Copyright Statement

The digital copy of this thesis is protected by the Copyright Act 1994 (New Zealand).

This thesis may be consulted by you, provided you comply with the provisions of the Act and the following conditions of use:

- you will use the copy only for the purposes of research or private study
- you will recognise the author's right to be identified as the author of the thesis and due acknowledgement will be made to the author where appropriate
- you will obtain the author's permission before publishing any material from the thesis.
Niche Agribusiness Supply Chains and the Channel Coordinator’s Role in their Creation and Management

A thesis
Submitted in partial fulfilment
Of the requirements of the Degree of
Masters of Commerce

at

Lincoln University

by

Alastair Patterson

Lincoln University
2005
Abstract of a dissertation submitted in partial fulfilment of the requirements for the Degree of Masters of Commerce

Niche Agribusiness Supply Chains and the Channel Coordinator’s Role in their Creation and Management

Alastair Patterson

The aim of this research is to understand how niche chains in the New Zealand meat industry structure themselves, why they implement particular structures, and what the role of the channel coordinator is in these chain structures. This research is of value as New Zealand’s meat industry accounts for a large percentage of the country’s economy, and to date, there has been very little research analysing the role of channel coordinators and supply chain structure in this area. Four specific research questions are investigated. Firstly, what co-ordination structures are used by niche agribusiness chains in the New Zealand meat industry? Then, what is the role of the channel co-ordinator in niche agribusiness chain structures in the New Zealand meat industry? Finally, what strategies does the channel co-ordinator employ with respect to the co-ordination of niche agribusiness chains in the New Zealand meat industry; and what factors influence the strategies that the channel co-ordinator employs with respect of the management of niche agribusiness chains, and hence their structures?

A literature review was conducted and from this a model and associated propositions were developed. This model was then operationalised using the case study methodology. Five case studies were constructed, each based on an in-depth interview with the channel coordinator of a supply chain that fitted the profile of supply chains that are the focus of this research.

This research found that the supply chain structures of all five case studies are different. This was surprising, given that they shared a number of similarities, such as their marketing of a branded, consistently high quality meat product. It was concluded that these differing supply chain structures resulted from differences in the vision, motivation and strategy of the channel coordinator, which in turn were influenced by the environment (that is, factors external to the supply chain, such as the target market) and resource issues (that is, the resources used to create a product offering, such as a meat processing plant). The environment was found to be the main influence on the channel coordinator’s vision and motivation, while resource issues were found to have a strong influence on the strategy chosen by the channel coordinator, and hence, on the supply chain structure. This is because resource issues determine what resources the channel coordinator requires, and whether he can vertically integrate those resources or will have to partner with another organisation to gain access to the function that they perform. The key to the structure of a supply chain is the role played by the channel coordinator, as he is the actor that brings all of these influencing factors together.

The channel coordinator manages his supply chain in order to ensure that he creates the product attributes required by his target market and that these product attributes

1 Throughout this research, individuals in control of organisations are referred to as ‘he’, regardless of gender and number of people involved
reach the targeted market niche intact. To achieve this, the channel coordinator ensures that all the actors involved in the supply chain work in concert to consistently produce the product envisioned by the channel coordinator. The channel coordinator implements strategies to achieve this, usually relying on incentives to motivate the other actors.

The results showed that the supply chain structure is critical to the successful implementation of the channel coordinator’s management of these niche agribusiness supply chains. Of particular note is the fact that functions that the channel coordinator considers critical and/or a source of competitive advantage are internalised or, when this isn’t possible, monitored as closely as possible, given his resource limitations, and if necessary, controlled through the utilisation of incentives.

Key Words: Niche agribusiness chains, channel coordinator, supply chain management, New Zealand meat industry.
Acknowledgements

This research has required countless hours and could never have reached completion in isolation. There are a large number of people that have helped over the last two years to make it all come together and ensure that I remained motivated and continued to work at it.

First, and most critically, my Supervisors Sandra and Diane. You have both been fantastic to work with. You develop a synergy together that is far greater than the sum of its parts. Distance never inhibited your ability to help guide my thinking and always leave me feeling more enthusiastic and excited about this research, regardless of what I was working on at the time. Also Altair, who completed research in a similar area just as I began my own research – your advice and limitless sharing of information has been vital to this research and shaping my own ideas.

To the interviewees, I thank all five of you for taking time out of your busy schedules to talk to me. I am very appreciative to all of you for being so open to someone who you’ve never met, and who you gain no benefit from, when you have a business that requires your constant attention. I learnt so much from each of you that can never be replicated on paper.

I am particularly indebted to my parents for instilling in me the importance of working hard and constantly striving towards my goals. My Father, who told me when I was much younger that education is the only thing that can’t be taken from you, and constantly emphasised its importance for success in life. My mother, who always knew how to motivate me, even from a great distance, if she got the impression that I wasn’t working as hard as I could be. I hope that I don’t forget the many lessons you have both taught me as I have grown over the years. I could not have spent so long pursuing academic goals without your generous support. And my brother, who always took an interest in my research, and who knows the value of maximising the effort individuals should always invest in their endeavours.

Also of great help was my boss, David Rosenbloom, who gave a young graduate student a chance. I am forever appreciative of the drill camp to improve my writing style and analysis skills, which I have in turn applied to this research. Also, without your ready flexibility in allowing time off to pursue this research when needed it would have become unnecessarily challenging.

Finally, thank you to all of my friends who have remained interested and supportive throughout this process, particularly those of you who have managed to read this far after promising to skim read my completed thesis. The number of you that told me to ‘keep my eye on the prize’ during the final couple of weeks before submission, when I was grumpier than usual, meant a lot to me. And to those who couldn’t understand why I kept heading back to University every year rather than ‘enter the real world’ (and still continue with it even after I did begin my career), I hope that I can now better explain to you the value of this research and why it has always been more deserving of my attention than many of the other activities I could partake in.
# Table of Contents

1. **INTRODUCTION** .................................................................................................. 8

2. **LITERATURE REVIEW** ....................................................................................... 12
   - 2.1 INTRODUCTION ............................................................................................. 12
   - 2.2 ACTORS SPECIFIC TO NICHE AGRIBUSINESS CHAINS ................................ 13
   - 2.3 ORGANIZATION STRUCTURES ..................................................................... 20
   - 2.4 CHANNEL COORDINATOR ............................................................................ 36
   - 2.5 STRATEGIES USED BY A CHANNEL COORDINATOR .................................... 43
   - 2.6 ACTORS THAT INFLUENCE THE CHANNEL COORDINATOR’S STRATEGY .... 48
   - 2.7 CONCLUSION ................................................................................................. 72

3. **FRAMEWORK** ................................................................................................... 74
   - 3.1 INTRODUCTION ............................................................................................. 74
   - 3.2 THE MODEL .................................................................................................. 74
   - 3.3 THE CHANNEL COORDINATOR’S VISION AND MOTIVATION ......................... 78
   - 3.4 THE CHANNEL COORDINATOR’S STRATEGY ................................................. 81
   - 3.5 ENVIRONMENT ............................................................................................ 82
   - 3.6 RESOURCES ................................................................................................. 85
   - 3.7 STRUCTURE OF THE CHAIN ......................................................................... 87
   - 3.8 CONCLUSION ................................................................................................. 89

4. **METHODOLOGY** ............................................................................................... 91
   - 4.1 INTRODUCTION ............................................................................................. 91
   - 4.2 SELECTION OF RESEARCH METHOD ........................................................ 91
   - 4.3 THE CASE STUDY RESEARCH PROCESS .................................................... 94
   - 4.4 RESEARCH DESIGN AND RESEARCH PROTOCOL ....................................... 97
   - 4.5 CASE STUDY SITES ..................................................................................... 102
   - 4.6 DATA ANALYSIS ......................................................................................... 103
   - 4.7 RESEARCH CHALLENGES ............................................................................ 106
   - 4.8 CONCLUSION ............................................................................................... 106

5. **RESULTS** ........................................................................................................ 108
   - 5.1 INTRODUCTION ........................................................................................... 108
   - 5.2 CASE STUDY 1 ............................................................................................ 108
   - 5.3 CASE STUDY 2 ............................................................................................ 116
   - 5.4 CASE STUDY 3 ............................................................................................ 124
   - 5.5 CASE STUDY 4 ............................................................................................ 131
   - 5.6 CASE STUDY 5 ............................................................................................ 138
   - 5.7 CONCLUSION ............................................................................................... 143

6. **ANALYSIS** ....................................................................................................... 144
   - 6.1 INTRODUCTION ........................................................................................... 144
   - 6.2 INSIGHTS THAT EMERGED FROM THE CROSS-CASE ANALYSIS ............... 144
   - 6.3 ORGANIZATION STRUCTURES UTILIZED ................................................. 159
   - 6.4 GENERAL PRINCIPLES THAT EMERGED FROM THE ANALYSIS .............. 161
   - 6.5 THE RESULTING SUPPLY CHAIN STRUCTURES ......................................... 170
   - 6.6 CONCLUSION .............................................................................................. 172

7. **DISCUSSION AND CONCLUSION** .................................................................. 173
### List of Figures

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Figure 1</td>
<td>Relationship Continuum</td>
<td>22</td>
</tr>
<tr>
<td>Figure 2</td>
<td>Levels of Relationships</td>
<td>24</td>
</tr>
<tr>
<td>Figure 3</td>
<td>Supply Chain 2000 Framework</td>
<td>28</td>
</tr>
<tr>
<td>Figure 4</td>
<td>The Relationship between Transaction Type and Governance Structure</td>
<td>65</td>
</tr>
<tr>
<td>Figure 5</td>
<td>Framework Model based on the Literature</td>
<td>74</td>
</tr>
<tr>
<td>Figure 6</td>
<td>Supply Chain Structure of Case Study 1</td>
<td>110</td>
</tr>
<tr>
<td>Figure 7</td>
<td>Supply Chain Structure of Case Study 2</td>
<td>118</td>
</tr>
<tr>
<td>Figure 8</td>
<td>Supply Chain Structure of Case Study 3</td>
<td>126</td>
</tr>
<tr>
<td>Figure 9</td>
<td>Supply Chain Structure of Case Study 4</td>
<td>132</td>
</tr>
<tr>
<td>Figure 10</td>
<td>Supply Chain Structure of Case Study 5</td>
<td>139</td>
</tr>
</tbody>
</table>
1. Introduction

1.1 Rationale

Many small, or niche, organisations in New Zealand begin with an entrepreneur identifying a market niche that he feels he can serve more effectively than existing businesses. These entrepreneurs are attracted to focusing on a specific niche, as they will often lack the resources necessary to compete in the generic market against large, established companies. This is particularly apparent in international markets where New Zealand businesses are generally considered too small to compete. By focusing on a specific market niche an organisation is able to tailor its product offering to the demands of this market, making it far more attractive than a generic offering.

Therefore, it is important to develop an understanding of how businesses organise themselves to meet the needs of niche markets.

In organising themselves to target a market niche, businesses will attempt to minimise factors that create disadvantages, while maximising those with potential benefits. Some factors are common to the niche organisations that target these niche target markets. Barringer (1997) outlines several advantages and disadvantages of niche organisations, stating that “The advantages include: entrepreneurial drive, innovation, motivated labour force due to lack of bureaucracy and specialisation, flexibility, proximity of management to customers, and proximity of management to the shop floor. The potential disadvantages include: scarce resources, high costs due to diseconomies of small scale, limited scope, and limited experience in many areas,” (p66). Awareness of these factors may enhance our understanding of the reasons why niche organisations organise themselves the way they do.

A suitable New Zealand context for this study is the country’s meat industry. There are several reasons for this. As New Zealand’s meat industry is one of the country’s largest pastoral industries its success is important to its economy. Therefore, it is worthy of study. Also, there have been a lot of structural changes in the meat industry, and agricultural industries in general, in recent years. In addition, New Zealand’s meat industry is considered dynamic, with players entering and exiting the

---

2 Throughout this research, individuals in control of organisations are referred to as ‘he’, regardless of gender and number of people involved
industry on a fairly regular basis. Therefore, businesses operating in niche markets in these industries will have been exposed to additional pressures associated with this volatile environment. They will probably all seek sustainable profitability using different methods, which could conceivably create variance in the supply chain structures that are implemented.

However, these supply chains also have many influencing factors in common. These include factors such as the long investment cycles, production uncertainty, the perishability and food safety issues of meat, farmer and international trade politics and the large distance to international markets (Woodford, 2002; Ziggers & Trienekens, 1999). These common factors could conceivably force some conformance in supply chain structures in this industry.

Further to this, there is a trend of industrialisation in the meat industry and other food industries, leading to greater vertical coordination of supply chains (Sonka, 1995). This often reflects a move away from commodity markets, towards production for “…specialised and relatively low-volume end-use food markets…the trend favours production for niche markets where a commodity is produced for a particular end-use prior to harvesting or sale,” (Sporleder, 1992, p1226).

While many academics support the concept that supply chains should become more coordinated to drive success, but this may not hold true in all cases. For example, de Moura (2002) showed that New Zealand domestic meat chains do not necessarily need tightly coordinated structures in order to meet the tight product specifications demanded by their markets. His study included a niche supply chain, which exhibited a structure markedly different to the structures of supply chains catering to the mass domestic market. However, it is not clear whether all niche chains would exhibit a similar structure.

Therefore, it is important to determine if there is a particular supply chain structure that niche organisations implement and whether this structure is highly coordinated. If it is possible to uncover how niche chains are actually structured it will be possible to test the validity of the argument that niche supply chains need to be tightly coordinated to be successful.
In order to successfully coordinate a supply chain the role of the channel coordinator is clearly very important. In the case of niche chains, some (or all) of the organisations within these supply chains will be working in concert to target a specific market niche. The need to develop a consistent product offering tailored to the demands of this market niche creates the need for centralised management of the supply chain, a role which would be undertaken by the channel coordinator.

Yet, despite the importance of the channel coordinator, there exists very little work on this role. The channel coordinator is often mentioned in passing in the literature on supply chains and the concept is well known; yet it is difficult to find research that specifically focuses on the channel coordinator and his role. The importance of the channel coordinator is outlined by Lambert & Cooper (2000), who state that “The successful integration and management of key business processes across members of the supply chain will determine the ultimate success of the single enterprise,” (p81).

Therefore, there is a need of research that creates a better understanding of the structure of niche supply chains in the New Zealand meat industry, and the role of the channel coordinator in creating and maintaining these structures.

1.2 Research Aim
The aim of this research is to understand how niche chains in the New Zealand meat industry structure themselves, why they implement particular structures, and what the role of the channel coordinator is in these chain structures.

1.3 Research Questions
Specific research questions have been formulated address the research aim. These research questions are divided into two parts. Part A identifies how niche chains in the New Zealand meat industry are structured, while Part B focuses on the reasons why a particular structure or structures are used by these niche chains and the role of the channel coordinator in these chain structures.
Part A.
What co-ordination structures are used by niche agribusiness chains in the New Zealand meat industry?

Part B.
What is the role of the channel co-ordinator in niche agribusiness chain structures in the New Zealand meat industry?

1. What strategies does the channel co-ordinator employ with respect to the co-ordination of niche agribusiness chains in the New Zealand meat industry?
2. What factors influence the strategies that the channel co-ordinator employs with respect of the management of niche agribusiness chains, and hence their structures?

1.4 Structure of the Thesis
Chapter 2 of this thesis is the literature review. In this chapter, literature on a range of topics that could help cast light on the research questions is reviewed. It is divided into five sections: factors specific to niche agribusiness chains, coordination structures, the channel coordinator, strategies used by a channel coordinator and factors that influence the channel coordinator’s strategy. In Chapter 3, this literature review is used to develop a framework to guide the empirical research. A model is proposed in order to develop a better understanding of the factors that need to be taken into account when answering the research questions. Following this, the methodology that was implemented for data collection and analysis is discussed in Chapter 4 and it is concluded that a case study methodology is appropriate for this research. In Chapter 5, the results from the case studies are briefly described in summary form. The complete case studies are in Appendix B. The analysis of the case studies is presented in Chapter 6. The case studies are compared and contrasted in order to answer the research questions. In Chapter 7, the discussion and conclusion, the research is discussed in the context of the literature, the research findings are summarised, and limitations and contributions of the research noted.
2. Literature Review

2.1 Introduction
The literature review is designed to develop a theory based around the research questions. It begins by building an understanding of what defines a niche agribusiness chain. This is important, as it defines and discusses the target population that the sample will be drawn from and the specific factors that may have an influence on the findings of this research. The next section discusses the coordination structures that make up a supply chain, as well as the management of supply chains. Section 2.4 develops an understanding of what a channel coordinator is, his role in the supply chain, his importance to a supply chain and how he is decided for this role. The next section briefly discusses some of the strategies that may be utilised by the channel coordinator of a supply chain targeting a specific market niche. The final section discusses what factors may influence the strategies implemented by a channel coordinator. This includes factors in his environment, as well as factors either internal to his organisation or internal to the supply chain. The discussion in each section contributes to part of the purpose of the research. By combining these sections it is hoped that a theory can be developed around the research questions.
2.2 Factors Specific to Niche Agribusiness Chains

2.2.1 Introduction

Section 2.2 discusses the factors specific to niche chains marketing an agribusiness product. It develops the components of what defines a niche agribusiness chain separately and then combines them at the end in order to progress the discussion in a logical order. A definition of a niche chain is developed first, followed by a discussion of the advantages and disadvantages of niche chains. This is followed by a discussion on the characteristics of agribusiness supply chains, and finishes with discussion focused specifically on niche agribusiness supply chains. Section 2.2 is important to this research as it defines and discusses the target population that the sample will be drawn from and the specific factors that will have an influence on the findings of this research. To begin the process, we need to develop an understanding of what a niche chain is.

