms must be careful when using COO images, and in how far they rely on them for market differentiation. Research indicates that a strong brand name can reduce the strength of COO effects (2). Moreover, giving prominence to COO may reduce sales, regardless of perceptions of

quality, among consumers who feel animosity to the stated COO (28). For example, consumers in Nanjing, China remain angry at the actions of the Japanese army in the 1937 and are unwilling to purchase Japanese goods, even though they rate their quality highly. This phenomenon is also found at a business-to-business level, with New Zealand buyers' being reluctant to purchase French products because of the France's action against Greenpeace in New Zealand territory, even though they perceive French products to be of high quality (29). Finally, giving prominence to COO or ROO may enhance consumer awareness of this issue, even when they do not make purchasing decisions based upon these factors. For example Areni, Duhan, and Kiecker (15) found that by drawing Texan wine consumers' attention to ROO, they increased their purchases of wines from other regions, even though they did not normally make decisions based upon ROO. By highlighting ROO, the Texan wine industry raised the prominence of ROO in consumers' minds, causing them to make judgements based upon perceived quality and ROO, and driving them to purchase wines from more prestigious regions such as California.

Product-related variables also play a role in the use of COO (1-3). For example, COO is often more effective for agricultural products than for manufactures given the historical association between produce and COO and/or ROO (20). Research indicates that COO is only effective if there is a clear link between the product category and COO (2-3, 20, 22). For example, Russia may be associated with poor quality, except in the case of caviar where product labelled with 'Russia' or surprisingly 'USSR' fetches much higher prices than caviar from other nations. Other product-related variables affecting the use of COO include product complexity (COO is more important for complex products), the level of development in the country of origin, historical associations between the country of origin and certain products (for example, France has a history of producing clothing and food), and the strength of such product category-COO images (1-2, 4). This indicates that COO images will have more 'legitimacy' (16, 30) in some instances than in others. For example, Japanese wine producers would find it difficult to market their wine using COO, whereas Japanese electronics manufacturers would have far more credibility (1).

METHODOLOGY

Data was gathered using in-depth case studies. As the authors sought cases of agricultural marketing (or producer) boards that have developed brand programs employing COO to some extent (as opposed to straight commodity producers), the sampling procedure was purposeful. An overview of the six agribusinesses is presented in Appendix 1. Merino NZ represents the interests of merino farmers in New Zealand, while the WINZ undertakes generic country-based promotion to raise awareness of New Zealand wine in key markets. The NZDB is responsible for selling and branding most of New Zealand's dairy produce, and Zespri is seeking to develop a global brand, as well as to own a category in stores. The NZGIB supports New Zealand venison producers. Sealord is a company that sells a large range of branded and unbranded fish.

In all, 46 interviews were conducted. The steps in developing theory followed the approach of Eisenhardt (31). Since the industries consist of many participants (e.g., farmers, suppliers, buyers, retailers, processors, and industry representatives), where applicable, an embedded case design was used (32), with the number of interviews being dependent on the complexity of each case, the availability of secondary information, and the role of the respective producer boards. A standard set of questions were used for each interview and centred around seven key categories:

- History and development of the strategy;
- History of the market environment;
- Content of current and past strategies,
- Market entry;
- Performance;
- Supply chain management; and
- Future aims and challenges.

This interview protocol formed a guide for each interview, as new issues emerged in each case that required further investigation. Secondary information was obtained for each case. For example, McKinsey & Company reviewed the wool and dairy industries in New Zealand (33-34). In the case of Zespri, the authors referred to consumer behavior studies on the effectiveness of

Zespri's brand program (35). An independent search of the media (press and television) was also conducted, as all six cases have a high profile in New Zealand. Appendix 2 provides an overview of the numerous data sources that were used in the research, and also details how many interviews were conducted in each of the six agricultural settings. The information from secondary sources often confirmed some findings, but also challenged the views of the interviewees. For example, the WINZ's view that their COO strategy was effective in terms of positioning was contradicted by other research (36) forcing the WINZ to move beyond their original strategy. In all, over 200 such documents were reviewed.

Following this, each case was analyzed using a dual process of within-case analysis and across-case analysis (37). Firstly, a draft of the case was developed and returned to each interviewee. The interviewees gave extensive feedback, although much of it consisted of correcting dates, answering questions posed by the authors, or commenting on interpretations. The interviewees also answered the challenges posed by the secondary information. A release was gained from each organization for the use of the case, as the authors wanted to identify each case by name. Secondly, the authors coded each case and discussed the codes with two experienced qualitative researchers. A series of themes, which were identified and explored across all cases, form the basis of the subsequent section. Although the case study may take a variety of forms (32), the essential characteristic is that explicit presentations of the key evidence, which were used to draw conclusions, are contained. This is achieved by presenting selected text evidence that is representative and supportive of our research findings.

