

Chapter 4

Fruitful Market Mediation: Challenges in Implementing Coopetition

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EXECUTIVE SUMMARY

Working in the primary sector, FruitCom is a grouping of exporters who banded together in order to break into and develop new markets. While they aim at cooperating and coordinating their activities to support actions within these new markets, the firms involved still compete in other, more established, export markets. This “coopetitive” relationship allows the group many benefits related to their ability to source material and ensure a more consistent supply, but opens them up to challenges, such as dealing with opportunistic behaviour by other members. This case outlines the background of the firms and introduces the most recent significant challenge they face. The implications of their structure are discussed with emphasis on supply, risk pooling, information sharing, and revenue- and cost-sharing. The successes gained by the group are not without sacrifice; the challenges of their operations are discussed with stress on the most recent and perhaps the most significant challenge yet.

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ORGANIZATION BACKGROUND

New Zealand is a small, isolated, island nation. It was once referred to as “Britain’s farm” due to the role undertaken by the colony during and after World War II, whereby the good farm land provided ample opportunity for the provision of food. The food was exported to support the British economy. Even now, in the 21st century, agriculture and primary production play an important role in the economy of New Zealand as the domestic economy is not capable of providing consumption for all food output. Generally, the economy is dominated by small- and medium-sized enterprises (SMEs). These firms are generally perceived as having very few resources to enable them to pursue opportunities to internationalize successfully.

There are a range of different agricultural products grown, harvested and exported. The fruits discussed in this case have been grown in New Zealand for many decades, but has only been grown in commercial volumes since the late 1970s, with large-scale planting. There are several main varieties of the fruit. Only some are grown at a commercial level. After the trees have been planted, it takes a period of five to eight years before adequate quantities of fruit are grown for commercial use. This span depends on the climate; in other areas of the world, it may be shorter.

New Zealand and Australia share a common political heritage and have grown close. One of the arrangements made between them is the Closer Economic Relations (CER) agreement, effectively aligning many political institutions and laws. For all intents and purposes, the Australian market is accepted as being an extension of the domestic market. Australian firms also produce the same fruit. The growing seasons there are slightly different from those of New Zealand, with little overlap between the two seasons. Despite this, when the at the end of the growing season in Australian, there is still the opportunity for New Zealand firms to export the fruit so that it can be fed into the Australian supermarket season. The consumers in Australia gain through having a source of supply that extends over a longer season.

Another major market targeted by New Zealand is the USA, where there is a large demand for the fruit. The US domestic market is well-served by their domestic growing operations. The total production is so large that the entire crop of New Zealand is only equivalent to one-fiftieth of the American output. Several exporters of New Zealand had to struggle to arrange supply contracts with American importers due to the small size of the firms and low capability of supply.

Even in the off-season, there is an increasing trend for the fruit to be in demand among the consumers. Local supermarkets attempt at meeting this demand through importing their fruit from regions where it is still in season. For a country in the northern hemisphere, such as the USA or a European country, this means that they would seek supply from a country in the southern hemisphere, such as New Zealand. As a result, New Zealand finds itself in competition with other countries in

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