2.2.2 Niche Chains

Although there is a common understanding of what a ‘niche market’ is, when it comes to creating an accurate definition of what it and a ‘niche firm’ are, several complexities need to be overcome. Once a definition of a niche market and firm are decided on we can apply these definitions to creating a definition of a ‘niche chain’. Unfortunately there was little previous literature on this area, so the definitions developed here will only apply to this research.

A niche market is generally a small segment of a much larger market. It is differentiated from the main market due to its demand for a different bundle of product attributes. Niche markets are generally ignored by large organisations that instead concentrate on scale of economies by efficiently producing a generic product that appeals to as large a share of the main market as possible. This gives organisations that cannot compete directly against the large organisations an opportunity to better serve these niche markets by specifically targeting their demands.
Organisations that concentrate on niche markets are generally much smaller than their generic counterparts and can be referred to as niche firms. Their limited resources stop them from competing directly against these organisations by making the same product, as the larger organisations have better economies of scale and the only differentiating factor would be price. These niche firms survive by concentrating on serving specific market niches. Over time their knowledge about a niche is built up, so that these niche firms create a product offering that is the best combination of product attributes and price for the niche.

To ensure that the required product attributes reach the niche market intact a niche supply chain may be created. The niche firm that is targeting the niche market will generally set up and coordinate the niche chain to ensure that this is achieved, based on a vision for the target market and the supply chain. This can occur regardless of the position that the niche firm occupies in the chain. Niche firms can also target more than one market niche. They may use the same chain to achieve this, or set up other chains. Although this specific targeting is advantageous for niche chains, they face several challenges as well.

There is a mix of both advantages and disadvantages that small, or niche, firms face in the market place. Several of these factors are outlined by Barringer (1997) who states, “The advantages include: entrepreneurial drive, innovation, motivated labour force due to lack of bureaucracy and specialisation, flexibility, proximity of management to customers, and proximity of management to the shop floor. The potential disadvantages include: scarce resources, high costs due to diseconomies of small scale, limited scope, and limited experience in many areas,” (p66).

Niche chains can also have an advantage over their much larger rivals in the form of consumer perceptions. Not only can niche chains better target specific consumer preferences with regard to values, perceptions, and taste, but have the added advantage that consumers often perceive custom-produced product to be of a much higher quality than their mass-produced competition (McDonagh & Commins, 1999).

One of the main methods that small firms may utilise to overcome the obstacles resulting from their small size is the formation of networks. Networks are defined by
Donckels & Lambrecht (1997) as “…involving organised systems of relationships between entrepreneurs and the outside world,” (p13). Some of the advantages for firms belonging to such networks are outlined by BarNir & Smith (2002) as “…cost sharing, technology transfer, and sharing of information…improved ability to outmatch a stronger competitor, easier entry into new markets, and access to resources,” (p220).

Another advantage of these long-term relationships for small firms is the ability to share the burdens and benefits with their trading partner(s). If this partner is a much larger firm, then the smaller organisation is able to benefit from sharing its risk with the more ‘financially sound’ large firm (Barringer, 1997). In other words, if problems occur, the resources of the larger organisation can be utilised, saving the smaller organisation the hardship it would have faced alone.

Although the obvious benefits of establishing long-term relationships with one organisation have been repeatedly outlined, there are risks for small firms. In particular, establishing a long-term relation with one firm will forgo the opportunity of establishing a similar relationship with another firm at a later date, which can be particularly detrimental to innovative small firms that constantly change and adapt to their markets and new technology (Barringer, 1997). They lose their agility, which is an advantage of being a small organisation.

Developing an understanding of niche chains is critical to this research as it partly defines the population that the sample will be drawn from. Now that niche chains have been defined it is important to understand what agribusiness chains are and, in particular, those that are part of the meat industry and targeting a specific market niche.

2.2.3 A gribusiness Chains

This section helps to define agribusiness chains and, in particular, those involved in the meat industry. It goes on to combine this with the definitions developed in the previous section in order to create an understanding of niche agribusiness chains. This is important, as a strong definition of what constitutes a supply chain that is part
of the target population of this research is required to ensure the validity of the sample during data collection.

2.2.3.1 Meat Industry Characteristics
Agribusiness industries are made up of several characteristics that make them unique (Woodford, 2002; Ziggers & Trienekens, 1999):

1. Long investment cycles
2. Production uncertainty
3. Many small scale producers of commodity products
4. Unique issues of quality management associated with perishability and food safety leading to increased consumer attention
5. Substantial trade barriers associated with the politics of food and politics of farming.

A long investment cycle refers to the producer level of the supply chain – the farmer. The time frame between a farmer investing in infrastructure for a market (for example, livestock) and receiving an income from this investment is long, due to biological constraints. For example, in the case of lambs, lambing percentages, growth rates of the lambs, and so on can’t be sped up like the equivalent in a manufacturing process. This increases risk at the producer level due not only to the ability of consumer demand to rapidly change during this period, but also the supply from other farmers changing during the same period. Woodford (2002) concludes that business strategies at this level need to have a long-term focus.

Along with long investment cycles, agribusiness industries also face high production uncertainty. This is also due to the biological nature of the product: “…the level of production is influenced by climate, pests and diseases,” (Woodford, 2002, p3). All of these factors are outside the control of organisations in the agribusiness industry.

The third characteristic, ‘many small scale producers of commodity products,’ refers to the fact that small, family based firms producing undifferentiated products dominate the producer level of agribusiness industries. According to Hobbs (1996a), in the case of agribusiness industries this also leads to a small numbers bargaining
problem as there are a large number of producer firms (farmers) supplying a small number of processors.

Agribusiness industries also face unique issues in regard to quality management (Woodford, 2002). In the case of the meat industry, the biggest factor is perishability (Hobbs & Young, 2000; Ouden et al., 1996; Woodford, 2002). Enhanced vertical coordination between organisations becomes paramount as goods cannot be stored for excessive lengths of time, otherwise they will deteriorate. The vertical relationships in the meat industry can therefore be described as having reciprocal dependency (Sporleder, 1992). In other words, reliance flows both ways in relationships, making organisations dependent on each other.

Perishability, or the ability of the quality of the product to deteriorate, adds to the complexity and cost of relationships along a supply chain (Hobbs & Young, 2000). This is of high risk in the meat industry as the quality of the product can affect the health of the final consumer – meat that has deteriorated to a certain point, was diseased before killing or has been contaminated can lead to sickness or even death. Ouden et al (1996) state that the industry is coming under pressure with increasing levels of consumer and government attention being paid to food products and their methods of production.

The final factor outlined is the substantial trade barriers that exist in the international trade of food products. According to Woodford, the average tariff barrier for manufactured goods is low at 4 percent when compared to the average of 35 percent for agribusiness products (Woodford, 2002). As countries agree to reduce these tariffs they may implement other measures that will further restrict trade. Opara and Mazaud (2001) argue that this is one of the challenges facing the successful implementation of traceability systems – products from foreign countries can face ‘hidden’ trade barriers in the form of consumer bias against these products.

The agribusiness sector in general is currently undergoing great structural change the world over. Sonka (1995) outlines these changes as they are occurring in the U.S. agribusiness industry, but they can be applied to the agribusiness industry of any developed country. He states that the agribusiness sector is going through a phase of
industrialisation. That is, there is an increasing concentration of farms along with increasing levels of vertical coordination along the supply chain through the use of contracts and integration.

Technology and precision agriculture are also changing the agribusiness sector as farms can be run more scientifically and communication is increased between actors in and between chains (Sonka, 1995). This has allowed many organisations in the meat industry to move from the traditional production of commodity products toward “…differentiated products and contractual or integrated and controlled-supply markets usually characterising manufacturing sectors of the economy,” (Sporleder, 1992, p1226).

All these factors are leading to increased levels of vertical coordination in the meat industry. Hobbs and Young (2000) agree, stating that “This is occurring to varying degrees in different industries, taking on a variety of forms, and involving a diversity of supply chain partners,” (p131). Some markets in agribusiness, such as poultry, moved to much closer levels of vertical coordination some time ago, while many others are only just heading this way now (Hobbs & Young, 2000).

An understanding of agribusiness chains, particularly those in the meat industry has now been developed. This is important as this partly defines the population that the sample for this research will be drawn from. In order to better understand the organisations that will be studied in this research the next stage is to look at the various attributes of niche agribusiness chains.

### 2.2.4 Niche Agribusiness Chains

Niche agribusiness chains are the target population that a sample will be drawn from for this research. This section draws the previous two sections together in order to define niche agribusiness chains. It is important that a strong definition of the target population is developed in order to ensure the validity of sample selection in this research.
As Agricultural markets around the world industrialise, many new niche chains are emerging to better serve more specific consumer segments. Consumer preferences and lifestyles are changing in most developed countries the world over, creating demand for niche products, each exhibiting specialised attributes that are different with regards to ‘quality, scarcity or novelty,’ (Kennedy et al., 1997; McDonagh & Commins, 1999).

Consumers have become more discerning in purchasing food that symbolises their lifestyles as well as being healthy. This is supported by rising disposable incomes and a greater awareness of different varieties of food available as people become increasingly adventurous and travel more. Speciality foods have developed a strong image that is developed and sold by ‘food writers’ who can create a story around the food and the people who create it (McDonagh & Commins, 1999).

The emergence of new technologies has made it possible for small organisations to be economically viable by customising food products to suit the demands of specific market niches (Barkema & Drabenstott, 1995). Biotechnology has made it possible to alter the characteristics of what were traditionally unchangeable commodity food products, while information technology allows the adequate tracking of these different varieties of product. Both of these factors combined with closer levels of vertical coordination now mean that food products can be customised to specific niches in the market (Kennedy et al., 1997).

2.2.5 Conclusion

Section 2.2 has developed an understanding of the factors specific to niche agribusiness chains. This is important to this research, as this is the population that the sample is drawn from. An understanding of these factors will ensure a consistent sampling process, as well as validate and enhance its analysis. Following this discussion, the next stage is to develop an understanding of coordination structures organisations may implement in order to interact with other organisations.
2.3 Coordination Structures

2.3.1 Introduction

Section 2.3 discusses the coordination structures used in supply chains. It is divided into four parts: relationship structures, supply chain management, supply chain structure and risk in the supply chain. An understanding of these concepts is important to this research as it relates directly to part of the purpose of this research – understanding what coordination structures are utilised by niche agribusiness chains. The process begins by looking at the smallest part of a supply chain structure, dyadic relationship structures, before expanding to the supply chain level.

2.3.2 Relationship Structures

Relationship structures refer to the structure of a relationship between two entities. It is important to develop an understanding of how two organisations interact together, before expanding the discussion to the supply chain level and the interaction of multiple organisations.

Relationship structures between the different levels of a supply chain can vary greatly. They can be mapped onto a continuum that extends from the spot market right through to vertical integration. Organisations aim to utilise the relationship structure that they perceive best suits their situation.

In many instances the spot market’s ‘invisible hand’ is the most efficient for coordinating exchanges between buyers and sellers. This involves the exchange of goods and money between buyer and seller, with usually the only information quantity and price. However, there are limitations to this method. Four main areas of uncertainty on the open market were identified by Hobbs and Young (2000), similar to those defined by Maughan & Wright (1993):

- Buyer uncertainty regarding product quality
- Buyer uncertainty over reliability of supply – timeliness and quantity
- Price uncertainty for both buyer and supplier
- Seller uncertainty in finding a buyer
These problems are amplified in many industries due to product attributes. An example of this in agricultural supply chains is the impact of natural biological variability and uncontrollable influences such as weather and individual farming practises. Sometimes the spot market isn’t able to provide the bundle of benefits demanded by a buyer, leading to market failure.

Market failure, for example, the inability of the spot market to provide quality assurance or the history of a product, motivates organisations to seek alternative forms of trading interaction with other organisations. At the other end of the relationship continuum from the spot market is vertical integration. The main advantage of vertical integration is the reduction of transaction costs and the risks associated with dealing with other organisations. By internalising processes at other levels of the chain, the organisation has greater control over those processes, free access to information relating to those processes, and gains the margin from performing the process itself (Ouden et al., 1996).

Despite all of these advantages many organisations are steering away from the traditional vertical integration path. The main reasons include high capital investment requirements, dulled incentives and bureaucracy in the organisation, reduced flexibility and the missed opportunities of dealing with specialist organisations in that area that can provide a greater depth of knowledge which can lead to increased efficiency and cost savings (Ouden et al., 1996).

The result is that many organisations are now using vertical coordination instead. Vertical coordination is attractive because there is the possibility of gaining all the advantages of vertical integration, without the high costs and risks (Ouden et al., 1996). By forming relationships organisations can share more information, allowing for the creation of a more customised bundle of benefits.

Vertical coordination, however, has risks of its own. Peterson and Wysocki (1998) explain this problem: “Coordination errors can exist either because (1) they are intentionally created through the opportunism and hold-up activities of those with market power, or (2) they are unintentionally created by the bounded rationality of
economic actors who produce too much or too little given the uncertainties of the marketplace,” (p5).

It is important that organisations select the most suitable relationship structure for each relationship they are involved in. The relationships between the organisations within a supply chain and between functions within individual organisations determine how successful a supply chain management strategy will be. However, creating strong relationships are expensive in terms of time and resources. A trade-off needs to be made between the increased efficiency of a closer relationship and the cost of time and money utilised to create and maintain that relationship. Organisations need to carefully assess what factors add value to the relationship and what level of coordination will be most appropriate and appreciated (Lambert et al., 1996; Spekman et al., 1997).

Based on the continuum in fig 1, as the relationship develops between the organisations, the use of authoritative and contractual control mechanisms decreases and there is a greater reliance on norms and attitudes (Weitz & Jap, 1995). In other words, as the relationship develops so to does the trust and commitment between the organisations, so using loose or no contracts allow for a more flexible and responsive relationship, and coercive power is used less to influence each other – the organisations begin to work together for a common good.

**Vertical Coordination Continuum**

<table>
<thead>
<tr>
<th>Spot market</th>
<th>Spec. Contract</th>
<th>Strategic alliance</th>
<th>Formal cooperate</th>
<th>Vertical integration</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Market based</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Self interest</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term relationship</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opportunism</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Limited information share</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Flexibility</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Independence</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Managed</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mutual interest</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term relationship</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shared benefits</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Open information sharing</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stability</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interdependence</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Peterson & Wysocki, 1998

**Figure 1- Relationship Continuum**
Instead of using power to influence each other, organisations use shared values, cooperation, adaptation, mutual information, and social, technological and economic exchange to work together. Trust and commitment are important in relationships as they enable organisations to be far more cooperative and help ensure the relationship’s success (Zineldin & Jonsson, 2000). Taken to the extreme, inter-firm agreements can be structured in such a way as to create a virtual organisation. In other words, the network of organisations could synchronise so well that they create the appearance of one organisation rather than a group of independently owned organisations, making the network a virtual organisation (Heide, 1994).

An outline of the differences between relationship structures is given in figure 1. As the relationship between two organisations grows closer, the point at which control over transactions occur changes. In the case of the spot market, there exists very little control between the organisations. The only control occurs ex ante – the decision of whether or not to buy before the decision is made. Because the weaker actor in the transaction can walk away, the other organisation has very little control in the spot market (Peterson & Wysocki, 1998).

The next step along the continuum, specification contracts, involves the use of legally enforceable and detailed conditions of exchange. Now the actors have the opportunity to exert more influence, especially before a transaction when the contract specifications are negotiated. There is now also some influence ex post with monitoring of the other organisation’s performance, and if necessary, enforcement to contract specifications. However, most of the control relates to negotiating the contract ex ante – ex post control just relates to enforcing these obligations (Peterson & Wysocki, 1998).

A strategic alliance develops the relationship further – the organisations now have mutually identified goals and objectives, share the risks and benefits from the exchange, and mutually control the decision making process. The focus of control now becomes the relationship between the two actors, rather than an individual transaction. In this case there is more of a balance between ex ante and ex post control. Ex ante, effort needs to be put into developing and maintaining the
relationship. This supports ex post control where the relationship may dissolve if difficulties occur and the relationship has not developed to a sufficient level ex ante of the transaction to facilitate the organisations working together to solve problems that may arise (Peterson & Wysocki, 1998).

Formal cooperation, the next level identified on the continuum in figure 1, is different to the previous relationships in that a central organisation is created to administer the relationship and transactions between the two organisations. The organisations retain their separate identities, and control is decentralised among the ownership parties, but the relationship is difficult to walk away from because of the substantial investment in the new separate entity. In this instance, most of the power is exercised ex post of a transaction in monitoring the performance of the organisations involved in the relationship (Peterson & Wysocki, 1998) as the ex ante controls are already in place.

The final portion of the continuum is vertical integration. This involves the two or more parties involved in a transaction becoming one, either through a merger of the organisations, the acquisition of one organisation by the other, or through one organisation deciding to perform a function in-house that has traditionally been outsourced. This level of the continuum is different to the rest of the continuum because control is now completely centralised (Peterson & Wysocki, 1998). This is also the most capital-intensive form of control along the continuum.

![Figure 2 - Levels of Relationships](image_url)
The governance structure in place relates to the level of the relationship. Another way of describing the ‘level of relationship continuum’ can be seen in figure 2. This figure is a combination of models from two different papers (referenced in the caption).

According to Spekman et al (1998) the starting point for supply chain management is cooperation. The next step is coordination, where workflow and information are coordinated in a manner that allows the implementation of programs such as JIT and EDI. Collaboration is the final stage, and involves moving beyond systems such as JIT to the point where the organisations are interdependent on each other. They share long-term strategies, and have strong trust and commitment in the relationship.

In figure 2 this framework has been combined with that of Lambert et al (1996), who identified these three stages of coordination as type I, type II, and type III. Type I is similar to cooperation as at this stage the organisations only have very limited coordination and planning. A type II relationship is similar to coordination as activities between the two organisations become more integrated. At the final stage, collaboration/type III, the organisations see each other as an extension of their own firm.