FINDINGS

We will now proceed to discuss the findings. It should be noted that the case study method is discursive, and readers often find the lengthy description of results exhausting. For example, as mentioned in the methodology section, each case was analyzed using a dual process of within-case analysis and across-case analysis. Reporting on each of the six agribusinesses and then the cross-cases analysis would be very detailed for the purposes of this article. We therefore decided to give a general background to the agribusinesses' brand programs in Appendix 3, while an overview of the successes achieved by each agribusiness is presented in Appendix 4, and the

challenges encountered by each agribusiness is outlined in Appendix 5. In the rest of this section, the findings from the cross-case analysis are examined, while findings from particular programs are discussed only when they differ from the cross-case findings.

Each case developed a series of promotional programs, which utilised COO to varying degrees. The use of COO was generally consistent with the role of each board. For example, the WINZ plays a supportive role for its members, and as such seeks to develop programs to give the entire industry some collective force. To do so, they base most of their programs around COO, with the aim of raising consumer and trade awareness of New Zealand's wine-making potential. The promotion of individual regions within New Zealand, or specific brands, is left up to each region or winery. Many wineries will work closely with WINZ representatives in trade shows and provide extra funding for their own separate trade booth in the New Zealand stand. All the research participants believed there were significant gains to be had by acting in this collective manner. Examples included the wine and game industries:

We find that the best way for us to expand the New Zealand market share overseas is to go in as a group, and - that way - we make a bigger impact. We'll go to trade fairs; we'll do tastings to the media, and to the wine writers. We'll do tastings at stores; do New Zealand promotions at retail outlets, and to the consumer. That is really the best strategy for us. (Wine company)

We sat around and asked, 'okay, what should we do on behalf of this industry that we might not do ourselves, or couldn't do ourselves, or shouldn't do ourselves?' That gave it a whole lot more strength than any other organization [could have done themselves] because the producers and exporters sat down and actually levelled the playing field in terms of actually getting co-operation between the different sectors. (NZGIB)

The above two quotes come from organizations that have no 'single desk selling' powers. Organizations such as Zespri, and the NZDB, by law, have the right to market and sell all kiwifruit, or dairy-related products produced in New Zealand. Merino NZ do not have this right,

but have convinced their members to sell through one program because of their (relatively) small production levels. Only Zespri enforce this power, with the NZDB allowing small and specialist exporters (e.g., goat or sheep milk producers) to sell under their own brands. As a result of these powers, any COO program affects the whole industry. However, the operationalization of COO depends on four important factors: the history of the industry, the aim of each board, the industry structure, and the market forces.

All the strategies developed by the respective boards are influenced by past program failures, and the historical baggage that each industry brought with it to the market. In the case of the former, the difficulties faced by the NZGIB in Germany led them to develop a new program for different channels in the US. While Germany is the largest market for venison, sellers face powerful buyers who are unreceptive to branding programs, preferring instead to blend venison from various countries into their own branded products. As a result, after 20 years of presence in Germany, the New Zealand industry only had two per cent brand recognition. The inability to gain any brand awareness, and to differentiate the product based upon COO, meant that New Zealand producers were unable to differentiate their product from European deer infected with radiation as a result of the Chernobyl disaster. Because of that, prices collapsed, and the industry went through a period of rationalisation. In the case of Zespri, failure to protect the name 'kiwifruit' meant that other, non-New Zealand, lower cost producers could use the name, regardless of COO, many of whom could out-compete New Zealand growers on cost. Despite this, Zespri still base their program around COO. For example:

The kiwifruit's New Zealand nature was a very important component of the brand and had to be incorporated, given the equity we had in our country of origin. (Zespri)

Research indicates that Zespri's promotion has simply raised awareness of the category rather than of the Zespri fruit, thus assisting competitors (35). Consumers also are not prepared to pay extra for Zespri fruit even though they generally prefer fruit brands, but they are willing to pay more for the new kiwifruit varieties (these varieties do not get separate brand exposure).

In the case of the wine industry, a history of poor product quality and low exports meant that the industry faced (justifiably) hostile, and ignorant markets. While quality improvements reduced the hostility, lack of knowledge of New Zealand as a wine-producing nation meant that the WINZ had to raise the profile of the country in order to build a strong COO-product category relationship in the marketplace. For example:

When the UK office was set up in 1991, the main objective was to help facilitate the development of a 'New Zealand' category in retail outlets, restaurants, or wherever we could get the name 'New Zealand'. (WINZ)

It is important in the wine industry to gain a separate COO in-store category, so as to provide consumers with a clear location to search out the product. One winery stated:

One of the most tangible early success factors [in any export market] would be the establishment of a New Zealand category. [In some markets] New Zealand wine is currently found in the 'Australian', 'New World', or 'other' categories. If you're in the 'Australian' section you're getting closer to home, but its still not quite right. If you're in the 'New World' section you've got all and sundry there, and if you're in the 'all other' section then your wines are along-side Israel, Bulgaria, Romania, and that's no good for anybody. (Wine company)

The success of the program, and changes in markets, limits the ability of the WINZ's COO program in one market. For example, in overseas supermarkets there is increasing pressure on shelf space, and the achievement of a 'New Zealand category' can be a two-edged sword. While it provides a clear country brand for consumers, a new wine entering into this category does so at the expense of another New Zealand wine. This has led the WINZ to encourage wineries to enter new markets:

In the UK we have established a category for New Zealand wine. That means that there is a distinct category and a distinct number of wines within that category that the buyers actually want. So for new wineries coming in, rather than expanding the

category, distributors tend to displace a New Zealand wine in the category to make way for a new one. In other markets such as the US and Australia there's no firm category established so they don't know how many New Zealand wines they want within a price point or varietal, so it's a lot more open. (WINZ)

Moreover, the success of gaining a 'New Zealand category' and raising the profile of New Zealand wines has led to calls for more subtlety from wine journalists, who are highly influential on buyers at the top end of the market (which New Zealand winemakers target). Research indicates that 'the benefits and riches of a clean green land' was 'a bit tired', and that since New Zealand was a proven quantity the WINZ should start to educate consumers about the different producing regions. However, research also indicates that not all consumers share this view. In this situation it may be that a two-pronged strategy needs to be developed and targeted at different segments. The same occurred for the NZGIB in Germany. Traditional consumers would be uncomfortable with COO-branded venison, as they were looking to purchase deer that had been hunted in the wild. For example:

In Germany it is currently a darn sight easier to sell New Zealand venison as local game meat than it is to try and raise the idea that it came from New Zealand and it might be farm raised - things that would raise concerns for the traditional German game consumer. However, these game consumers are getting older and there is a group of younger people that understand the benefits of venison in terms of it being clean and green, low in fat, high in iron, and an all year round meat. So you've got to move slightly from the traditional game consumer to the new game consumer, and that will be the focus of our European strategy. (NZGIB)

The lack of COO-product category also impacted on the NZGIB's strategy for the US. NZGIB faced both general market ignorance of New Zealand, as well as of the product (venison). While American consumers knew what deer was, the cultural image of deer was influenced by the Walt Disney 'Bambi' character, and thus meant that branding could not be tied to animal based imagery. Consumer research showed that environmental purity and health-related issues were important (e.g., low level of fat and high level of iron), so the NZGIB positioned the product

around New Zealand's clean environment and backed this up with health-related claims. The deer industry in New Zealand consists of a number of high profile deer exporters, who were unwilling to give up their individual brand programs in favour of a COO based one. Therefore, the NZGIB needed a vehicle that could work with other producers, provide category support, and provide COO recognition. They developed an appellation program under the name 'Cervena' which stood for New Zealand, naturally farmed, and high-quality venison. The strategy was based on the *appellation contrôlée* system used in Champagne, whereby the name 'Champagne' indicates the ROO, and a level of quality, but the product is differentiated further by the brand of the individual Champagne house (e.g., Bollinger). This was reflected in the industry's strategy in the US:

The fact that we could put something as an umbrella over them [individual producers], which would truly differentiate them from the traditional perceptions of venison in the market place was important. The idea was to build a new product category. We're not talking about another venison; we're talking about a whole different product. The fact that you had the balance between the appellation and individual company brands was the key. The key benefit of an appellation strategy is that we can develop a promotional program in a way that an individual company couldn't have done. But, at the same time, we needed to preserve the balance that allowed them to have their own individual identity and their own position in the market. (NZGIB)

The program has been a success. However, while the NZGIB believe in promoting their product based upon COO, there is nothing about New Zealand that affects the products' intrinsic quality. This could provide opportunities for competitors. Chefs are very price conscious and (thanks to the training programs of the NZGIB) can replace Cervena-labelled venison with other countries' produce³. On top of this, deer can be processed into many different products, and demand in one market can affect the availability of Cervena-labelled meat, leading to fluctuating supply and prices. NZGIB want a global brand, but have no control over supply, and by limiting the program to New Zealand it may be impossible to maintain a positioning in world markets. For example,

³ They may simply marinate the meat over night, or use very fresh cuts of meat from young animals.

by tying the strategy to COO, Zespri have also limited their ability to develop a global brand, as well as to own a category in stores, because consumers and retailers want the fruit to be supplied all year round, but New Zealand's growing season is only eight months long. Sealord also compete in global markets and must source fish from other suppliers for two months every year to meet demand. As such they limit their product-COO branding, so as not to confuse consumers, and to limit their ability to meet demand.