The governance structure used to administer a relationship needs to be related to the underlying dimensions of the exchange. As the uncertainty of the market that a relationship is created in is increased, a more elaborate governance structure is needed to administer the relationship, as the gap between the contract and reality will widen (Williamson, 1979). This creates less reliance on contracts, allowing more flexibility to respond more rapidly to changes in the market.

Both organisations in a relationship need to relinquish some independence in order to work together more efficiently, effectively and build trust. The aim is to move from independence to interdependence, while avoiding the creation of dependence (O'Keefe, 1998), as this will only increase transaction costs due to the increased likelihood of opportunism.

Opportunism is defined by Hobbs (1996a) as recognition “…that businesses and individuals will sometimes seek to exploit a situation to their own advantage.” In
other words, organisations act in a manner that benefits them at the expense of their partner. In many instances organisations will voluntarily relinquish some control to their partner for strategic reasons. In this case, the organisation needs assurances that the other party will not attempt to take advantage of the situation. Norms are often used in this case, as higher levels of trust and commitment will generally exist for this to occur, allowing norms to be used in the place of structural controls.

Relationship norms relate to the idea that generally an organisation’s partner organisation won’t act opportunistically as norms will stop it from doing so. These norms influence the behaviour of an organisation, as they consider factors such as the long-term benefit of the relationship, company and brand image. This makes it less likely that it will take advantage of the other organisation, even if it will be profitable in the short-term to do so. As the level of the relationship increases, the organisations become more reliant on each other, and this combined with the investments made to create the relationship make the partners increasingly difficult for either party to replace. This can either increase or decrease opportunism, depending on the organisation.

As can be seen there is a continuum of relationship structures that organisations can choose from to best meet their needs. Some confusion has been created as both practitioners and academics have used many of the terms on this continuum interchangeably (Golicic et al., 2003).

This section has described the various forms of relationship that can occur between organisations. As was shown, each structure has its advantages and disadvantages, and will generally be selected by the organisations involved to most effectively fit their particular circumstances. The next step is to apply this information to the multiple organisations that, interacting together, create a supply chain.

2.3.3 Supply Chain Management

Before supply chains can be discussed in detail, definitions need to be developed. This is important due to the large range of literature on supply chains and supply
Supply Chain Management (SCM) emerged from the logistics literature. It emerged as a logistics problem and developed into a more important issue embedded in the strategic management of organisations (Oliver & Webber, 1992). This has created some confusion as to its exact definition as many academics and practitioners have thought of it as only an extension of logistics, while others have perceived it to be a whole new paradigm, of which logistics is only a part.

Mentzer et al (2001) discuss this lack of a standard in definitions for supply chain’s and SCM. They define a supply chain “…as a set of three or more entities (organisations or individuals) directly involved in the upstream and downstream flows of products, services, finances, and/or information from a source to a customer,” (p5). Cooper et al (1997) define SCM as “…the integration of business processes from end user through original suppliers that provides products, services and information that add value for customers,” (p3). The aim of SCM is to improve the efficiency of the supply chain through improved sharing of information and joint planning. The information that is shared should relate not only to transaction, but should also be of a strategic nature as well (Bowersox & Closs, 1996).

Mentzer et al (2001) state that the supply chain is the physical structure, the distribution or value chain, while SCM is the management of a supply chain. After reviewing the literature on SCM, the authors found that previous authors had been attempting to define two concepts with one term. Mentzer et al (2001, p11) argue:

The idea of viewing the coordination of a supply chain from an overall system perspective, with each of the tactical activities of distribution flows seen within a broader strategic context (what has been called SCM as a management philosophy) is more accurately called a Supply Chain Orientation. The actual implementation of this orientation, across various companies in the supply chain, is more appropriately called Supply Chain Management.

Mentzer et al (2001) therefore define a Supply Chain Orientation (SCO) as “…the recognition by an organisation of the systemic, strategic implications of the tactical
activities involved in managing the various flows in a supply chain,” (p11). For SCM to be implemented, an organisation must first have a SCO, and this SCO must exist across several directly connected organisations (Mentzer et al., 2001). Without a SCO, the implementation of SCM cannot be successful, which explains the high failure rate of SCM initiatives in so many organisations.

The value of SCM for the organisations involved comes through the enhanced value and satisfaction created for customers of the supply chain. Organisations can no longer exist in isolation – they are now part of a complex chain of business activity (Tan et al., 1999). This leads to enhanced competitive advantage for the supply chain as a whole, as well as the members of the supply chain if implemented correctly (Mentzer et al., 2001). Therefore, SCM should aim at redesigning and administrating the supply chain to increase the efficiency and effectiveness of the supply chain as a whole (Lambert, Cooper et al., 1998). One of the main aims of SCM is to reduce the number of partners an organisation has in a supply chain. Rather than spread risk over multiple organisations, an organisation should instead focus on continuously developing key partners in critical areas (Landeros et al., 1995).

![Supply Chain 2000 Framework](image)

**Figure 3 – Supply Chain 2000 Framework**

Bowersox, Closs, & Stank (1999)
If implemented correctly, SCM can make the supply chain a virtual organisation. It can have its own identity and function like an independent organisation. This has led to ‘the new competition’ of supply chain versus supply chain (Lambert & Cooper, 2000; Mentzer et al., 2001; Spekman et al., 1998; Vokurka et al., 2002). This has come about as organisations realise that it is no longer logistics processes that cut across organisational boundaries, but in principle all business processes. Therefore business processes become supply chain processes as they cross intra- and inter-organisational boundaries, and need to be managed as such (Cooper et al., 1997). However, for this to be successful, every organisation within the supply chain must have a SCO (Mentzer et al., 2001).

The supply chain must be managed with the aim of making it as efficient as possible. To achieve this, the supply chain should be simplified and standardised across its member organisations to minimise duplication and waste. Synergies between organisations and functions should be maximised as well (Bowersox & Closs, 1996).

Although there is a large body of research in the area of supply chain management, very few authors have attempted to tie all the information into one package. Bowersox, Closs, & Stank (1999) attempt to do this with their Supply Chain 2000 Framework, as outlined in Figure 3.

First, four critical flows that need to be orchestrated to achieve integrated supply chain management are identified. The product-service value flows is the value added increase of products and services as they move from the raw material provider through to end-customers. The Market accommodation flows deal with all post sales-service administration, such as product recalls and recycling. Information flows refer to the sharing of transactional data and inventory status between partners, and flows both ways. The cash flows generally flow back up the chain, although in the case of rebates, for example, cash will flow back down the chain. These flows occur in all supply chains regardless of their level of integration. That is why the framework identifies competencies related to behavioural, planning and control, and operational contexts (Bowersox et al., 1999).
The operational context refers to the processes that facilitate order fulfilment and replenishment across the supply chain. To be effective, integration both within the organisation and between buyers and suppliers is essential. The planning and control context refers to the importance of integrated planning and measurement activities. The use of technology allows the facilitation of these activities. The behavioural context refers to the relationship between supply chain partners. The successful implementation of SCM rests on the relationship between the supply chain partners (Bowersox et al., 1999) and the selection of the correct supply chain structure.

This section has defined and described three key concepts: supply chains, supply chain management and supply chain orientation. This is important as differing definitions of these concepts are often used in the large base of literature on supply chains. The next step is to develop an understanding of supply chain structures.

2.3.4 Supply Chain Structure

Now that a definition of a supply chain and its associated concepts has been defined, the concepts developed earlier regarding relationship structures can be expanded to the supply chain level. This greatly increases the complexity of these concepts. This is important to this research, as part of its purpose is to not only understand what supply chain structures are utilised, but also to understand why.

The aim of a supply chain should be to provide its target segment with their desired bundle of product benefits for the lowest cost. The most successful supply chains are structured in a way that minimises total cost for the supply chain as a whole, rather than individual organisations (Lambert, Stock et al., 1998). Although there is a great amount of literature discussing the link between an individual organisation’s strategy and its structure, there is very little relating to the supply chain as a whole. Many organisations are now creating strategic networks to ensure their survival in increasingly competitive environments. These strategic networks can be horizontal and/or vertical, but in this case we are going to focus on vertical strategic networks, and their relation to SCM.
Strategic networks create a mix of both opportunities and constraints. Advantages may include “…access to information, resources, markets, and technologies; with advantages from learning, scale, and scope economies, and allow firms to achieve strategic objectives, such as sharing risks and outsourcing value-chain stages and organisational functions…[but] may lock firms into unproductive relationships or preclude partnering with other viable firms,” (Gulati et al., 2000, p207).

Competitive advantage can also be created for members of a network. The network structure is difficult for competitors to imitate, and makes it more difficult for new entrants to enter the industry. Organisations within the network also benefit from increased access to resources through their partners, such as information. However, this same structure can make it difficult for organisations to leave a network, especially if it competes against other networks in the market (Gulati et al., 2000). Each organisation in the supply chain specialises in an area or function based on its core competency. Organisations in a supply chain that is integrated enough to create a virtual organisation share a joint belief that they are better off in the long-run by working together (Bowersox & Closs, 1996).

Unfortunately organisations may start to feel uncomfortable as their reliance on the other actors in the supply chain increase (McAdam & McCormack, 2001). If one organisation in the supply chain under performs, all supply chain members are negatively affected (Coughlan et al., 1996). However, this dependency is what motivates organisations to share their key information and participate in joint planning (Bowersox & Closs, 1996), decreasing the chances of supply chain members failing.

As the supply chain develops, so too does its complexity. The number of linkages that need to be managed increase, and communication of a common goal becomes diluted (McAdam & McCormack, 2001). For most manufacturers, for example, Lambert and Cooper (2000) describe the supply chain as looking more like an uprooted tree rather than a pipeline, where the roots and branches are an extensive network of suppliers and customers. Choosing suitable partners to make up this network is important for the continued competitiveness of the supply chain and the organisations involved in it.
In many cases it would be impossible for the channel coordinator to manage all the organisations in a supply chain as their numbers generally increase exponentially at each tier of the supply chain. Therefore a criteria needs to be developed which can be used to decide which organisations are critical to the success of the supply chain, and therefore be allocated managerial attention and resources (Stock & Lambert, 2001).

Das & Teng (1999) outline two factors that organisations should be aware of when selecting a partner that will fit their organisation: resource fit and strategic fit. Resource fit is the degree to which the partners possess compatible resources that can be effectively used together to create value. The strategic fit is the degree of compatible goals that the partners have. The objectives of both organisations don’t need to be the same, just compatible in the sense that they can be achieved simultaneously. Both these factors need to fit for a close relationship to be successful (Das & Teng, 1999).

An organisation’s next step after analysing the motives for joining or creating a supply chain is establishing how to manage the supply chain (Cooper et al., 1997). The ultimate goal of the organisation is to remove fixed boundaries between members of the supply chain, managing the supply chain as a single organisation (McAdam & McCormack, 2001). Achieving this level of integration between organisations in a supply chain is rare, however, and is really only desirable with organisation’s that control core resources of the supply chain. Determining the relationship structure relies on several factors, which must be weighed against the organisation’s capabilities, and the importance of the other organisation (Cooper et al., 1997). The key is to determine which organisations are critical to the success of the organisation and the supply chain, and allocate managerial attention and resources accordingly (Lambert, Cooper et al., 1998).

An organisation that provides a critical component, for instance, will create the need for much a much closer relationship, even if the supplier is not first tier for the organisation. Although an organisation may have a relationship with organisations more than one tier above or below it, the closeness and structure of the relationship
will be that which most accurately reflects the relationships circumstances (Cooper et al., 1997).

Once the organisation coordinating the supply chain has decided the relative importance of each of the members of the supply chain, resources can be allocated accordingly to managing these links. Stock and Lambert (2001) describe four levels of process links. Managed process links are links that this actor focuses most of its energy on, as they are the most important to the channel coordinator. Monitored process links are not critical to this actor, but these links do have enough importance that they need to be monitored and managed appropriately. Not-managed process links are those that this actor feels are not worth the effort to monitor, therefore the coordination of these links are left up to other channel members. Non-member process links refers to links in other, unconnected supply chains that may have an impact on the focal chain (Stock & Lambert, 2001).

This section has developed an understanding of some of the supply chain structures that organisations may utilise. It is important for the research to develop theories about what structures may be used, so that they are more readily identifiable in the sample population. The next section discusses some of the risks that can be created for firms in supply chains.

2.3.5 Risk in the Supply Chain

The previous sections have mainly discussed the advantages associated with robust supply chain structures. However, risks are also created. These need to be discussed to give a balanced view.

There are many sources of risk that organisations face in their supply chain(s). This ranges from selecting the right partner through to how the supply chain is structured. Organisations need to be aware of these sources of risk when participating in supply chains. One of the main sources of risk for organisations is when deciding which organisations to partner with. This includes capacity constraints, incompatible information systems, quality problems, unpredictable cycle times, and volume and mix requirement changes (Zsidisin, 2003).
Risk relating to the relationship itself is also important. Das & Teng (1999) identified two factors that organisations should be aware of when entering a strategic alliance (although these factors can be applied to any close relationship): the type of primary resource and the type of primary risk. The type of resource that an organisation brings to the relationship tells the organisation what is at stake (possible losses), while the primary risk are the hazards that the organisation faces (causes of possible losses) (Das & Teng, 1999). Nooteboom, Berger, & Noorderhaven (1997) called these two factors the size of loss and the probability of loss.

The supply chain can also be structured to shift risk around its actors. Organisations can shift risk away from themselves through the use of postponement. For example, “The middleman postpones by either refusing to buy except from a seller who provides next day delivery (backward postponement), or by purchasing only when he has made a sale (forward postponement),” (Bucklin, 1965, 27). Therefore, every organisation within a supply chain cannot postpone until the last possible moment. One or more of the organisation’s need to bear this uncertainty from the time the goods start production until they are finally consumed (Bucklin, 1965).

Another risk is carrying inventory, which can become difficult to sell, leaving the organisation’s capital tied up in the cost of the inventory and the cost of the storage capacity. Organisations can reduce the risk of carrying inventory by relying on rapid delivery from their suppliers (Bucklin, 1965). The level of risk increases as a supply chain’s products become more differentiated. Postponing changes to the product and the location of inventory mean that differentiation can be closer to the time of purchase, decreasing risk and uncertainty costs (Lambert, 1978; Stock & Lambert, 2001).

Sharing risk among partners is also advantageous for smaller organisations. Large companies can be held liable for damage caused by their supply chain partners, depending on the level of integration. In some cases this would bankrupt the small company if it had to face these charges alone. However, larger organisations facing this extra risk are motivated to try and gain a better understanding of its partners business (Snir, 2001). Partners may not be inclined to share this information for fear
that the larger organisation is only using the partnership to gain specialist knowledge from the small organisation (so that the organisation is no longer needed), or that the information will fall into the hands of competitors.

One of the hardest resources to protect in a relationship is an organisation’s knowledge (Das & Teng, 1999). In some cases it is obvious that the organisations partnered up with each other to learn the others knowledge. This can lead to a learning race, with the winner being the organisation that can learn the most the fastest and then dissolve the relationship before the other organisation learns too much.

Discussing possible risk in supply chains is important in order to develop a balanced view of supply chains. The majority of supply chain literature only focuses on the benefit of certain supply chain structures, without analysing what risks and costs organisations may incur.

2.3.6 Conclusion
This section has discussed the coordination structures utilised between individual actors and supply chains as a whole. Individual relationships occur on a continuum, from spot market through to vertical integration. A relationship’s position on this continuum is dictated by several factors, including the importance of the relationship to both actors, the goals of the actors in the relationship and the availability of information to both actors. Relationships were then observed in a broader context with the development of definitions and discussion of supply chains, supply chain management and supply chain orientation. It was concluded that in order to deliver the desired bundle of product benefits to a target market a supply chain had to be correctly structured and managed, and actors critical to producing this bundle of benefits needed to have a supply chain orientation. Risk in supply chains was also discussed as this is an important part of any organisation’s decision making process.
2.4 Channel Coordinator

2.4.1 Introduction

In the previous section on supply chain structures it was alluded to that some supply chains might have an organisation that coordinates the supply chain. This actor, the channel coordinator, is the focus of discussion in this section. An understanding of the channel coordinator is vital to this research, as part of its purpose is to develop an understanding of the channel coordinator’s role in the supply chain. This section is divided into three parts: the definition and role of the channel coordinator, the importance of having a channel coordinator and how the channel coordinator is decided.

2.4.2 Definition and Role

It is important that a definition of ‘Channel coordinator’ be developed. The channel coordinator is also known as the chain captain and channel leader. The channel coordinator coordinates the other organisations in the supply chain to manage the work process as it flows from one actor in the chain to the next (Fitzpatrick & Burke, 2000).

Although it would seem that the channel coordinator should always be obvious, confusion can be created by several factors that are outlined below. This is especially true in niche chains where the channel coordinator may not be the largest and/or most powerful organisation in the supply chain. Many chains may also have a disjointed nature, with more than one channel coordinator, each controlling separate parts of the chain.

Very little work empirical work has specifically focused on the channel coordinator, but many authors refer to him. Although there is a multitude of work on the relative power of organisations in supply chains, there is little evidence of work focusing on the channel coordinator in recent years. To find work specifically discussing the channel coordinator we need to go back to earlier research, such as Etgar (1976; 1977) and Little (1970) to complement more recent research. Ford (2002) discusses
2.4.3 Importance of Having a Channel Coordinator

For a supply chain, and the organisations within a supply chain, to be successful a channel coordinator is necessary. “The successful integration and management of key business processes across members of the supply chain will determine the ultimate success of the single enterprise,” (Lambert & Cooper, 2000, p81). The channel coordinator is important as this organisation can coordinate the supply chain so that essential functions of the supply chain are performed by the most appropriate organisation. This makes it necessary for organisations to maintain a supply chain focus (Bowersox & Closs, 1996). The channel coordinator can ensure that organisations each have a specific role in the supply chain (specialisation) and share common strategic goals. Coordination can remove non-value adding work, maximising efficiency for the whole supply chain (Bowersox et al., 2002).

Further benefits are described by Etgar (1976) who found that the benefits of coordination in a supply chain created a “…reduction of product lines, streamlining of flows of products and information through the system, partially reduced duplication, standardisation of record keeping through the system, and increased use of advanced technologies,” (p17).

Successful channel coordinators can share specialised knowledge, creative capabilities, and resources across the other members of the network. Utilisation of these resources can create a competitive advantage for the network, creating a more flexible and efficient supply chain. However, these advantages are also offset by several disadvantages, in particular, the loss of control over particular processes and reduced organisational participation for the channel coordinator (Fitzpatrick & Burke, 2000).

There are many factors that make the centralisation of chain coordination difficult. A major factor is obtaining and then sharing all the information that is scattered throughout the different units of a supply chain (Ertek & Griffin, 2002).
sharing is important to ensure a consistent strategy across the organisation. The channel coordinator needs to adequately communicate his needs and expectations of the supply chain and consistently match his behaviour to his stated strategy. Landeros, Reck, & Plank (1995) discuss this point in relation to individual dyadic relations, however it can be expanded to analyse every relationship in the supply chain as a whole.

Without centralised management of the supply chain organisations may insist on maintaining those resources that strengthen their independence within the system (Etgar, 1976). There can also be less recognition of common goals, and organisations will attempt to enhance their own profitability, often to the detriment of the supply chain as a whole. The fragmentation of these activities and decisions within the chain may reduce the efficiency of the system as a whole (Etgar, 1976; Ouden et al., 1996), meaning that the supply chain does not reach its full potential (Coughlan et al., 1996; Little, 1970).

The channel coordinator needs to find a balance between centralised control and decentralised decision making. Centralised control is important to maintain the unity of the supply chain and its overall strategy. However, this goes against the ideals of SCM, which aims to have decisions made closer to the point at which information is generated (Chandrashekar & Schary, 1999). During the research, it was found that there is a lot of literature discussing the balance of centralisation versus decentralisation in the multi-division organisation, but very little relating to supply chains.

A supply chain’s strategy is implemented through the collective actions of the actors in the supply chain. The channel coordinator may not have the resources available to adequately implement its chosen strategy if it is too small. The channel coordinator needs to be aware of how closely the other organisations in the supply chain are following the strategy that the channel coordinator has developed for the supply chain. The channel coordinator may develop key vendors that take responsibility for complete subsystems or services, freeing up his own resources (Peck & Juttner, 2000).
One area that truly tests the performance of the channel coordinator is managing conflict within the supply chain. The failings of one organisation in the supply chain will have a negative impact on all channel members, emphasising the importance of adequately managing this issue. The channel coordinator needs to be able to identify the source of conflict in his supply chain and differentiate between poor channel design and poor organisation performance due to channel conflict. The channel coordinator then needs to decide what action should be taken (Coughlan et al., 1996).

Channel conflict can be created by several sources. These sources include, “…differences between channel members’ goals and objectives (goal conflict), from disagreements over the domain of action and responsibility in the channel (domain conflict), and from differences in perceptions of the market place (perceptual conflict),” (Coughlan et al., 1996, p37). A channel coordinator needs to identify what is causing conflict in his supply chain so that he can react accordingly.

### 2.4.4 How the Channel Coordinator is Decided

The channel coordinator is the organisation that has the most control over his supply chain. Little (1970) defined control through leadership as a change in behaviour or perception by any other channel member towards a position or goal desired by the leader. One or a combination of three methods could influence this: coercion, incentives, and persuasiveness (creation of a better understanding of common goals) (Little, 1970). A channel coordinator needs to determine which of the three methods, used individually or together, will best meet his needs in a give set of circumstances.

Many organizations gain control of a supply chain as they feel that they can enhance their own profits by doing so. If this organisation is the most powerful in the supply chain it can coordinate the chain in such a way as to enhance its own profits (Little, 1970). Norek (1997) provides an example of this by describing the recent power shifts in the supply chains of mass merchant discouuters. Large retailers such as Wal-Mart in the United States now have the most power in their supply chains, where traditionally it was manufacturers. This change in power has meant that many manufacturers now have to perform functions that were traditionally the responsibility of retailers (Norek, 1997).
The extent to which a channel coordinator can control the supply chain based on power depends on the relative power of the other organisations in the supply chain (Mentzer et al., 2001). The channel leader needs to be aware of how it exercises its power however, as forced participation may force other organisations to leave the chain if given the opportunity (Cooper et al., 1997).

An organisation can gain power from sources other than its economic size. Therefore, smaller organisations in the supply chain can persuade more powerful organisations to take a submissive position in the coordination of a particular supply chain. As this is a more persuasive logical base, the channel coordinator does not necessarily have to be the most powerful organisation in the supply chain. “The anticipation of sharing of risks and rewards across the chain affects long-term commitment of channel members,” (Cooper et al., 1997, p12). More effective channel coordination can also be used to improve the profitability of all organisations within a supply chain. In the case of small organisations that act as the channel coordinator, coercion is usually not an option as they are often dealing with organisations that are relatively much larger and more powerful than they are. Therefore they need to use incentives and persuasion to coordinate the supply chain.

Another source of power relates to an organisation’s resources. Vertical coordination and integration are used to create resource combinations that single organisations cannot achieve alone. Due to this fact, organisations that have highly desirable, but difficult to replicate resources will be in high demand (Das & Teng, 2000). Organisations need to aware of the relative value of their resources as this can be used to create power for the organisation when establishing relationships.

An additional form of power is positional power. Positional power relates to the placement of the organisation in its supply chain, or its function within the supply chain structure (Little, 1970). In the case of positional power, the retailer of many supply chains gain power as they are usually the only organisation to have contact with the supply chain’s customers (Lambert, Cooper et al., 1998), providing them information about customers not available to the other organisations in the supply chain. This gives them power over those other organisations.
The relative position of an organisation in a network is also important. Those organisations that are in a central location will have far more access to better information and opportunities than those that are more peripheral (Gulati et al., 2000). These more central organisations will then be able to exert more control over the network as a whole, due to their position in the network. This centralisation of position does not necessarily mean that the organisation is in the middle of the value chain process. Instead it may be a central organisation from the point of view of the relationship structure between all the organisations of the supply chain. Other sources of power in the supply chain are described by Peck and Juttner, such as “…the largest value-added contribution to the chain, the best access to the market or the most specialised expertise and indispensable competencies” (Peck & Juttner, 2000).

Sometimes the channel coordinator emerges based on risk. The more risk that an organisation faces in a supply chain, the higher its levels of commitment will be. The organisation with the highest relative level of risk in the supply chain therefore has greater motivation than an organisation facing a relatively lower risk level to ensure that the supply chain is successful, increasing the likelihood that it will become the channel coordinator (Bowersox et al., 2002).

This is especially true in the case of niche supply chains. Often these chains are set up by small organisations attempting to reach a niche market with their product. In many cases these small organisations will rely on large organisations in the chain to perform one or more of the required processes. Nooteboom, Berger, & Noorderhaven (1997) found that the more an organisation relied on a specific partner, the higher the risk associated with that partner. If the partner organisation is a larger organisation, the throughput from the focal channel may only make up a small part of the large organisation’s total throughput, so its loss is not that great. The channel coordinator of the niche chain on the other hand may only have that one channel of distribution, so its whole business is affected. The channel coordinator’s survival may hinge on successfully maintaining the relationship, as the actions of other organisations in their supply chain have a significant impact on their operation (Little, 1970). This is would be particularly applicable to a small business targeting a specific market niche.
The small business will know best what is needed to most effectively fulfil the demands of that niche, as it will develop a superior understanding of the niche in comparison to a large organisation serving a broader market. Therefore it is important that the small business use incentives and persuasiveness to coordinate the whole supply chain to meet these needs. Coercion is usually not an option as they are often dealing with organisations that are relatively much larger and more powerful than they are.

2.4.5 Conclusion

As can be seen, the performance of the channel coordinator may be vital to the success of many supply chains. Effective management of the supply chain allows its potential to be maximised, for example, through the allocation of functions based on the suitability of an organisation and information being shared more freely the length of the supply chain. The channel coordinator can also help resolve conflict in the supply chain, ensuring that focus is on the target market and all organisations are motivated to contribute. The next step is to develop an understanding of the strategies used by channel coordinators.
2.5 Strategies Used by a Channel Coordinator

2.5.1 Introduction

Now that an understanding of the channel coordinator and his potential importance to the success of the supply chain has been developed, it is necessary to understand the strategies that he may implement in relation to the supply chain. Understanding this is an important part of this research. However, although there is a large base of research on the strategies used by individual organisations to successfully market a product, there is very little relating to the channel coordinator and the supply chain. Despite this, if a managed supply chain can be viewed in the context of a virtual organisation, with the channel coordinator dictating its strategy, much of the information on individual organisations can be adapted to the supply chain level. A better understanding of a channel coordinator’s overall strategy may give insights into why he chooses particular methods of supply chain management, which is also part of the purpose of this research. This section is divided into three parts to describe potential strategies: differentiation and focus, segmentation and make or buy.

2.5.2 Differentiation and Focus

There is a large base of literature looking at organisation strategy and the factors that affect it. The majority of the literature is based on Porter’s (1980) work in which he defines five forces in an industry that will influence organisations to choose one or a combination of three generic strategies: cost leadership, differentiation, and focus. Organisations targeting a niche market will usually follow a focus strategy, which will generally have attributes of a differentiation strategy.

The focus strategy described by Porter involves concentrating on a specific segment of the market. This could be a particular type of buyer, a specific product, or a geographic market. The aim is to serve a particular market well – in other words, use a customised bundle of benefits to create the best value for the target consumers. A differentiation strategy is most commonly used to achieve this, although cost leadership is possible (Porter, 1980).
Porter (1980) defines the differentiation strategy as creating a product that is perceived industry wide as being unique. This source of uniqueness could be a result of brand image, customer service, technology, or another point of difference. Porter (1985) argues that not only can larger profit margins be created using this strategy, but strong brand loyalty will also create entry barriers for competitors, as well as give an organisation more leverage in dealing with suppliers and customers as they find it more difficult to replace the organisation and its product.

To better understand how an organisation differentiates itself, Porter (1985) refers to its competitive scope. Competitive scope can be divided into four areas. Segment scope relates to the product varieties produced and the buyers served. Vertical scope is the level of vertical integration that an organisation exhibits. Geographic scope refers to the regions and countries an organisation competes in, while industry scope defines the industries that the firm competes in (Porter, 1985).

Niche chains will generally exhibit a narrow scope (focusing on a tightly defined market niche) in most, if not all, of these four areas. A small firm gains competitive advantage through the use of a narrow scope by allowing it to better tailor its products to its niche markets (Porter, 1985).

Seven methods that organisations can use to differentiate their products are described by Barney (2002). The first is offering a mix of product features different to those of competitors. The second is linkages between functions – for example, the after sales service that comes with a product. The next method is timing. This includes advantages gained from being the first mover, or just timing entry into a market as it begins to grow rapidly.

Location is the fourth method. This can include not only the proximity to customers, but also the proximity to complementary services, for example in the case of Disney World, visitors from all over the world come over because they know that a full range of services are offered. Product mix is the next method. The most common example of this is when a company offers different types of products, which all appeal to the same consumer segments. For example, shopping malls that have everything a shopper needs in one location (Barney, 2002).
Links with other organisations is another method. An example of this is the diverse nature of organisations that sponsor NASCAR - from Kodak to Gatorade. An organisation’s reputation is the final factor outlined by Barney (2002). This relates to how consumers perceive an organisation and its products. Reputation is very difficult to develop, but can last many years, even if the organisation’s products don’t always match their reputation.

The focus of differentiation needs to be on the creation of customer value. This explains why commodities have traditionally been price focused. As every unit of a commodity offers the same bundle of customer benefits, the only way to increase customer value is by decreasing the price. By aiming at a specific niche, organisations can become so knowledgeable in that particular market segment that it can precisely match the product’s benefit and price trade off (Kennedy et al., 1997).

When creating a small business, or altering an existing business’s strategic direction, entrepreneurs assess various niches by looking at their market forces. Barney and Griffin (1992) state that organisations should target markets that have favourable attributes. In many cases, niche chains will perform this function, with few or no competitors.

Some types of activities are unsuitable for large organisations, giving small organisations a competitive advantage (Penrose, 1966). This explains why many niche chains exist that are ignored by larger organisations – one or two small organisations supplying the niche can respond more rapidly to changing consumer demands in that segment and can focus on customising their product to give these consumers the best value for money. Large organisations often don’t have this flexibility, and instead focus on a more generic product appealing to a larger share of consumers in the industry.

This is also becoming a reality in many industries that have traditionally been dominated by large-scale organisations. Technology changes in these industries have meant that the economies of scale curve has shifted, creating opportunities for smaller organisations (Barney & Griffin, 1992). This can be seen in the meat industry where
several small processing operations have emerged that can now compete with the traditional large processors by installing modern plants that don’t need to operate on such a large scale to reduce their cost per unit.

2.5.3 Segmentation

In order to design an effective organisational and supply chain strategy, the channel coordinator needs to define the market segment that the supply chain is targeting. Segmentation is a fundamental principle of marketing, and involves dividing the market for the supply chain’s product up into groups that are homogeneous within the group, and heterogeneous between groups (Coughlan et al., 1996). By identifying the target segment(s) of the supply chain, the members of the supply chain are able to customise their production for the target segment. The channel coordinator can orchestrate this customisation to efficiently create a product that gives the target segment the best value for money.

To best meet the needs of the target segment(s), the channel coordinator must manage several factors. The first of these is identifying the necessary channel flows that must be performed in order to meet the target segment(s) demands. Channel flows are the activities that create value for the end user. The channel coordinator needs to identify and implement the channel structure that will allow the most effective implementation of these channel flows (Coughlan et al., 1996).

This involves the channel coordinator determining which type of organisations to incorporate into the supply chain, the identity of these organisations and how many of each type of organisation to have (also called channel intensity). Organisations need to be selected not only on how effectively they can implement their function as part of the channel flow, but also how cost effectively they can do so and how motivated they will be in meeting their targets. If the channel coordinator can perform a function more efficiently than another organisation it will be motivated to internalise that function. All of these factors need to be combined into a package that will minimise the cost of necessary channel flows (Coughlan et al., 1996). This is termed the ‘make or buy’ decision.
2.5.4 Make or Buy
The channel coordinator needs to decide whether to ‘make or buy’ each function in the supply chain. When looking at the specific functions of his supply chain, a channel coordinator needs to decide whether it is more advantageous for him to contract the function out or do it internally.Internalising a function is referred to as vertical integration (Coughlan et al., 1996).

Madhok suggests that an organisation’s strategy and resources are important in deciding the organisation’s boundaries. In other words, what factors to outsource versus what should be created internally. Unfortunately, many organisations make the decision based on the current performance of their supply chain partners, rather than the relative merits of vertical integration versus outsourcing. Many organisations also overlook the fact that they can only perform the work as well or better than organisations already doing so if they control the necessary competencies, often making outsourcing the more practical option (Coughlan et al., 1996).

The capabilities and strategies of an organisation both independently influence the boundary choices of organisations. Leiblein & Miller (2003) found that organisations tended to internalise those processes that they had great experience with, while organisations with high levels of outsourcing experience were likely to continue to outsource.

2.5.5 Conclusion
As stated at the start of this section, there is a definite lack of information relating to how the strategy for a supply chain is created and implemented by the channel coordinator. This is important not only in the sense of understanding how a supply chain gains direction, but also understanding how diluted the channel coordinator’s strategy becomes as a result of the supply chain being made up of more than one independent organisation. By interpreting a supply chain as a virtual organisation some potential strategies that could be implemented by the channel coordinator were proposed. For the purposes of the types of organisations this research focuses on, it was theorised that their basic strategy will be to focus on a particular market niche, customising the product offering appropriately.
2.6  Factors that Influence the Channel Coordinator’s Strategy

2.6.1 Introduction

The final section of this chapter discusses factors that may influence a channel coordinators strategy. This is a very broad area and only a fraction of the potential influencing factors can be identified. In order to simplify this task, several broad areas have been identified. These include influencing factors in the environment, which are uncontrollable factors; and controllable factors, both internal to the channel coordinator organisation and external to this organisation, but internal its supply chain. Due to the complex nature of these controllable factors, several paradigms are identified and an attempt is made to roughly combine them together to create an overall picture of what may be happening.

2.6.2 Uncontrollable Factors – the Environment

An organisation’s environment is basically the world that the organisation functions in. Every event external to the organisation that has an impact on the organisation is part of its environment. Unfortunately, monitoring every event that may have an impact on an organisation is impossible. Therefore, when we refer to an organisation’s environment we are really discussing something that isn’t real – an organisation’s environment is created by the range of attention and interpretation of the organisation (Pfeffer & Salancik, 1978).

Organisations adapt not only themselves to their environment, but also their relationships with other organisations. The type of relationship structure is influenced by both organisations’ interpretation of their environment and their perceptions of what their counterparts needs are (Pels et al., 2000). Information about the organisation’s environment is collected and screened by the organisation. They then react according to the information that they receive, adapting themselves to changes in their environment (Pfeffer & Salancik, 1978). Therefore it is important that organisations understand the main forces at work in their market(s), industry and the world.
2.6.2.1 Industry Structure and Market Forces

Many authors discuss how organisations adapt their strategy and structure to their industry. In the case of a niche chain, however, this literature really needs to be applied to the market it is in, rather than the industry as a whole. Hunt and Morgan (1995) argue, “...few, if any, industry markets exist; there are only market segments within industries,” (p6). This is especially true in the case of niche supply chains, where the factors outlined may differ between the organisation’s niche market and the overall industry that it is in. Therefore, in reviewing the literature for this section we will use the terms industry and market interchangeably.