The NZDB faced a different market, as they often have high brand awareness in their key markets, but low COO-brand awareness. For example, consumers know the 'Anchor' brand, but may not know it is from New Zealand, since the brand has been around for close to 100 years. The NZDB also aim to develop global brands, and need continuous supplies to meet the demands of large-scale retail chains. As a result they need to source products globally to smooth out low-supply periods due to seasonal variation in New Zealand. For example:

In some countries we sell non-New Zealand brands - we put the ingredients in but we won't put our guarantee on it. In some countries we put our guarantee on it. When we are using a New Zealand platform then obviously we have got to supply New Zealand products (with a guaranteed service), and when we are not we have the option.
(NZDB)

The NZDB tend to make use of COO in new markets. For example, COO is used to enter new markets, with products being promoted around a combination of the NZDB's track record, environmental cleanliness, and New Zealand imagery:

We base our New Zealand imagery around clean, green, natural, and fresh [ingredients]. Consumers like it and understand it as a credible message. In some countries it's a very sustainable message and a competitive advantage, so we are quite happy to use that. In other countries it has no meaning, so you can't use it. For example, parts of Latin America can attack our claims of being fresh because everyone sources domestically so 'Made in New Zealand' doesn't necessarily have the [same] meaning over there. (NZDB)

The need to develop global supplies means that NZDB is slowly moving away from a COO strategy, as new markets become established and, instead, emphasise the quality of brands such as 'Anchor', 'Mainland Cheese,' and 'Fernleaf'. The NZGIB also use COO in different ways for different markets. Due to the positive image of New Zealand among young Germans, the new NZGIB program focuses heavily around New Zealand's clean environment when they promote their product through modern restaurants. Unlike the US, venison has a long history of use in German cuisine, so there is little need to educate customers or chefs. Whereas in the US, the NZGIB provide significant support to culinary institutes, chefs, distributors, and the media about the product (which includes employing their own chef to educate current and up-and-coming chefs), due to the unfamiliarity of the market with the requirements of cooking zero-fat meat (cooking it for too long, or at low heat, will ruin the meat⁴). The NZGIB reported that working with culinary institutes gave the program a lot of credibility with the food press, enhancing the legitimacy of their strategy. COO, therefore, provides a significant level of differentiation in Germany for younger consumer segments, although this could only be gained as a result of demographic changes, lifestyle changes, and the development of large numbers of up-market bistros. Prior to this, venison was eaten mainly by older consumers during two yearly hunting festivals, and as such, COO brand strategies would have confused these consumers who expected to eat wild, hunted game, and not imported farmed game. The WINZ has also had to move away from pure COO images, due to the continual success of the industry and the COO programs in raising consumer awareness. For example:

[Following] some consumer research last year, we are trying to develop a broader awareness with consumers. We are trying to educate consumers so that they know why there's a price difference between a New Zealand wine and a Chilean wine ... That, obviously, involves big budgets, so we'll be looking at working with tourism and food brands to combine together with an overall stronger, and broader story.
(WINZ)

⁴ Research showed that consumers thought venison would be tough to eat and very strong in flavour. Consumers also thought it was only suitable for winter, as it required many hours of preparation and cooking. The changes made by the NZGIB to move towards a farmed industry and strict quality controls meant that venison could be used for a variety of dishes throughout the year. However, the chefs, who can ruin the product if they cook it in the traditional way, largely determine the quality of the industry's message and product. This explains why the NZGIB focus on education in their brand program.

All the boards interviewed used New Zealand's clean environment as a source of competitive advantage. This was believed to be advantageous, particularly in seafood, where New Zealand's track record of fishing stock management is reported to be second to none. The WINZ positioning is based around the tag line, 'the benefits and riches of a clean green land'. This has created pressure for wineries to adopt sustainable management practices. To ensure the integrity of this positioning statement, the WINZ has recently promoted a new 'Code of Practice for Winery Waste Management: The Integrated Winegrape Production' scheme (with 200 participants so far), and greater research into biological control of industry diseases. Other companies have gone further, with a group called 'Living Wine' becoming the first wineries in the world to gain the tough ISO14001 environmental accreditation.

Sealord also use COO in their branding, but as just one part of their overall brand strategy. In a response to their commitment to environmental sustainability, Sealord make sure that they find markets for all the fish they catch, regardless of quality, and for all parts of the fish. This means they have a broad product range of high quality, strong-branded fish, and a range of commodity products (e.g., fish oil). They also have a range of fish that are unique to New Zealand's waters, and others that are available from a number of sources. As such, the high-quality local fish are branded with both the 'Sealord' brand and COO. Commodities are based on price, but are branded with the Sealord brand at a trade level, as this is believed to represent high-quality standards. COO is used in the general promotional material for Sealord, as it is committed to manage fish stocks and environmental sustainability. The company works closely with government departments and research institutes, and this profile builds its generic image with consumers.

Merino NZ faced a different problem. Historically, all New Zealand wool was sold under the auspices of the Australian dominated International Wool Secretariat (IWS). New Zealand wool is lower quality and coarser than other wools, so it was blended by the IWS with Australian and South African wool to increase the tensile strength of the finer foreign wools. Due to poor market results, the New Zealand industry pulled out of the IWS in the 1980s, and developed the Wool Board. Due to climatic conditions, New Zealand Merino is the finest (in terms of microns) in the world. However, Merino makes up a tiny amount of the total New Zealand wool clip, and as such was blended in with other more coarse wools by the Wool Board. Merino growers believed they

were not gaining the recognition and returns they deserved and so formed their own association, Merino NZ, to establish markets for the wool. For example:

[The] product attributes of New Zealand Merino were lost ... [We] felt that if it [the wool] was branded and was taken to the market place in the correct manner by a marketing team that was purely focussed on New Zealand Merino we would gain better returns. (Merino NZ)

The association targeted high-end fashion producers and designers as part of their niche strategy. While the product was of very high quality, designers can choose a number of equally high quality products to make garments, so the industry needed to support the product through investments in product quality measurement, quality improvements, stable supplies (by moving away from auction sales), relationship with value chain members, and stable prices. Merino NZ supports select designers with their own ingredient brand, and build the brand reputation by retaining control over its use (thereby keeping it exclusive), and using the auction markets to run the 'finest clip in the world' competition. In this case, the finest clip is auctioned off, and the price it receives and the buyer are promoted heavily throughout the fashion world, thereby helping the designer and building awareness of the Merino NZ brand.

DISCUSSION

The main propositions of this article are that the use of COO is affected by context, and that as the context changes, so must the use of COO. Earlier in the article we examined those contextual factors identified by COO researchers that impacted on the use of COO. While not all of these issues were examined in this research, a number of consumer-related and product-related features were borne out. However, a number of other contextual factors were also identified, namely resource-based factors, industry and market structure factors, as well as historical associations, legitimacy, and market action factors. These will be discussed below.

Organizations deal with limited resources and must, therefore, attempt to develop strategies appropriate to their resource base (38). In all the cases, COO was utilized as part of a

differentiation strategy in international markets. In most instances the organizations believed that their 'New Zealandness' gave them a distinct advantage over competitors. However, not all organisations took this view. Generalist marketers such as the NZDB and Sealord placed more weight on their own reputations as opposed to their COO. Although some of their products are obviously marketed as 'Made in New Zealand' and based around New Zealand imagery, not all are. In contrast, specialist marketers relied heavily on COO. In some cases this makes a lot of sense. For products such as wine there are obvious links between place and taste. The same is true for wool, where the availability of feed and the climate affect the fineness of the fibre. New Zealand deer farmers have a lot of intellectual property based around New Zealand's environment and it therefore makes sense to utilise COO in their marketing. This suggests that resource base, strategy, product, and the nature of the targeted niche have an affect on COO use.

Generalist marketers operate on a wide scale and scope (16, 39). As such they often deal with large buyers, selling to the mass market. Global forces have driven many of these retailers and producers to increase their size in order to have a global scope and to compete. For example, of the three generalists studied, the NZDB has formed alliances throughout a number of countries, and invested directly in many others. Sealord purchases fish on the open market to meet the needs of their customers. Zespri sell to supermarkets throughout the world. However, agricultural products present problems for global marketers. Firstly, seasonal availability, local growing conditions, and local supply levels have traditionally limited their capacity to develop global brands. The need to develop a global presence and brand has driven the NZDB and Sealord to source globally and, therefore, play down COO in most cases. This also explains the problems faced by Zespri, who target a global market, but are limited by an eight-month growing period in New Zealand. In this case, tying their brand to COO is in conflict with their positioning. It is also questionable whether this provides the basis for differentiation given that the product is sold as 'kiwifruit,' which many consumers may assume is from New Zealand.

The importance of resource base and strategic focus is highlighted in resource partitioning theory (39) that holds that generalists and specialists compete in different market niches, and face different market structures and pressures, which means that different strategies are required. As long as specialists and generalists do not overlap, then both will survive, and prosper (16). For

niche specialists such as Merino NZ, the NZGIB, or the WINZ, the use of COO fits their niche, as does the movement away from COO by the NZDB and Sealord. The difficulties faced by Zespri highlight the difficulties faced by a firm caught in the middle (39-40).

While these variables are important, other issues need to be taken into account. Product characteristics affect the use of COO, with complex products more likely to benefit from the use of COO (2). In the case of venison, wool, and wine, this is clear. Venison requires complicated preparation; wine comes from different regions; and vintages, grapes, and producers, and merino wool has different uses, comes in a range of microns, and from different stations. Given the resource base of these industries they have been forced to target niche markets, but these markets are also more likely to be interested in a complex message. For example, restaurant staff selling Cervena were looking for a new story; high-end wine consumers are often passionate about the product; and top fashion houses and top-makers are interested in the COO of their product, as they are so focused on quality. Compare this to the NZDB who are deliberately moving away from COO as they are targeting the mass market, and are well aware that simple messages and consistent product quality are the keys to their success.

Historical associations also play a role. In some cases, poor or unknown COO-product category links require producers to build up a reputation for quality category production. For example, the WINZ had to establish a category with buyers and consumers, and build awareness that New Zealand was capable of producing quality wine. For most of its history, New Zealand has exported little wine, and much of what was made was of poor quality. Historical associations also played an obvious role for Zespri, who argued that 'kiwifruit' had obviously New Zealand associations. However, their past failure to protect this word makes the use of COO questionable, and consumer research indicated that such a strategy simply raised the awareness of the category. In this case, COO could be included as part of a brand image, but their resource base and positioning requires them to move beyond COO. The past success of the NZDB meant that they could move away from COO with their mass brands as the brand has a strong consumer franchise.

For Merino NZ the lack of market awareness, and their small resource base, led them to target luxury fashion retailers. However, past practices leading to mixed quality, unstable prices and supply meant Merino NZ lacked the credibility to successfully implement such a strategy alone. As such they worked closely with influential chain members such as cloth manufacturers in Italy, who carried more credibility with retailers and designers. In this case, COO played a supporting role to establish the credibility of the brand and then moved to a more dominant role to provide a further point of differentiation. In all cases, market structure also plays a role. In wine, the established 'dominant marketing design' (41) was one based on region of origin ('Burgundy' or 'French wines'), which meant that retailers categorised wines according to COO. This market structure means that new entrants must build an in-store category, and thus COO will play a dominant role in any marketing campaign aiming to establish this. The same applies to the German and US venison markets. In the case of the former, the strength of the buyers limits the ability to develop a separate brand franchise, so producers must either target different end consumers (say, younger restaurant consumers), or match their offer to the needs of buyers. In the case of the NZGIB, they have done both, selling lesser-quality venison to the retail buyers and targeting higher quality meat to restaurants frequented by young people. In the US case, the structure was different, requiring another approach.

However, the role of industry structure on COO appropriateness was also moderated by consumer awareness of the country. For example, research showed that younger German consumers had a positive image of New Zealand and its natural environment. As such it made perfect sense to target them with COO imagery to this effect. In the case of US consumers and buyers, many had little knowledge of New Zealand, and therefore more visual imagery (mountains, hills etc.) was needed to create an implied awareness of a clean environment in the minds of buyers. This was also carried out as part of an educational strategy in the US, but not in Germany, where there was an established knowledge base when it came to dealing with venison. Legitimacy also played a role. The NZDB preferred not to use New Zealand environmental imagery in South American countries, as the message would lack credibility. Using COO to market venison to older traditional game consumers in Germany, and in some US states where hunting is established, would also raise concerns among these consumers.

Finally, strategy must evolve as the market changes. However, firm action also changes the structure of the market (17-18). This has implications for COO and suggests that COO ultimately has limitations. For example, the Merino NZ developed a strategy based upon strong relationships with suppliers, used auction markets in the 'Clip of the year' competition to raise the profile of New Zealand Merino wool, and provided the buyer of the top clip with significant exposure. This strategy was unique for the wool and fibre industries at the time, and quickly became the dominant design (41). However, competitors, who do not have to go through the set up costs, copied the strategy. As such, the advantage potentially moves to later entrants who can deliver the same quality wool but at a cheaper price (say from a larger base such as Australia) (42). Therefore the COO strategy must evolve, and Merino NZ is now starting to promote the individual sheep stations, and their unique history in the same way that the WINZ has now started to promote individual regions. The same situation affected the NZGIB. Finally, such programs may limit the ability to enter into other market segments. For example, the investments in the Cervena program made by chefs may also limit the ability of the NZGIB to enter other, higher-growth markets. For example, the program is tied into high-end restaurants, but the growth is coming from up-market bistros, which compete for the same customers as high-end restaurants. Channel conflict may, therefore, emerge, and could help competitors develop a similar program for up-market bistros now that the NZGIB has established the profile of venison.

The findings also identified a number of issues unique to agriculture. Many of the limitations faced by these organisation relate to the producer / marketing board structure, where members are often unable to capture the value of the board's activities, and therefore refuse to make the necessary trade-offs between increased short term commodity prices, and long term stable prices and supply which helps build brand value (43). While this issue is unlikely to affect many firms, it does highlight a potential problem for members of regions or countries (such as members of a Bordeaux wine region), which may be engage in behavior that undermines the value of the COO or ROO brand, and as such affects their own long term potential. This suggests that a further contextual variable for operationalising COO relates to the issue of property rights.

CONCLUSIONS

The findings would imply a contingency model of COO (8). They would also suggest that the use of COO needs to be placed within a dynamic framework that views the use of COO from an evolutionary perspective (16). It was mentioned that the use of COO is contingent upon the COO-product category history. Managers, therefore, should assess carefully the history of category association before they embark on using COO to raise consumer and trade awareness of their products. If a country has a negative COO-product category history it may be detrimental to use COO in a brand program. Even when a country has a positive COO-product category history the use of COO may make it difficult for small-scale producers to develop consistent supplies of seasonal products. Managers should also be thinking about COO programs long term. For example, most agribusinesses have moved away from narrow COO-based strategies and are now supporting their COO brands with market-based relationships. This is similar to what most companies do when their products reach the maturity phase, and means that COO has less importance when consumers become more familiar with the products.