Porter (1985) states that industry structure both shapes the value chain of a firm and is a reflection of the collective value chains of competitors. Cravens (1988) agrees, stating that the industry structure needs to be taken into account when assessing an organisation’s competitive situation. In other words, to gain a better understanding of why a supply chain and the organisations in it are structured the way they are, we need to examine the forces at work in the market. Porter (1979) developed five forces that help to define the nature and degree of competition in markets and industries. The five forces are the bargaining power of buyers, bargaining power of suppliers, threat of substitutes, threat of new entrants and the threat of competitors.

An organisation successfully following a differentiation strategy can reduce the negative effects of the five forces. Entry barriers are raised as new competitors face not only the costs of market entry, but also the costs of overcoming the organisation’s differential advantages. Rivalry is decreased if organisations each target different customer niches, and the threat of substitutes can be reduced if the product appears more attractive than its substitutes (Barney, 2002).

The threat of buyers is also reduced as an organisation with a differentiated product has monopolistic competition (a quasi-monopoly within its market niche). This increases the difficulty for customers to change suppliers. This also explains the reduction in threat of suppliers - any increase in costs can be partially passed on to consumers as they are not as price sensitive as those in a commodity market (Barney, 2002).
However, Lynch, Keller, & Ozment (2000) argue that Porters five forces fail to explain organisations using similar strategies in the same industry achieve differing levels of performance. The authors found from their own research that “…capabilities appear to be linked to strategy and, therefore, are necessary to its success. More important, capabilities and strategies need to be properly matched in order to attain superior firm performance,” (Lynch et al., 2000, p56). This is discussed in more depth later as the Resource Based View of the firm.

2.6.2.2 Meat Industry Market Forces

As stated above, organisations generally adapt their strategy and structure to their industry. The strategies that are potentially implemented by organisations were described above. In this part the market forces operating in the meat industry are described. This is important to gain an understanding of the potential strategies organisations operating in this industry may implement and the motivation behind doing so.

The meat industry is characterised by increasing levels of vertical coordination. This is driven by two main factors in the environment: increasing demand for customised food products and increasing levels of consumer safety. Changing consumer demand is forcing agricultural firms away from the traditional commodity based spot markets, towards production for “…specialised and relatively low-volume end-use food markets…the trend favours production for niche markets where a commodity is produced for a particular end-use prior to harvesting or sale,” (Sporleder, 1992, p1226). Sonka feels that this will lead to more efficient industries operating in the global market place that can more rapidly adapt to new technology and changing consumer demands with less reliance on government support. Increased levels of vertical coordination also allow the creation of an assured market for perishable food products (Ziggers & Trienekens, 1999).

Although other authors claim that food industries are now only beginning to industrialise and show signs of vertical coordination, Hingley (2001) found that retailers stressed the importance of relationships in the food industry. These retailers claimed that they are more advanced than industries for manufactured goods due to
the perishability of goods, creating the need for short-chain, close to the source suppliers.

Consumers have become more demanding and expect producers to continually improve their product offering to keep up with this demand. The relationships required along the chain to meet these demands are very different to the traditional discrete, spot market based relationships. Consumers are demanding more accountability by actors in agribusiness supply chains – the end product now needs to come with information detailing the how, where, and when of its production (Sonka, 1995).

In the future managers of organisations targeting niche markets will be under increasing pressure to stay one step ahead of their larger competitors. They will not be able to compete on a cost basis, nor will they have the resources to focus on advanced research and development. To survive, these smaller firms will need to concentrate their resources on marketing and maintaining flexibility to respond to the needs of their niche market more effectively than their larger competitors (Boehlje et al., 1995).

Recent events in meat supply chains around the world such as BSE in the UK, food poisoning (Opara & Mazaud, 2001) and the commercial availability of genetically modified organisms has meant that both consumers and governments are demanding more advanced levels of food safety. Animal welfare and environmental concerns are also increasingly important issues (Ziggers & Trienekens, 1999). Opara & Mazaud (2001) state that “Consumers also want assurances on freshness, naturalness, taste, safety, traceability, health and nutritional benefits, good animal welfare practices, and sustainability of growing and handling practices, which also have minimal negative impacts and ameliorative effects on the environment, zero waste and fair trade,” (p241). This has resulted in food, and particularly meat, industries the world over developing new ways of ensuring food safety such as implementing traceability systems for food products from ‘gate to plate’.

Traceability is defined by Verbeke (2001) as “…a system that offers the ability to identify an animal, trace its movements through its life, and subsequently trace the
meat products of the animal to the final consumer,” (p250). He states that traceability systems alone don’t solve problems – they are there to support the Quality Assurance (QA) system that organisations and supply chains put in place by allowing easy identification of the product and the ability to easily trace the product back through the records (Opara & Mazaud, 2001).

The need for QA and traceability has altered the nature of business transactions along the supply chain. Actors at each level are forced to improve their food safety measures as well as increase the flow of information along the chain to allow the successful implementation of these programs (Verbeke, 2001). Woodford (2002) states that in many instances this has meant, “…open market auction style transactions between buyers and sellers, where the buyer has incomplete knowledge of the sellers business operations, are inconsistent with the required levels of quality management,” (p3). The spot market fails to provide the detailed information now demanded by consumers (Boehlje et al., 1995), and this has created the need for increased levels of vertical coordination the entire length of the supply chain.

Hobbs (1996b) found in her research of the UK beef industry that the ability to trace cattle back to their farm of origin was a very important issue. Organisations in the industry need to create a quality assurance partnership between farmers, processors, and supermarkets. The costs of meeting the levels of QA and traceability demanded by consumers and government through the auction system is now prohibitive. Closer relationships are used to ease the difficulty of implementing an adequate traceability system, reducing the cost borne by the supply chain. Processors now prefer to take animals from long-term regular suppliers rather than occasional suppliers as the information costs are much lower (Hobbs, 1996b).

Traceability has further advantages such as allowing problems to be identified and solved rapidly with minimal damage to other organisations in the chain (Verbeke, 2001), as well as minimise the impact of the incident itself by “…identifying the product affected, what occurred, and who is responsible,” (Opara & Mazaud, 2001, p243). It also allows better control and tracing of disease and residues, as well as satisfying labelling requirements. This leads to improved market access and increased market growth and market security (Verbeke, 2001).
Sonka (1995) supports this argument by stating that the commodity products traditionally produced by agricultural industries are no longer enough to meet increasing consumer demand. This is due to the fact that commodity products fail to “more effectively serve niche final consumer needs, to develop tighter supplier/customer linkages, and to establish information systems to accommodate societal concerns,” (Sonka, 1995). Ziggers & Trienekens (1999) expand on this, stating that the above developments have led to a “need for durable partnerships.” Closer vertical coordination also allows the advantages associated with product differentiation and flexibility. Combined with biotechnology, food can be produced with specific product attributes to meet the demands of niche markets (Ziggers & Trienekens, 1999).

These increasing consumer demands are seen by many organisations as an opportunity rather than a threat to their business. Fostering closer vertical coordination along the supply chain and implementing more stringent food safety standards and traceability can help organisations develop strong brands. According to Zwart and Mollenkopf (2000) there is a great opportunity for organisations to develop strong brands based on food products with positive food safety attributes supported by robust supply chains. They go on to state that, “Food consumption is typically described as a low involvement purchase decision because of the frequency and scale of individual purchases which would normally imply that consumers would adopt strong attitudes to brands,” (p5). In other words the, consumer won’t put the effort into researching every alternative – instead they rely on brand perception as a measure of the consistency and level of product safety and quality.

These findings need to be taken into account by organisations when deciding how to structure their chains to meet these food safety demands. Zwart and Mollenkopf: “It is clear that there can be considerable difference between consumers’ perceptions of the risks and actual risks that may be measured by scientists or manufacturers,” (p4). In other words, consumers are often inaccurate in their assessment of brands and specific products. So even if an organisation has superior quality assurance in comparison to its competitors, this becomes irrelevant if consumers’ perceptions don’t match this reality. Therefore, organisations should be aware not only of what factors
they need to take into consideration from a scientific basis, but also consumer perceptions of their product. Many firms approach this problem from the point of view of meeting consumer needs, rather than attempting to modify them (Zwart & Mollenkopf, 2000).

It is interesting to note that in their paper on vertical coordination in the U.S. pork industry, Lawrence, Rhodes, Grimes, & Hayenga (1997) found that increasing consumer demands were driving other effects. Increased levels of specialisation and investments in production and processing facilities has driven processors and packers to seek long-term arrangements to reduce their market risk. The result is that as individual packers gain a greater share of the high quality pig market, the remaining packers have been left to bid for the lower quality and lower yield pigs. This is motivating the other packers to create more long-term contracts, driving a rush away from spot markets (Lawrence et al., 1997).

As can be seen, there are an unimaginable number of forces in the environment that may influence the strategy of the channel coordinator. Some of those potential forces, particularly those in the meat industry, have been touched on here. Yet those are only a fraction of the forces that will influence the decision making of a channel coordinator. As was discussed, forces in the environment are generally uncontrollable – an organisation can only react to them. The next section discusses forces that the channel coordinator may have some level of control over, allowing him to better influence outcomes.

### 2.6.3 Controllable Factors

Controllable factors are those that the channel coordinator has a certain level of influence over. They occur both within the channel coordinator’s organisation and within the supply chain. They affect the channel coordinator’s strategy as a result of their varying importance, accessibility and the level of control the channel coordinator can exert over them. The channel coordinator will generally have the greatest level of control over those that occur in his own organisation.
2.6.4 Internal to the Organisation

Factors internal to an organisation may be capable of creating competitive advantage. Competitive advantage can be defined as an advantage that an organisation has over a competitor or group of competitors at the market, strategic group, or industry level. It is a relative term, and therefore only meaningful when used in the context of comparison with other organisations (Fahy, 2000). Firms that perform strategically important activities more effectively and/or cost efficiently than their competitors can create competitive advantage. According to Porter, “Differences among competitor value chains are a key source of competitive advantage,” (1985, p36). In the case of niche firms, the chain focusing on one consumer segment can create competitive advantage by better tailoring its product to its target consumer needs. This differentiates it from mainstream products and in some cases also decreases costs.

With increased levels of vertical coordination firms need to take this activity one step further, and understand the role its products play in its supply chain. Firms need to understand not only the value chain that they are in, but also the part that they play in it. Competitive advantage is not only created within organisations, but also in the links between organisations in a supply chain. These linkages can lead to competitive advantage for firms in a supply chain through their optimisation and coordination (Porter, 1985).

Optimisation refers to optimising the whole chain – an organisation may have to add extra cost to the process at its level in order to minimise cost for the chain as a whole. Coordination between firms is also important in creating competitive advantage as production through the whole chain can be sped up, and costs such as inventory can be reduced. The relationships between organisations in a supply chain is not a zero sum game – if the whole supply chain is optimised then all parties can benefit (Porter, 1985).

Limitations have been found with Porter’s work though, and many authors have tried to expand on it in order to address its shortcomings. Hunt and Morgan (1995) argue that the theory of competition “…should satisfactorily explain the micro phenomenon of firm diversity. Specifically, why do market-based economies have such an
extraordinarily diverse, ever-changing assortment of firms,” (Hunt & Morgan, 1995). Porter’s framework fails to achieve this objective (Fahy, 2000; Hunt & Morgan, 1995). The resource based view of the firm may help explain these shortcomings.

2.6.4.1 The Resource Based View of the Firm
The Resource Based View (RBV) of the firm attempts to explain the diversity of organisations in a market. Under this framework, every organisation is viewed as having a different assortment of resources that will in turn influence its strategy as organisations try to match these resources to the best fitting market segment (Hunt & Morgan, 1995; Peteraf, 1993). This also explains why organisations do not always pursue strategies with the highest returns – they go after those that match their resources (Peteraf, 1993).

The RBV argues that for an organisation to create competitive advantage it needs to match its resources to its environment. For the competitive advantage to be sustainable, the results of this matching must be conducted in a superior manner to other organisations and must be difficult for other organisations to replicate within an acceptable timeframe or cost (Madhok, 2002). It is interesting to note that in their study, Lynch et al (2000) found that a large proportion of the organisations were not matching their capabilities to their overall strategy. For example, the researchers found that nearly 60% of the respondents that were pursuing a low-cost strategy were possibly doing it inappropriately by adding value.

The RBV was extensively developed from the early 1990’s onwards, although it can trace its roots back to authors such as Penrose (1966) who described an organisation as having heterogeneous resources different to those of its competitors. She stated that an organisation’s resources determine its response to changes in the organisation’s environment. Wernerfelt expanded the RBV paradigm further in 1984, but it was not until the early 1990’s that researchers actively discussed it (Fahy, 2000). Regardless, rapid adoption by researchers has lead to a large body of literature theoretically developing the framework. However, there appears to be very little empirical work testing the validity of the assumptions of this theory.
Although Wernerfelt (1984) was one of the original authors to discuss the relative attractiveness of resources creating competitive advantage, Barney (1991) was one of the first to extensively use the RBV of the firm in describing competitive advantage. Barney’s 1991 framework has since been modified and superseded, but later authors still extensively refer to it. Barney’s 1986 paper helps to give a better understanding of his 1991 paper, and it is therefore important to read the two together (Barney, 2001) to gain an understanding of the RBV paradigm. He outlines two main assumptions of this theory – resource heterogeneity and imperfect mobility (Barney, 1991, 2002).

Resource heterogeneity is the assumption that organisations within an industry are heterogeneous – they are made up of different bundles of resources (Barney, 1991). Not only do organisations have varying resource bundles, but they also have differing levels of efficiency. More efficient resources can be used to produce products more economically and/or better satisfy consumer demands (Peteraf, 1993). Secondly, it is assumed that these resources are not perfectly mobile; therefore this heterogeneity is long-lasting (Barney, 1991). Resources that are specialised to meet an organisation’s specific needs are less mobile than more standardised resources (Peteraf, 1993). Four attributes of a resource necessary for sustained competitive advantage are outlined by Barney (1991): the value of the resource, the rarity of the resource, the imperfect imitability of the resource, and the resource must not have any close substitutes.

In later work, Barney and Griffin (1992) extend this framework by adding organisational orientation to develop the VRIO framework (Value, Rareness, Imitability and Organisation). Barney and Griffin (1992) argue that if the first three conditions are met (substitutability being included in imitability) then the resource can be a source of sustained competitive advantage, but only if the organisation successfully implements its strategies.

The value of a resource is determined by its ability to allow an organisation to implement strategies that improve its efficiency or effectiveness. A valuable resource will help an organisation exploit its opportunities while minimising threats (Barney, 1991). This emphasises the complementary nature of environmental models of competitive advantage and the RBV of the firm. Environmental models help an
organisation to identify opportunities and threats that can then be matched to the organisation’s resources. This helps the organisation determine which resources aid in creating a sustainable competitive advantage (Barney, 1991; Fahy, 2000).

Secondly, the resource must be rare. If a resource is readily available to other organisations that are able to utilise it in a similar way, then an organisation cannot gain a sustainable competitive advantage from that resource. This also applies to the bundles of resources that a firm has (Barney, 1991).

The third factor is that resources have to be imperfectly imitable. In other words, competitive advantage cannot be maintained if the resource can be imitated by other organisations or substituted by another product to create a similar outcome. Barney (1991) identified three factors that create imperfect imitability: history dependent, causal ambiguity, and social complexity.

History dependent refers to events from an organisation’s past that may today give it a competitive advantage. As an organisation’s environment changes, it may not be possible to repeat many of these events; therefore factors that prove to be strategic later on may not be imitable by other organisations. The next factor is causal ambiguity. This refers to a situation where it is difficult for competing organisations to see what resources an organisation uses to create its sustainable competitive advantage, making it difficult to imitate. Some organisations may not even understand the link between their own resources and competitive advantage due to their often complex and interdependent nature, or their being taken for granted. Social complexity is another factor that may make a resource imperfectly imitable. Examples of this include resources such as interpersonal relationships between an organisation’s managers or an organisation’s culture. Although there may be no causal ambiguity, competitors may find this factor difficult to imitate due to its complexity and the difficulty of imitating social related factors (Barney, 1991).

Another theory further developing an understanding of competitive advantage using the resource-based approach is that of Peteraf (1993). In her model, Peteraf describes four ‘cornerstones’ of competitive advantage. This is based on Barney’s two
assumptions of firm resources – heterogeneity and imperfect mobility. Peteraf then extends this framework by adding ex post and ex ante limits to competition.

Ex post limits on competition relies on two factors: imperfect imitability and imperfect substitutability, both of which were identified in Barneys 1991 framework. In other words, once an organisation has gained a competitive advantage it can only be sustained if other organisations are unable to copy that advantage or substitute it with another (Peteraf, 1993).

The final factor outlined by Peteraf, ex ante limits to competition, mean that there must be limited competition for a resource the organisation is going to use to create competitive advantage. This view supports Barney’s (1986) arguments that the economic benefits gained from a strategic advantage relate not only to the returns from the organisation’s strategies, but also the cost of implementing those strategies. In other words, profits are the result of ex ante uncertainty (Peteraf, 1993), also known as imperfect knowledge in factor markets (Barney, 1986).

Organisations are therefore trying to create greater than normal economic returns through the creation of imperfectly competitive factor markets that organisations purchase factors of competitive advantage from. An example of this may be creating a quality reputation, so the relevant factor market may be the market for corporate reputations. If perfect knowledge exists in a factor market then the full value of that product will be anticipated in its price, and an organisation will only be able to earn normal profits off it (Barney, 1986).

If an organisation has better knowledge of the factor than its competitors (or better luck), it is able to purchase the resources needed to implement its strategies for less than their economic value to therefore gain greater than normal returns. What many authors of competitive advantage fail to note is that organisations also need to be aware of the costs of implementing those strategies (Barney, 1986).