This research focused on organisations that used COO at a business-to-business as well as a business-consumer level. As such, it helps fill a gap in the COO literature, where the role of COO at a business-to-business level remains relatively unexplored (29). This research concurs with these authors' views that COO is a complex construct, and that its affect is neither universal nor uniform. COO did influence buyers, but in different ways. In some cases, positive imagery from New Zealand was used to enhance the buying experience, possibly alleviating the uncertainty associated with new products or new suppliers. In other cases, COO was used to enhance perceptions of quality and environmental integrity. This was used in markets where COO product category knowledge was high, and where issues such as environmental integrity carried legitimacy. Organisations moved away from COO when it lacked meaning or integrity for buyers (traditional German venison consumers), or when changes in the market meant that COO was no longer a sufficient vehicle for conveying the complexity of the marketing message (for example, the emergence of wine regions meant that COO no longer captured to depth of the industry).

It is outside the scope of this article to fully develop a formal contingency model for COO use. The complexity of the issue (partly identified here) means that future research is required. This will of necessity involve fieldwork in other industry contexts, as agricultural marketing has many unique features. We have, therefore, tried to isolate industry specific variables that affect on agriculture (such as producer marketing boards), and focus on more generic issues. However, we have raised a number of wider macro marketing, and firm level variables that require further examination in the context of using COO as a brand.

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Appendix 1. Characteristics of the different agribusinesses

Merino New Zealand (Merino NZ)

Merino farmers petitioned the New Zealand Wool Board to form their own association, as they believed they could better represent their own needs. Merino NZ developed a carefully crafted branding program, 'Merino NZ', which they control. Fashion houses can use this brand under mutual agreement as part of their own branding programs. The brand is heavily based around COO and New Zealand imagery, and Merino NZ works closely with buyers to maintain the positioning.

Sealord

Sealord Fisheries sells a large range of branded and unbranded fish. It operates in global markets where its brands are positioned at all price points. Sealord sources globally to smooth out shortages in supply due to licensing constraints and seasonal factors. As such it relies on the 'Sealord' brand to position its branded products. However, due to a worldwide problem of over-fishing, Sealord work closely with the New Zealand government to manage fish stocks and, in doing so, use COO for their New Zealand-sourced products and in their generic promotion as part of a responsible fishing scheme.

The New Zealand Dairy Board (NZDB)

The NZDB is responsible for selling and branding most of New Zealand's dairy produce. The NZDB can source globally, and has developed a number of successful brand programs that use COO depending on the context. As a result of their success, the NZDB has been asked to manage a number of dairy-related categories by large retailers, and, as such, use a number of brand awareness programs and relational programs to underpin their brands.

The New Zealand Game Industry Board (NZGIB)

Venison from New Zealand was initially sold on the basis of price with Germany being the key market. The failure of one COO brand in Germany led the NZGIB to seek new markets. The NZGIB launched another brand program, 'Cervena', which was targeted at the restaurant trade in the US. However, while the Board believe in promoting their product as New Zealand COO, there is nothing about New Zealand that affects the products' intrinsic quality. Deer can be processed into many different products, and demand in one market can affect the availability of Cervena-labelled meat, leading to fluctuating supply and prices. NZGIB want a global brand but have no control over supply.

The Wine Institute of New Zealand (WINZ)

Without a history of wine exports, or a quality wine production, the New Zealand industry faced a challenging task to develop brand awareness. With increased quality, the industry had the product, but the industry's small size meant that it lacked the resources to develop mass awareness programs. The WINZ undertakes generic country-based promotion to raise awareness of New Zealand wine in key markets. However, consumers now want more detail about each separate producing region and brand.

Zespri International (Zespri)

In response to failing prices the industry implemented a strong consumer-oriented marketing program, re-branding the kiwifruit 'Zespri' and working closely with a former government research agency 'HortResearch' to develop new fruit varieties. The brand strategy has again been tied strongly to COO, which means that Zespri have limited their ability to develop a global brand, as well as to own a category in stores. HortResearch, which needs to gain private sources of funding, have now licensed the rights to the new kiwifruit varieties to overseas competitors thus removing Zespri's point of differentiation.

Appendix 2. Data sources

Organization	Number of interviews	Interviewees	Secondary information
<u>Merino NZ</u>	2	<ul style="list-style-type: none"> Chairman Marketing manager 	<ul style="list-style-type: none"> Historical case studies of the wool industry. McKinsey and Company industry review. Company documents Newspaper articles Business periodicals and reports
<u>Sealord</u>	1	<ul style="list-style-type: none"> International marketing manager 	<ul style="list-style-type: none"> Television documentary on Sealord Company information Newspapers articles Business press articles
<u>NZDB</u>	2	<ul style="list-style-type: none"> International marketing manager 	<ul style="list-style-type: none"> Historical case studies on the dairy industry. McKinsey and Company industry review Newspaper articles Trade and general business press Annual reports
<u>NZGIB</u>	6	<ul style="list-style-type: none"> Concept designer Company owner of Venison and Cervena franchisee Current Chairman and Marketing manager Two former chairmen 	<ul style="list-style-type: none"> Historical case studies of the deer industry Company documents Newspaper articles Business periodical and reports Web site information
<u>WINZ</u>	30	<ul style="list-style-type: none"> Four members of the WINZ board 26 winery owners 	<ul style="list-style-type: none"> Industry reports Company documents Newspaper articles Business periodicals and reports Web site information
<u>Zespri</u>	5	<ul style="list-style-type: none"> Manager for Turners and Growers¹ Marketing manager for Australasia Market analyst Brand manager Business development manager 	<ul style="list-style-type: none"> Historical case studies of the kiwifruit industry Case study of the Horticulture and Food Research Institute of New Zealand Study of kiwifruit consumers Company documents and marketing material Business periodicals and reports

Appendix 3. Programs of each agribusiness

Case	Merino NZ	Sealord	NZDB	NZGIB	WINZ	Zespri
<u>Brand programs</u>	<ul style="list-style-type: none"> • COO • Co-brand with selected customers • Push and pull. 	<ul style="list-style-type: none"> • Global • Source globally • Push and pull 	<ul style="list-style-type: none"> • Global • Source globally • Push and pull 	<ul style="list-style-type: none"> • COO • Appellation • Push and pull 	<ul style="list-style-type: none"> • COO • Appellation • Push and pull 	<ul style="list-style-type: none"> • Global aim with COO base • Pull.
<u>Programs</u>	<ul style="list-style-type: none"> • Develop generic ingredient brand • Manage promotional material • Facilitate contracts between buyers and sellers • Research • Lobbying • Quality programs • Develop co-brands between Merino NZ and buyers • Develop customised marketing material for client 	<ul style="list-style-type: none"> • Brand marketing programs • Research • Export programs • Source globally • Manage fish stocks 	<ul style="list-style-type: none"> • Develop NZ brands for FMCG • Develop commodity brands • Lobbying • Research • Manage categories of dairy products at retail level • Source products from overseas • Set up overseas representation 	<ul style="list-style-type: none"> • Quality programs • Lobbying • Manage a variety of generic branding programs • Assist with marketing funding for industry members • Facilitate relationships between buyers and sellers • Research 	<ul style="list-style-type: none"> • Lobbying • Maintain offices in key export markets • Develop generic marketing programs • Assist exporters • Research • Monitor compliance with health and label integrity programs 	<ul style="list-style-type: none"> • Zespri branding program • Research and development partnership with HortResearch • Lobbying

Appendix 4. Successes achieved by each agribusiness

Case	Merino NZ	Sealord	NZDB	NZGIB	WINZ	Zespri
<u>Success</u>	<ul style="list-style-type: none"> Increased value and quality of wool clip Leading ingredient brand with high-end European fashion houses 	<ul style="list-style-type: none"> Established brands at consumer and retail level Manages fish stocks in a sustainable way ROI above market average Price has risen as volume has increased 	<ul style="list-style-type: none"> Maintains 15 per cent ROA Has a number of leading fast moving consumer goods and commodity brands Established market player, and invested abroad successfully Success has lead to increased demands for category management from retailers 	<ul style="list-style-type: none"> Have increased volume and value of exports Have developed strong trade and consumer brands and established new export markets 	<ul style="list-style-type: none"> High degree of industry satisfaction with institute Highest per litre return for wine in the world Established 'New Zealand category' in the UK and moving to do it in the USA and Australia 	<ul style="list-style-type: none"> Short-term returns to growers have been increased but brand equity among consumers remains low

Appendix 5. Challenges encountered by each agribusiness

Case	Merino NZ	Sealord	NZDB	NZGIB	WINZ	Zespri
<u>Challenges</u>	<ul style="list-style-type: none"> • Political uncertainty • Reduced funding • Need to take all Merino wool regardless of quality • Competition with man made fires • Managing conflicting desires of farmers and supply chain members • Retaining positioning • Farmers cannot capture value of brand 	<ul style="list-style-type: none"> • Falling fish stocks worldwide • Need for new products • Small size relative to competitors and retailers 	<ul style="list-style-type: none"> • Must take all milk available • Political uncertainty. Industry tied to one strategy • Competition from private companies • Still commodity price based • Distance to markets and product complexity inhibits new product development • Threat of de-listing if brands not number one or two • Farmers cannot capture value of brands 	<ul style="list-style-type: none"> • Intra-industry politics • Decreased funding • Failure to develop programs for all products, not just venison • Prices highly reliant on Korean economy • Has increased demand, but cannot control supply, leading to price fluctuations and dissatisfaction • Increased competition • Inability to source globally leads to supply problems • Strong distributors in key venison market • No way for industry to capture value of brands 	<ul style="list-style-type: none"> • Highly taxed and regulated industry • Increased competition • Refusal of government to enforce integrity programs • EU regulations to market entry • Need to build on original strategy • Need for new markets • Less funding relative to competitors • Intra-industry politics 	<ul style="list-style-type: none"> • Must find market for all grades of fruit • Programs have raised profile of all kiwifruits • Focus on increasing returns to growers leads to wild price fluctuations, causing buyer dissatisfaction • ROO focus leads to supply shortages • HortResearch owns new product brands, has licensed them to competitors • Political uncertainty • Consumers not prepared to pay price differential for Zespri fruit • No way for growers to capture value of brand