An organisation may have the potential to gain above normal profits from its resources, but through poor implementation fail to fulfil that potential (Barney & Griffin, 1992; Fahy, 2000). Therefore, an organisation must be capable of exploiting
its resources and capabilities (Barney, 2002). Value is created through the fit of an organisation’s resources to its strategy combined with the fit of the strategy to the organisation’s external environment (Black & Boal, 1994). This is the organisation component of Barney and Griffin’s (1992) VRIO framework.

In an attempt to better understand which resources are sources of competitive advantage, many academics and practitioners try to categorise them. The majority of authors who attempt to categorise factors generally develop a framework similar to Hunt and Morgan (1995). This framework not only includes tangible resources, such as land and capital, but also intangibles such as organisational culture, knowledge, and competencies. They argue that these factors are necessary to better understand modern day firms. One only needs to look at the success of organisations in countries such as Japan and Singapore that have very few natural resources of their own (Hunt & Morgan, 1995).

There are several different categorisation systems that have been developed by various authors along similar lines (Das & Teng, 2000; Fahy, 2000). Black and Boal assess some of these and argue that they all miss an important point – how easily a bundle of resources can be identified. The authors argue that if it is easy to identify the bundle of resources that give an organisation competitive advantage then it will be much easier for this competitive advantage to be eroded away by competitors as they imitate or find substitutes to the resources, eating away at the organisations opportunity for above normal profits. The authors therefore come up with two classifications for resources: contained and system resources (Black & Boal, 1994).

A contained resource is the simple network of resource factors that have a monetary value. Black & Boal (1994) argue that the network needs to be identified, as the configuration of factors and their relationship with each other is what create a particular firm’s resource. Black and Boal argue that it is important to include the relationships between factors, as they are what create a resource. The authors define the local network as a resource’s internal factor network, while its relationship outside its local network is its structural network.
Since a contained resource is so easily identified, the authors argue that they are unlikely to create a sustained competitive advantage alone. More likely, they will support a sustained competitive advantage by either being hidden or be only one factor in a more complex network that as a whole creates sustainable competitive advantage (Black & Boal, 1994).

A complex network of firm resource factors creates a system resource. Black and Boal define a complex network as having many direct and indirect links between a large number of factors. These factors are made up of a combination of nested system resources, constrained resources, and other resource factors. Also, due to the complexity of these networks, they have no definite boundaries. Usually they are socially created (Black & Boal, 1994), which makes imitation more difficult due to social complexity (Barney, 1991).

This complexity also makes it difficult for managers to create, manage, exploit and nurture these resources. However, they are worth the effort as they are difficult for competitors to identify (Black & Boal, 1994). The less identifiable a resource is, the more likely it is to be an important source of competitive advantage (Fahy, 2000), as imitation becomes more difficult.

The creation and successful use of resources that help an organisation to create sustained competitive advantage is an ongoing process. Organisations and their markets are in a constant state of disequilibrium (from a neoclassical viewpoint) as they attempt to neutralise and/or surpass other organisations competitive advantage (Hunt & Morgan, 1995). The value of resources are continually eroded as competitors find ways to imitate these sources of competitive advantage (Markides & Williamson, 1996), giving resources different economic lifecycles (Black & Boal, 1994).

Therefore, an organisation’s resources are continually bundled, unbundled, and rebundled, giving organisations an ongoing stream of revenue from several sources of competitive advantage (Black & Boal, 1994). For an organisation to maintain its competitive position it must not only reduce the likelihood of competitors appropriating these resources (Black & Boal, 1994), but also must have accumulated
competences that allow the organisation to build new strategic assets more rapidly and efficiently than its competitors (Markides & Williamson, 1996).

When assessing difficult to implement strategies organisations need to think of these costs in terms relative to their competitors. In other words, if an organisation can implement a strategy more efficiently than its competitors, it may become a source of competitive advantage (as long as the value of the strategy is greater than its cost of implementation). It therefore becomes important that organisations accurately assess the uniqueness of the resources that they control when deciding which strategies to implement. Over- or under-estimation of the value of an organisation’s resources could lead that organisation to invest in the wrong strategies (Barney, 2002).

As discussed, resources internal to an organisation create varying levels of value. Those that are valuable, rare, difficult to imitate and able to be utilised to their potential by the organisation may create a source of competitive advantage. However, organisations are generally incapable of internalising all the resources that they need. Therefore, they are motivated to interact with other organisations to gain access to the use of these resources. The interaction of these organisations results in them becoming part of a supply chain.

2.6.5 Internal to the Supply Chain

Now that an understanding of how resources can create value, and potentially, competitive advantage for organisations, it is important to understand how organisations gain access to those resources that aren’t internalised. The resource dependency and transaction cost analysis paradigms and their limitations are discussed to gain an understanding of this.

2.6.5.1 The Resource Dependency Approach

The Resource Dependency Approach (RDA) has a different emphasis on an organisation’s resources to that of the RBV. Under this framework, an organisation’s survival is dependent on its ability to acquire and maintain resources (Pfeffer & Salancik, 1978). As organisations don’t control all of the resources that they need, they gain and maintain needed external resources by altering their structure and
patterns of behaviour (Ulrich & Barney, 1984). In other words, purchase resources or work with other organisations that already control the needed resources.

Organisations create relationships between each other to reduce the uncertainty of acquiring needed resources as this paradigm assumes that resources in an organisation’s environment are scarce and valued (Carroll, 1993; Ulrich & Barney, 1984). This is necessary for organisations to adapt to environmental uncertainty, deal with problematic interdependencies, and manage resource flows (Pfeffer & Salancik, 1978).

The magnitude of dependency on a resource is affected by its relative portion of an organisation’s inputs, how critical the resource is to the organisation’s production, the availability of the resource (Pfeffer & Salancik, 1978), and the amount of control that the organisation’s suppliers have over the resource relative to the organisation (Sporleder, 1992). The RDA can be viewed as one of risk management (Sporleder, 1992), as organisations make decisions about their boundaries – is a resource so valuable to the organisation that it needs to be controlled within the organisation (Pfeffer & Salancik, 1978; Rasheed & Geiger, 2001)?

The importance of a resource can make dependency on other organisations high risk. Organisations aim to decrease their dependence on other organisations, while increasing other organisations’ dependence on them to ensure their survival (Smeltzer & Sifred, 1998; Ulrich & Barney, 1984). The more critical a resource is to an organisation, the stronger the need for that organisation to control the resource instead of having other organisations control it (Smeltzer & Sifred, 1998). The RDA approach states that organisations will use one or a combination of three approaches, depending on their situation. Vertical integration is used when organisations wish to control the resource themselves. Horizontal integration is used to make the organisation more powerful and exert leverage over its trading partners. Diversification may also be used to reduce an organisation’s reliance on a specific resource (Pfeffer & Salancik, 1978).

The RDA paradigm appears to conflict with the supply chain management paradigm. Methods advocated by SCM, for example, decreasing the number of suppliers, are
viewed unfavourably by RDA as this will increase the likelihood of an interruption of supply, while outsourcing to other organisations increases the organisations dependence on those other organisations (Smeltzer & Sifred, 1998). The SCM paradigm instead argues that non-core functions should be managed by other specialist organisations that can perform the function more efficiently, and strong relationships used so that both organisations benefit from this increased efficiency. Under SCM, organisations create strong, mutually beneficial relationships to minimise fear of a ‘loss of control’, allowing organisations to focus on joint value creation, eliminating the need to expend energy gaining power in the supply chain.

2.6.5.2 The Transaction Cost Analysis Framework

TCA is based on frameworks put in place using economic models, behavioural models, and contract law (Williamson, 1979). The main TCA principles are based on reducing the transaction costs of a relationship, mainly through the reduction of both opportunism and bounded rationality. Katsikeas, Skarmeas, & Katsikea (2000) define TCA as “…an analytical paradigm which explicitly views the firm as a governance structure; the focus of attention is the design of efficient governance mechanisms for supporting exchange.” In other words, what point along the relationship continuum will create the greatest efficiency by minimising the transaction costs while retaining an acceptable level of control and predictability?

Market governance is only suitable when the adaptation, performance evaluation, and safeguarding costs are low (Rindfleisch & Heide, 1997). As this is usually the exception rather than the rule, organisations need to assess the transaction costs associated with potential relationships and structure the relationship accordingly. The TCA paradigm recognises the various costs that are incurred when conducting a transaction (Hobbs & Young, 2000) and therefore help the decision making process when making this trade-off.

However, transaction costs are a lot more difficult to measure than economic costs because they relate to the potential consequences of alternative decisions (Klien, et all, 1990). These transaction costs occur before, during, and after transactions occur. They are made up of three areas (Heide, 1994; Hobbs, 1996a; Hobbs & Young, 2000):
• Searching and information costs – ex ante costs
• Negotiation costs – during a transaction
• Measurement and enforcement costs – ex post costs

A lot of these costs are hidden costs that managers usually don’t anticipate before they occur, or bother to analyse after they have occurred. Therefore TCA is useful for making managers aware of many of these hidden costs. This includes areas such as monitoring the partner organisation’s performance and protecting the organisation against negative actions that the partner organisation may take (Heide, 1994).

The next part of this theory that needs to be discussed is the dimensions of exchange. The dimensions of exchange - asset specificity, frequency of transactions, and uncertainty - refer to the characteristics of a transaction between two parties as can be seen in fig 4. These dimensions of exchange affect the type of transaction, and therefore influence the type of governance structure used. The governance structure shown here is a combination of the organisation’s position along the relationship continuum, as defined above and shown in fig. 4 on the horizontal axis, as well as along the vertical continuum in fig 4, which refers to the balance of power between the two organisations. The dimensions of exchange determine what type of governance structure will be used.

Figure 4 - The Relationship between Transaction Type and Governance Structure
Transaction specific investments are also referred to as asset specificity. Maughan & Wright (1993) explain the importance of assessing transaction specific assets by stating, “the more specific the asset and the more repeated the transaction, the greater the level of dependence and the higher the transaction costs,” (p56). Asset specificity is defined by Hobbs (1996a) as “when one partner to an exchange has invested resources specific to that exchange which have little or no value in an alternative use,” (p17). Because of the first organisation’s dependence created by high switching costs through investment in relation specific assets, the partner organisation may then act opportunistically and make further demands. Contract law in most countries will counter this opportunism, but in many cases it is less resource intensive for the first organisation to bend to the wishes of its partner than uphold the contract in court (Hobbs, 1996a).

The higher the frequency of exchange between parties, the more that buyers and sellers will value each others’ business (Hobbs, 1996a), which will make opportunism less likely. It may also create closer ties, decreasing the chance of opportunism. A more hierarchical governance structure will be used as the frequency of exchange increases (Loader, 1997) and the organisations will become better coordinated (Buvik & Anderson, 2002). Increased exchange frequency will also help reduce uncertainty between organisations, as they know what to expect from each other. But if one organisation has more power in the relationship than the other, the other may need to increase its safeguards, which will increase its transaction costs.

Foster (2000) talks about transaction costs relating directly to behavioural uncertainty. That is, monitoring costs are created because of the possibility of opportunistic behaviour by the partner organisation due to bounded rationality and information asymmetry. Hobbs (1996a) defines bounded rationality as the physical limits of a person’s capacity to accurately evaluate all possible decision alternatives when attempting to make a rational decision. As bounded rationality and the likelihood of opportunism increase, so too do the transaction costs.

Informational asymmetry is explained by Hobbs (1996, p16) to occur “…when there is public information available to all parties but also private information which is only available to selected parties, so that all parties to the transaction no longer possess the
same levels of information.” Information asymmetry (opportunism) can occur ex ante, which means that an organisation hides information from the other organisation prior to a transaction, and ex post, which occurs when an organisation hides their actions from individuals or other organisations after a transaction has occurred. Both of these possibilities increase the organisation’s needs for safeguards, increasing the cost of transactions.

In summary, as transaction costs rise, organisations will generally exhibit signs of closer vertical coordination in an attempt to minimise unnecessary transaction costs (Robicheaux & Coleman, 1994). This leads to the need for a governance structure that relates to the level of vertical coordination required, and that also matches the underlying dimensions of the exchange (Williamson, 1979).

Resources spent creating and maintaining relationships lower transaction costs, and also allow other potential benefits such as better coordination for programs such as Just In Time (JIT) delivery (Buvik & Reve, 2001). The longer a business-to-business relationship lasts the lower safeguarding costs become. Trust and commitment between the organisations increase, decreasing the chances of opportunism, and increasing the replacement costs of the other organisation. The frequency of inter-firm exchange also increases, helping to improve coordination between organisations (Buvik & Anderson, 2002).

These dimensions of exchange affect the type of contract that is used in creating the relationship, and the governance structure used to administer it (Hobbs & Young, 2000; Williamson, 1979). This is because as each of these dimensions increase, the governance structure used becomes increasingly hierarchical in an attempt by the organisations to reduce transaction costs (Robicheaux & Coleman, 1994). As the governance structure becomes more structured and hierarchical, one organisation can emerge in control (unified governance), or the governance can be managed equally by both organisations (bilateral governance) (Dwyer & Oh, 1988; Heide, 1994; Heide & John, 1992). Unified governance can be created through power (for example, a small numbers problem), or on a contractual basis (for example, franchises). As can be seen in a market based exchange the most powerful organisation can exert very little power compared to when the organisations are in a highly integrated relationship.
Although the TCA paradigm has been heavily researched empirically and widely used to explain many case studies, it has also been criticised by many authors. This is because TCA focuses only on minimising the costs of a transaction – it fails to recognise a transaction’s value, or even take into account the value of resources both within and outside the organisation.

Zajac & Olsen (1993, p132) argue “…that the transaction cost perspective has at least two major limitations when used to analyse interorganisational strategies: (1) a single-party, cost minimisation emphasis that neglects the interdependence between exchange partners in the pursuit of joint value, and (2) an over-emphasis on the structural features of interorganisational exchange that neglects important process issues.” The authors propose a framework that assesses interorganisational strategies by looking at joint value maximisation and the processes by which exchange partners create and claim value. This framework explains that firms may favour relationships with higher transaction costs if higher transaction value is created. This goes against the core principle of TCA.

Ghosh & John (1999) also extend the Transaction cost analysis framework to create what they call Governance Value Analysis (GVA). They argue that TCA “…is a mere cost-minimisation calculus based on exogenous attributes of an exchange, and as such, it provides little insight into strategic marketing choices that are grounded in firm-specific differences,” (Ghosh & John, 1999). They argue that the form of governance that offers the greatest value from the feasible alternatives is the one that is selected. This is in contrast to TCA that states that organisations will chose the governance structure based on the lowest cost.

Value is rarely created in isolation (Ghosh & John, 1999). Interorganisational arrangements are a result of anticipated value gains, rather than anticipated losses. Parties involved in an interorganisational strategy establish these relationships in order to create value that they could not create alone. As the TCA paradigm fails to acknowledge the creation of this joint value, many interorganisational strategies may appear irrational, when in fact they create the greatest value for the organisations involved, (Zajac & Olsen, 1993).
In an interorganisational relationship creating value is not enough – organisations also need to be able to claim their share of that value. This is important, as organisations are primarily self-interested. So they will implement the governance structure that creates the most joint value compared to costs, but only if their share of this joint value exceeds what they would receive from an alternative governance structure (Ghosh & John, 1999).

The organisation’s ex post bargaining strength determines its share of this joint value. Ghosh and John (1999) define three variables that affect an organisation’s share: specific investments, adaptation problems, and performance measurement problems. “Both parties realise that each will attempt to minimise its ex post disadvantage at the value claiming stage by (1) scaling back investment, (2) adapting less, and (3) forgoing activities that are hazardous from a measurement standpoint,” (Ghosh and John, p133). All of these steps reduce joint value creation, which motivates the organisations to search for a better governance form. The authors argue therefore that value creation is negatively affected if a governance form isn’t selected that manages the value-claiming problem (Ghosh & John, 1999).

Another failing of TCA is the realisation that opportunistic behaviour is minimised as organisations analyse how such behaviour will affect the value of expected future exchanges. Interorganisational strategies are the result of two or more organisations voluntarily seeking to create and sustain a relationship that is of value to both organisations. Although the organisations in such a relationship are mainly interested in satisfying their own interests, it is valuable to them to maintain cooperation in order to satisfy those interests. The risk of opportunistic behaviour is considered to add to the overall cost of the relationship, which is then deducted against its perceived value (Zajac & Olsen, 1993).

In summary, despite the validity of the transaction cost analysis paradigm, it has several limitations that need to be taken into consideration when applying it to case studies or other data. The main limitation of this paradigm is its inability recognise the value that a relationship may create. The other paradigms discussed in this section
also have limitations, but by roughly combining their unique concepts together a better understanding may be developed when applying them to data.

2.6.5.3 Combining Transaction Cost Analysis, the Resource Based View of the Firm and the Resource Dependency Approach

In order to better understand the strategy of the organisation and how it relates to the organisation’s supply chain we need to combine the RBV of the firm with RDA and TCA. Madhok (2002) argues, “I would contend that, as a result of the interdependence of production and exchange relations, strategic management is about coordination and resource allocation both within and across firm boundaries,” (p547). Although the RBV and TCA do have conflicts, they are complementary in nature (Silverman, 1999). By combining both theories with RDA we are able to get a better understanding of organisation strategy in relation to the whole supply chain – both internal and external drivers of organisational behaviour.

Madhok (2002) explains that TCA researchers have focused mainly on the efficient governance of organisations in organising economic activity, while RBV researchers have emphasised competitive advantage. The two frameworks have different views as to the reasons for interfirm collaboration. Under the RBV, organisations collaborate because it enables them to access complementary resources and overcome resource constraints. In comparison, the TCA framework describes interfirm collaboration occurring when it minimises the costs of governing that activity (Madhok, 2002). RDA looks at the strategic value of access to specific resources in a relationship when determining which governance structure to utilise (Pfeffer & Salancik, 1978).

From the RBV perspective, relationships with other organisations are seen as a strategy to gain access to the resources of other organisations. With the appropriate relationship structure, new sources of competitive advantage can be created for both organisations. The aim of organisations in these relationships is usually to either obtain the other organisation’s resources, or to retain and develop the organisation’s own resources by combining them with the other organisation’s resources. This can be achieved either through either ownership or vertical coordination (Das & Teng, 2000).
When organisations reach a certain level of vertical coordination they become more than independent entities who transact together. The organisations relationship can be seen as a strategic asset as the resources of both organisations complement each other (Madhok, 2002), creating a competitive advantage for both organisations.

The RBV is limited in that it underemphasises the ability of firms to exploit resources through market arrangements rather than expanding the organisation’s boundaries. RDA can help overcome this and determine the structure most suitable for the organisation based on the importance of the resource. The TCA framework can then be applied to assess the most efficient and effective governance structure that an organisation should use when creating each relationship (Silverman, 1999). However, all of these steps need to be implemented in the context of the SCM paradigm. As such, while their concepts provide value to the decision making process when determining a suitable supply chain structure, relationship creation and management, each paradigm’s theories are not strictly implemented, but rather elements of each are incorporated into a cohesive whole.

**2.6.6 Conclusion**

As can be seen, the range of factors that may influence a channel coordinator’s strategy are very diverse. Three areas were discussed: the firm’s environment, which is an uncontrollable factor; and the factors internal to the channel coordinator and internal to the supply chain, which are both controllable factors. A combination of three frameworks – the resource based view of the firm, resource dependency and transaction cost analysis – were discussed and then meshed together to help develop an adequate understanding of the factors influencing the channel coordinator that he has some control over. This section is an important part of the research, as part of the purpose of this research is to develop an understanding of the factors that influence the strategies of channel coordinators.
2.7 Conclusion

The literature review has discussed very diverse strands of literature. It began by developing a definition of a niche agribusiness supply chains, after developing each of the components of this concept. This process is important, as it defines the population that the sample is drawn from. This will aid the implementation of a consistent and robust sampling process, as well as enhance understanding of factors specific to this population.

The next section examined some of the coordination structures that may be used between organisations. This section began by discussing dyadic relationships, before expanding this discussion to the supply chain level. The concepts developed in this section are important to this research as they form an integral part of its purpose – understanding what coordination structures are utilised by niche agribusiness chains.

Section 2.4 defined the channel coordinator and his role, as well as his importance to the success of the supply chain. The factors that decide which organisation in a supply chain becomes channel coordinator were also discussed. This discussion on channel coordinators is vital to this research, as part of the research purpose is to develop an understanding of their role in supply chains.

Some of the strategies that may be implemented by a channel coordinator to control his supply chain were discussed in section 2.5. It was found that there is very little in the literature on the strategies of a channel coordinator, therefore theory developed on the strategies of the individual organisation were applied. This is an area that needs to be more heavily researched in the future. This section is important to this research as it outlines examples of strategies that may be implemented by channel coordinators of niche agribusiness supply chains, which will help to answer the research questions.

Section 2.6 described the factors that influence the channel coordinator’s strategy. This looked at three areas: the firm’s environment, which is an uncontrollable factor; and the factors internal to the channel coordinator and internal to the supply chain, which are both controllable factors. It was decided that using a combination of three frameworks – the resource based view of the firm, resource dependency and
transaction cost analysis – would help develop an adequate understanding of the factors influencing the channel coordinator that the channel coordinator has some control over. These three paradigms were roughly meshed together at the end of the section in an attempt to create a balanced understanding of the potential factors influencing the channel coordinator’s strategy that he has some control over. This section is an important part of the research, as part of its purpose is to develop an understanding of the factors that influence the strategies of channel coordinators. It was found that there is an unlimited number of potential factors, so existing paradigms were incorporated and discussed where possible to simplify understanding of this complex area.

The next step is to incorporate these very diverse strands of literature into a framework that can help cast light on the research questions. This framework will be important, as without simplifying the literature review into a coherent model it will be impossible to usefully test the theories that have been developed in a robust manner.
3. Framework

3.1 Introduction
The purpose of this chapter is to develop a framework based on the literature that can be used to answer the research questions. This framework is expressed in a model, from which a set of propositions have been developed in an attempt to cast light on the research questions. The chapter begins by developing the model and briefly explaining its components and how they interact. Each of the components are then explained in detail and a proposition developed for each.

3.2 The Model
The insights derived from the literature review have been drawn together and are presented in a model in fig. 4. This model argues that the structure of a supply chain is influenced by the channel coordinator’s strategy, which is in turn influenced by the channel coordinator’s motivation and vision, developed as a result of environmental and resource issues. Each area and its interaction within the model will now be discussed.

Figure 5 – Framework Model based on the Literature

3.2.1 Model components
The channel coordinator (box 2) is the linking factor between the environment (box 1), resource issues (box 3), and the supply chain structure (box 6). Motivation and vision (box 4) are created as a result of the channel coordinator identifying a target
market in the environment whose needs can be meet by combining together internal (directly controlled by the channel coordinator) and external (not directly controlled by the channel coordinator) resources in a suitable manner, and create a product offering that meets the demands of the environment. The channel coordinator’s vision refers to the channel coordinator’s long-term goal of perfectly matching his resources and those of other businesses to the demands of his environment. The channel coordinator’s motivation refers to factors that motivate a firm to expend the extra effort required to undertake this process by coordinating the supply chain.

In order to fulfil his vision, the channel coordinator creates a strategy (box 5), which is focused on meeting present demands. The strategy will be aimed at building towards the channel coordinator’s long-term vision by planning what is necessary to reach it and ensuring that this happens. As a result of his strategy, the channel coordinator organises the supply chain (Supply Chain Structure, box 6) in a manner that meets the needs of the target market as efficiently and effectively as possible (arrow E) within the boundaries set by the environment and resource issues. The supply chain structure encompasses all of the organisations involved in the supply chain, and the relationships and coordination structures between each of them.

### 3.2.2 Model description

The channel coordinator’s motivation (box 4) refers to the motivation for being the channel coordinator of the supply chain. This may be created by the channel coordinator having a vision (box 4) that is a result of a combination of both an opportunity that the channel coordinator has identified in the environment (box 1) and developing a profitable use for the organisation’s resources (box 3). This is achieved within the limitations of the resources available to the supply chain and the factors that make up the environment.

The Environment (box 1) refers to the environment that the channel coordinator is operating in and includes several factors. This model depicts a one-way flow of influence from the Environment to the Channel Coordinator (arrow A). This is because the channel coordinator is thought to have very little influence over his environment as the impact of methods such as advertising and lobbying government
will be limited. That is, the channel coordinator can be described as a servant to the market as most of the influence and information flows from the environment to the channel coordinator.

Resource Issues (box 3) encompasses the resources both controlled by the channel coordinator and resources that are controlled by other organisations. The model has influence flowing in both directions between the channel coordinator and the resource issues (arrows B and C) due to an ongoing process of feedback and adaptation. The process begins with the channel coordinator determining which resources are needed to fulfil the demands of the environment. There are various methods that the channel coordinator can employ to gain access to resources not under his control that are needed to meet the needs of the target market (arrow B). This will be a mix of internal resources controlled by the channel coordinator and external resources whose benefits the channel coordinator will need to determine how to acquire (arrow C). Once access to the needed resources has been established (arrow B), the channel coordinator will create a strategy (box 5) in order to achieve his vision (arrow D). As the environment changes (box 1), the channel coordinator will adapt, changing what resources are needed (arrow C).

A major part of formulating the strategy (box 5) is the make or buy decision – should a particular step in the value added process be made in-house by the channel coordinator or purchased from another firm? There are thought to be both advantages and disadvantages to using the different methods at the channel coordinator’s disposal. The channel coordinator’s strategy will be focused on meeting the demands of the target market with the most effective and efficient means possible. The Channel coordinator’s strategy may in turn influence the supply chain structure (box 6).

The supply chain structure (box 6) relates to the different relationships used between each level of the supply chain. The structure is influenced by the channel coordinator’s strategy (arrow E) of how to best meet the needs of the target market(s) with the resources that are employed by the supply chain while maximising the stability of access to those resources. This can be done through a mix of vertical
integration, vertical coordination and spot markets, depending on the importance and availability of each resource to the channel coordinator.

The process of the coordinator’s strategy leading to channel structure flows only one-way in the diagram (arrow E). Although the existing supply chain structure will have some influence over the strategy of the channel coordinator, it is argued that this structure is more a result of the channel coordinator’s strategy rather than the other way round. The channel coordinator may modify his strategy to a certain extent to get the existing supply chain structure to meet the needs of the market based on a cost/benefit analysis of each modification. However, it is probably the demands of the market and how this influences the channel coordinator’s strategy that leads to adaptations in the supply chain structure, not vice versa.

3.2.3 Mode I Dynamics
The process depicted in the model is a dynamic one, with the channel coordinator constantly receiving data from its target market. A known characteristic of niche markets is that they can change their makeup and preferences very rapidly. Therefore this information may need to be continually monitored by the channel coordinator, and the bundle of benefits offered by the supply chain updated to match these changes.

This makes the cycle between the channel coordinator’s vision and strategy and the resource issues a continual process as the channel coordinator assesses what resources are needed to continue to meet the demands of the changing target market and the environment in general. Thus it is argued that the channel coordinator’s motivation and vision will be continually influenced by the changing dynamics of the environment, which will probably create the need for ongoing evolution of the channel coordinator’s strategy and therefore, supply chain structure. Resources may be constantly bundled, unbundled and rebundled to create the most competitive offering for the target market. This whole process is an ongoing exercise in order for the supply chain to stay one step ahead of competitors and meet the continually changing needs of the target market.
From the model five propositions have been developed to postulate why niche agribusiness chains might be structured the way they are. These five propositions are related to the channel coordinator’s vision and motivation, environment, resources, strategy and structure of the supply chain.

3.3 The Channel Coordinator’s Vision and Motivation

In a supply chain one organisation may emerge as the channel coordinator, also known as the supply chain leader or chain captain. This organisation will often manage the chain to make it more effective and efficient at meeting the target market’s demands than it would be unmanaged, as it may better recognise the needs of the supply chain’s focal market and have a strategy that can be consistently employed to fulfil these needs. This channel coordinator can potentially be any organisation in the supply chain, regardless of its position in the chain or its size and power. What influences an organisation to become the channel coordinator is a combination of its vision for the channel and motivating factors.

The process of an organisation becoming the channel coordinator may begin with the organisation having a vision for meeting the demands of a target market. This vision will probably determine what resources are needed to meet these demands. The channel coordinator may then determine how to gain access to those resources that it doesn’t already control. This vision would probably go beyond the channel coordinator’s strategy of how to meet the current needs of the market. It would relate to the ultimate goals that the channel coordinator has for the market, the supply chain, and its own organisation.

Due to the nature of niche markets, it is likely that the niche supply chain will attempt to fulfil his vision utilising a focus strategy. As such, the niche channel coordinator’s vision is likely to have a narrow scope, emphasising a customised bundle of benefits to create value for the target market, rather than competing on a cost basis. Supply chains made up of firm(s) with a larger resource base than the channel coordinator’s chain that participate in the same industry may be able to use their economies of scale to produce a generic product for much lower cost as well as use their larger resource base to bear lower profitability for longer periods of time if price competition
emerges. In other words, the niche supply chain will probably develop as a result of the channel coordinator maximising profitability from the resources available to him, rather than attempt to mimic the output of supply chains and firms with a larger resource base.

In order to support the achievement of his vision, the channel coordinator will probably have to communicate his vision to key channel participants and motivate them to share in this vision. Communication of the channel coordinator’s vision is probably important as it makes the organisations critical to the success of the supply chain aware of the channel coordinator’s long-term goals for the supply chain and target market, and therefore what part each organisation plays in the process. Communication of the vision may be limited to only those organisations that play a vital role in the supply chain’s success, as the value gained by communicating this vision to less critical organisations may not outweigh the costs. However, communication of the channel coordinator’s strategy, covered later, may occur with greater frequency and to more of the channel participants due to its short-term focus, important for the daily coordination of the supply chain. Acceptance of the channel coordinator’s vision by the other organisations of the supply chain may be aided by the fact that they may not have their own vision for this chain/market, as they probably will not have the same levels of motivation as the channel coordinator. Successful acceptance of this vision will only be possible if these critical firms have a supply chain orientation.

Due to the dynamic nature of the supply chain’s environment, the channel coordinator will adapt his vision, and hence his strategy, depending on what bundle of resources are needed to meet the demands of the environment. The nature of niche supply chains may mean that the channel coordinator is able to react to changes in the environment and communicate his modified vision more rapidly to channel participants than the channel coordinator’s of larger supply chains. However, the channel coordinator will probably only modify his vision when major changes occur in the resources available to the supply chain or in its environment, due to its broad, long-term nature. This process is an ongoing exercise in order for the supply chain to stay one step ahead of competitors and meet the continually changing needs of the target market. However, without motivating factors, it is probably unlikely that this
organisation would choose to face the extra challenges of acting as the channel coordinator.

There are many different motivating factors that may emerge. Many of these are not related to the most powerful firm in the chain becoming the channel coordinator. A small firm could be the channel coordinator as a result of the supply chain being the focus of the channel coordinator’s business, whereas it might only make up a small proportion of the business of the other organisations in the supply chain. Therefore the success of the focal supply chain is of far greater importance to the channel coordinator than it is to the other organisations in the supply chain as a relatively far larger portion of its business relies on the success of the focal chain, creating greater risk for the channel coordinator.

There may be other reasons that an organisation may be motivated to become the channel captain. These could include the organisation’s position in the chain; for example, a retailer may be able to easily collect more detailed information about the chains target market than the other organisations in the chain. Another reason could be the resources that the organisation controls are more valuable than others to the supply chain. It could also be due to the relative size of its value added contribution to the chain. For example, in a beef product’s supply chain the processor may be the organisation that adds the most value to the supply chain due to the use of special methods when preparing cuts of beef.

Both vision and motivation are probably needed for an organisation to become the channel coordinator. Having only one or the other may decrease the chances that an organisation will become channel coordinator, and if the organisation does become channel coordinator, decrease the chances of success in this role. The organisation with the strongest combination of these two factors will probably become the channel coordinator.

**Proposition one:**

a. *The channel coordinator will have a vision for the supply chain and the target niche market*
b. The channel coordinator will have a range of motivating factors for becoming the channel coordinator

The channel coordinator’s vision probably encompasses not only the matching of resources to the demands of a particular market, but also vision of the future shape of the target market, the supply chain, and the channel coordinator’s organisation. The motivating factors combined with the channel coordinator’s vision might cement the organisation’s place as the channel coordinator.

3.4 The Channel Coordinator’s Strategy

The channel coordinator’s strategy for the supply chain will probably be based on the most effective and efficient means of matching the demands of his environment with resources available to him (both directly and indirectly) in order to achieve his vision. The channel coordinator’s strategy will probably have a short-term orientation meeting the current needs of the market, based on building towards his long-term vision.

Creating a consistent strategy along the supply chain may be important to ensure that the channel coordinator’s vision for the supply chain and meeting the needs of the target market is followed as accurately as possible. This will probably occur to a greater extent than communication of the channel coordinator’s vision, as communication of the strategy is important to maintain coordination in the everyday running of the supply chain. An understanding of the channel coordinator’s vision is probably only important for those organisations that are critical to the supply chain. The communication of the channel coordinator’s strategy will probably result in a consistent offering to the supply chain’s target market, aligned to the channel coordinator’s vision. For acceptance and implementation of the strategy to be successful, the firms in the supply chain probably need a supply chain orientation, rather than being shortsighted and concentrating on their own organisation’s short-term profitability at the expense of the supply chain.

Due to the channel coordinator’s possibly flexible vision, designed to cope with the dynamic nature of the supply chain’s environment, the channel coordinator will
probably change and adapt his strategy as needed. The strategy will adapt much more
fluidly than the vision, which, due to its broader, longer term focus, will probably
only need to adjust to major changes in resource issues or the environment. The
nature of niche supply chains may mean that the channel coordinator is able to react
to changes in the environment and communicate his modified strategy more rapidly to
channel participants than the channel coordinator’s of larger supply chains.

Proposition two:
The channel coordinator will have a strategy for the supply chain that matches the
resources of the chain with the target niche market, which fulfils his vision

The channel coordinator will probably implement a focus strategy, developed with a
short-term orientation matching the demands of his environment to available
resources in the most efficient and effective manner in order to build towards his
long-term vision. Due to the likelihood of the channel coordinator being the most
motivated to have the supply chain succeed he should be able to create acceptance of
his strategy by the other organisations in the supply chain, creating coordination along
the chain towards his vision.

3.5 Environment
The channel coordinator will adapt to the environment that it functions in. Several
factors that could have an impact might include:

- The target market and demand characteristics
- The technological environment
- Government regulation
- The nature of the supply chain’s product
- Competitive forces
- The threat of new entrants or substitutes

There are many factors that could be included as target market and demand
characteristics. Consumers are possibly becoming more demanding in relation to the
attributes of meat products, their quality, and the accountability of the organisations in
the industry. This combined with possibly increasing consumer demand for a more
specialised bundle of benefits associated with food purchases may have created the potential for smaller, more specialised markets to be profitable for many organisations.

It is possible that many organisations targeting these specialised markets are using strong brands and associated imagery to communicate to consumers that their product(s) offer the bundle of benefits that the consumers demand. This might further be supported by new developments in biotechnology that are allowing the creation of customised products for very specific markets. Meat products that weren’t previously possible are now able to be created that better meet the needs of specific niche markets.

Increases in technology are also beneficial in other ways. New developments potentially allow more detailed data to be collected and used from traceability programs as cuts of meat can be tracked more accurately and for lower cost than previously. This allows the implementation of stronger quality assurance programs supported by traceability programs that run the length of the chain. These programs are becoming increasingly important after highly publicised outbreaks of disease such as BSE (Bovine Spongiform Encephalopathy) and FMD (Foot and Mouth Disease) that have led to increasing consumer demands relating to assurance of the safety and quality of meat they eat.

The quality assurance and traceability programs are also being implemented to meet the demands of more stringent regulations now and in the future. After the outbreaks of BSE and FMD, new regulations relating to the processing and handling of meat has meant that organisations need to meet the demands of many new restrictions. Many of these are probably only possible through the implementation of new and developing technologies.

The perishable nature of meat might create some additional challenges for organisations in the meat industry. Since the flow of product through the supply chain needs to be managed in a way that maintains its quality and avoids deterioration in order to maximise its shelf life, it may become a more challenging product to handle than many others.
Niche supply chains are likely to use a focus strategy, serving a niche market. Therefore, it is possible that a niche supply chain’s competition may not come from direct competitors (or new entrants), but competitors focused on other niches and/or the generic market, whose offerings cross over into the supply chain’s own niche market (substitute products), attracting some of those consumers.

The channel coordinator may not always control the supply chain to the level of the final consumer, for example he may target restaurants. However, it is probable that the channel coordinator will focus his attention on the demands of the final consumer. Having a chain-wide vision based around the creation of the bundle of benefits demanded by the end consumer will probably help ensure that the whole supply chain is cohesively aimed at fulfilling the end consumer demands.

As shown by arrow A in the model, environmental factors affect the channel coordinator’s vision and motivation. The channel coordinator’s role is probably to ensure that the channel is coordinated in the most efficient manner to overcome these challenges created by the environment and to ensure that chain wide requirements are met. The channel coordinator probably also has a role in ensuring that the whole chain is focused on creating the customised product that is demanded by the chain’s niche market. Information may constantly flow from the market, as it is likely that the market will be dynamic in nature, meaning that the supply chain will probably need to constantly monitor the market and adapt as necessary.

Proposition three:

*The nature of niche agribusiness environments affects the vision and motivation, as well as the strategy, of the channel coordinator*

The term ‘nature’ in this context therefore refers to the target market and demand characteristics, technological environment, government regulation, the product characteristics, competitive forces, and the threat of new entrants or substitute products. The channel coordinator may attempt to adapt the supply chain structure to best meet the demands of these factors.
3.6 Resources
The resources available to and required by the channel coordinator to meet the needs of the target market might also affect its motivation and vision. The resources that are needed are determined by the demands of the target market. The channel coordinator is likely to directly control some of these resources; it is expected that the others might come from either acquiring them or working with other organisations that control them. This is known as the make or buy decision.

If the channel coordinator chooses to ‘make’ a value added process in-house, he or she needs to buy the resource (or bundle of resources) necessary to do this or buy an existing organisation that controls the resource. These two methods can be advantageous since the organisation has total control over that resource.

However, there may be risks associated with this if demands of the market change and that particular resource is no longer needed it may be hard to reclaim the organisation’s investment. Making the resource from nothing can also be expensive and the resource difficult to acquire, as well as the issue of the time it takes to advance up the learning curve. This could mean that it takes months or even years before the channel coordinator develops the necessary knowledge and skills to use the resource in a competitive manner. Acquiring an existing firm may also have disadvantages. To begin with, this may not be an option for many firms due to capital constraints. If used it can also lead to the acquisition of resources that aren’t needed, but come as part of the bundle of resources that make up the firm. The main advantage of this method is the time that may be saved if the firm purchased is further up the learning curve than the focal firm regarding the process to be performed ‘in-house’.

Alternatively, the channel coordinator can ‘buy’ a value added process. That is, to ‘buy’ production from another firm, rather than ‘buy’ a factor of production and making it ‘in-house’. This involves interacting with organisations that control the resource and/or resource bundle needed to undertake the value added process. The main advantage of this method is the low cost of gaining access to the resource. However, this is countered by the fact that another organisation controls the resource, therefore access to it is not guaranteed and the quality of the value added process is reliant on that organisation. Therefore the challenge is to build a relationship with the
other firm to better ensure that the value added process is consistently delivered reliably with the correct specifications.

It is thought that channel coordinators that are small firms are likely to favour the use of vertical coordination (the ‘buy’ decision) rather than vertical integration (the ‘make’ decision) with organisations that have resources strategically important to the supply chain and themselves. This is because channel coordinators that are small firms will not usually have a large enough resource base to make vertical integration a practical option. Therefore they use other methods to ensure stable access to resources. However, the channel coordinator is probably also aware that using this method means sharing resources among the organisations in the supply chain, which can put these resources at risk as they can become exposed to competitors, especially if an organisation leaves the supply chain or is also working with competitors.

It is proposed that when choosing outside organisations the channel coordinator will choose organisations that have the best resource- and strategic-fit for achieving the channel coordinator’s goals out of the pool of organisations available. Hence the channel coordinator may benefit from the creation of synergy in the supply chain due to the resources of each firm complimenting the resources of other firms in the chain, allowing the creation of new sources of competitive advantage for the channel coordinator and the supply chain as a whole. This may reduce the channel coordinator’s options when selecting resources to utilise to meet the needs of the target market.

Due to the possible dynamic nature of the channel coordinator’s environment, his vision, and hence strategy, may be regularly adapted to these changes. This will have an impact on the resource issues (arrow C) as the channel coordinator may change his demands for resources needed to meet the needs of the target market(s). These needs will be further adapted as different combinations of resources are used, as the channel coordinator tries to assess which are more successful (arrow B).

*Proposition four:*

*Resource issues affect the motivation and vision, as well as the strategy, of the channel coordinator*
The term ‘issues’ refers to the ability of the channel coordinator to match resources to needs of the target market. Many of these resources will already be under the control of the channel coordinator, but the others will need to be accessed either by gaining control of each resource or by working with other organisations that control some of the resources. The channel coordinator will change his demand for various resources due to the dynamic nature of the environment and feedback from how successful the utilisation of these resources are.

3.7 Structure of the chain

The structure of a niche agribusiness supply chain will probably be based on the strategy of the supply chain’s coordinator, which will arise from the vision. The resulting supply chain structure will therefore probably be the result of the most efficient means of combining together the various resources available to the channel coordinator in order the meet the demands of the environment as effectively as possible, while building towards the channel coordinator’s vision. Competitive advantage may be created depending on the level of the supply chain’s success and the difficulty for other firms to achieve the same outcomes.

The levels of vertical coordination/governance structure used between each organisation in the supply chain (both first and second tier – in other words, one or more steps from the focal organisation) are likely to depend on:

- The importance of each relationship
- The relative size of the organisations
- The importance of the success of the supply chain to each firm
- The ease with which each organisation could be replaced
- Formal methods of coordination that can be used, such as contracts

The relatively small resource base of channel coordinators that are small firms compared to larger or more powerful organisations in their supply chain means that they are unlikely to rely on coercion to manage the supply chain. This leaves them with incentives and persuasiveness. This is important to ensure that all organisations
in the supply chain work in the interests of the supply chain. However, this is probably not always achievable, creating risk in the supply chain.

It is also likely that the channel coordinator will attempt to minimise risk to itself and the supply chain as a whole when shaping the structure of the supply chain. Issues that may be considered include:

- Risk and value created by the firms that are in the supply chain
- How risk is shared around the supply chain
- The loss of resources and competitive advantage due to organisations leaving the supply chain (either through taking their own resources or other member firms’ resources).

Possibly one of the major forms of risk is an organisation not performing and meeting its obligations to the supply chain. To reduce this threat, the channel coordinator is likely to institute performance and enforcement measures. The supply chain will probably function much more smoothly if all parties involved are aware of what their obligations are and what to expect if those obligations aren’t met. Competitive advantage may also be created if the organisations in the supply chain have a supply chain orientation and work together to ensure that they all perform to specification. This may not only benefit the individual firm, but also the supply chain as a whole. This could make it important for the channel coordinator to attempt to create this attitude among the firms in his supply chain.

Channel coordinators that are small firms and have complex supply chains may overcome their limited resource base and manage complexity by delegating authority to other members of the supply chain to oversee its less critical sections. This can include areas such as managing second tier organisations (a first tier organisation is between the focal organisation and second tier organisations) or organising third party service providers (for example, a trucking company).

An issue that the channel coordinator will probably face is a gap between the coordinator’s expectations of how his strategy will be implemented and what is actually implemented. This gap may vary due to several of the issues outlined above,
such as the limitations of resources available and how readily the other organisations in the supply chain adopt the channel coordinator’s vision. The gap may also increase due to the dynamic nature of the supply chain’s environment, creating an ongoing change in resource needs and strategy. This may create the need for continual modification of the supply chain’s structure to ensure optimum effectiveness and efficiency. However, modification will probably depend on a cost/benefit assessment by the channel coordinator of modifying the supply chain’s structure. Change in the structure of the supply chain will therefore probably occur with less frequency than change in the environment and strategy, and most adaptations should entail only minor change, as most firms in the supply chain will be flexible to a certain extent.

**Proposition five:**
The strategy of the channel coordinator influences the structure of its niche agribusiness supply chain

The ‘structure of niche agribusiness supply chains’ in this instance includes the firms involved in the supply chain (first and second tier), the governance structure used with each relationship, and the level of vertical coordination of each relationship. This structure will be based on issues relating to the level of vertical coordination needed for each relationship, how risk can best be managed, and how to create a consistency of vision across the supply chain. The strategy will only influence the supply chain structure, as there will be several factors that limit the effectiveness of its implementation.

The five propositions relate to the components of the model: the influence of the environment and resources issues on the channel coordinator’s vision, motivation and strategy, and how this influences the supply chain structure implemented by the channel coordinator. These propositions are important to help cast light on the research questions and ensure that analysis of the data in this research is focused.

### 3.8 Conclusion

The insights from the literature review have been incorporated into a model that has five associated propositions. The next step is to use this model and these associated
propositions as a basis for fieldwork to describe what supply chain structures niche agribusiness chains operating in New Zealand’s meat industry utilise and the reasons why these structures are utilised. To gain a better understanding of ‘why’, the research will focus on the role of the channel coordinator, the strategies that he implements in relation to the supply chain structure and the reasons why.
4. Methodology

4.1 Introduction

This chapter outlines the methodology that will be implemented to conduct the empirical part of this study. The first step in this process is clarification of the study’s questions (Yin, 1984). In the first chapter purpose of this research and research questions were outlined:

Part A.
What co-ordination structures are used by niche agribusiness chains in the New Zealand meat industry?

Part B.
What is the role of the channel co-ordinator in niche agribusiness chain structures in the New Zealand meat industry?

1. What strategies does the channel co-ordinator employ with respect to the co-ordination of niche agribusiness chains in the New Zealand meat industry?
2. What factors influence the strategies that the channel co-ordinator employs with respect of the management of niche agribusiness chains, and hence their structures?

A literature review was used to develop a theoretical framework (or model) that could then be implemented empirically to answer these questions. Hence the aim of this literature review was not to answer questions, but instead to develop more insightful questions (Yin, 1984) that can then be researched in the field. The theoretical framework that was developed from the literature review has a set of propositions associated with it. In order to implement this framework and its associated propositions, a suitable research method needs to be selected.

4.2 Selection of Research Method

As can be seen, in-depth analysis of real-world organisations is going to be necessary to test the propositions that have been developed from the literature. Quantitative analysis is therefore not appropriate as its focus is on counting and measuring things
while covering as large a population as possible, without going into too much depth on the phenomena being counted and measured. Qualitative analysis is more appropriate as this form of research attempts to capture people’s meanings, definitions, and descriptions of events (Minichiello et al., 1990).

The main aim of using qualitative research is to “produce rounded understandings on the basis of rich, contextual, and detailed data,” (Mason, 1997, p4). The main advantages of qualitative research is the ability to look at ‘how’ and ‘what’, give a detailed view of the topic, and the ability to study the topic in its natural setting (Creswell, 1998). Therefore qualitative research fits best with the aims of this research, which requires in depth analysis of niche agribusiness supply chains and the role of their channel coordinators.

When deciding which type of qualitative research to undertake, Yin (1984) states that three factors need to be assessed: “(a) the type of research question, (b) the control an investigator has over actual behavioural events, and (c) the focus on contemporary as opposed to historical phenomena,” (p13). There is a vast array of qualitative research methods available (Creswell, 1998), so choosing the most applicable one can be difficult.

The aim of this research is to understand not only the ‘how’ but also the ‘why’ of niche supply chain structures in New Zealand’s meat industry. Case studies are the preferred method of research when ‘how’ and ‘why’ questions need to be answered (Yin, 1984). This method is also used when it is necessary to gain an understanding of complex social phenomena over which the researcher has no control (Yin, 1984).

Yin (1984, p23) defines a case study as an empirical inquiry that:

- Investigates a contemporary phenomenon within its real-life context; when
- The boundaries between phenomenon and context are not clearly evident; and in which
- Multiple sources of evidence are used.
The case study methodology is distinct from other methodologies and has four different applications. It can be used to explain causal links in real-life circumstances that are too complex for survey or experimental methodologies. It can describe the context in which these circumstances have occurred. An evaluation can also benefit from an illustrative case study. Finally, this methodology can explore situations that have no clear, single set of outcomes (Yin, 1984).

The case study is the most effective method of data collection when the researcher is examining contemporary events and has no control over the relevant behaviours of the subjects being studied. Therefore, not only can a researcher using the case study methodology rely on sources of information that a researcher using the history methodology has at their disposal, for example, documents and artefacts, but can also use direct observation and systematic interviewing. The fact that information can be used from multiple sources is one of the case study methodology’s strengths (Yin, 1984).

Case studies can utilise quantitative data combined with qualitative data (Ellram, 1996; Yin, 1984). “Quantitative results are expressed in numerical, quantifiable terms. Qualitative results are frequently expressed verbally, often to create an understanding of relationships of complex interactions,” (Ellram, 1996, p97). These multiple sources of information give the case study method a lot of flexibility and reduce the risk of missing critical factors.

There are a couple of issues that researchers preparing to conduct case study analysis should be aware of as it is one of the least understood and most often criticised research methods available (Ellram, 1996). Firstly, as with all methods of analysis, bias can enter the results (Yin, 1984). Researchers using the case study methodology need to be particularly careful of this as much of the analysis of a case study rests on the interpretations of the researcher.

The second issue is that the results of a case study can be difficult to generalise. Replication in the form of conducting multiple case studies can be used to uncover common ‘threads’. Yin (1984) however argues that a case study does not represent a
sample like other research methodologies, they are only generalisable to theoretical propositions and not populations.

As can be seen, the case study methodology is the most suitable tool for conducting the research of this thesis. In-depth information from a limited number of participants is required to explain not only ‘how’, but also ‘why’. This is one of the main strengths of the case study methodology. Another advantage is gained from the ability to use multiple sources of information, helping to ‘triangulate’ and confirm information from various data sources. This increases the robustness of the study, giving the results of the data analysis greater depth and reliability.

With the case study methodology selected the researcher then needs to decide how he or she will conduct their research. The research process will be far more effective if the researcher develops a formal framework for conducting the research and is aware of the challenges involved with conducting case study research.

4.3 The Case Study Research Process

4.3.1 The Researcher

Although many people believe that the case study method of research is ‘easy’, this is not the case. A lot of the value of the case study can be lost if the researcher is inexperienced. Unfortunately, it is difficult to assess what factors make a good researcher (Yin, 1984). Some of the factors that researchers need to be aware of when conducting case study research and interviews are discussed below.

When conducting a case study the researcher needs to be aware of several personal attributes that affect the quality of the research. Firstly, the researcher needs to be capable of asking good questions and effectively interpret the answers. The researcher should also be a good listener and not be limited by his or her own preconceptions and ideologies. Flexibility is also important and the researcher should look for opportunities rather than threats as changes occur. The researcher must also have a strong grasp of the issues being studied. Finally, the researcher should be
unbiased and remove preconceived notions. This involves being responsive to contradictory evidence (Yin, 1984).

The researcher also needs to have a certain level of theoretical sensitivity. Theoretical sensitivity is the awareness that the researcher has of the subtleties of meaning of data. It gives researchers “…insight, the ability to give meaning to the data, the capacity to understand, and capability to separate the pertinent from that which isn’t,” (Strauss & Corbin, 1990, p42). This sensitivity is developed as a result of previous reading and experience relevant to the area of study (Strauss & Corbin, 1990).

Regardless of the skill of the researcher, the quality of the research conducted will be greatly improved if the researcher uses a formal structure. For the research to be accepted by others, the researcher must establish its validity. There are several factors that the researcher needs to be aware of and some steps that the researcher needs to take to ensure the validity of his or her research.

### 4.3.2 Validity in Research Design

Yin (1984) describes four tests that can be used to test the validity of a case study’s design. These are listed as construct validity, internal validity, external validity, and reliability. Ellram (1996) also discusses these four tests at some length.

To achieve construct validity, several aims have to be met that avoid subjectivity. The researcher needs to specify what types of changes they will be measuring (in relation to the original objectives), and then demonstrate that these changing measures reflect the specific types of change that the researcher is attempting to measure. Construct validity is strengthened if the researcher uses multiple sources of evidence and has key informants review a draft of the case study report (Yin, 1984).

The next test is internal validity. This test is used on one causal or explanatory studies, where the researcher is trying to determine if event x led to event y. The first error that can occur is if the researcher incorrectly concludes that event x leads to event y, when in fact y is caused by z. The second relates to researchers making
inferences about a particular event occurring due to some earlier occurrence. Even if this inference is based on evidence it could be incorrect (Yin, 1984).

External validity is the third test. This relates to the problem of whether or not a study’s findings are generalisable beyond the immediate case study. Case studies are different to other research methods in that rather than being able to generalise the results to a larger universe, the results can only be generalised to a broader theory. The theory must then be tested through replication of the case study to test its validity (Yin, 1984).

The final test is reliability. If the same case study could be repeated following the researchers testing procedures and achieve the same results, then the test is reliable. The ability for another researcher to copy the original work shows the importance of keeping accurate records of how the research is undertaken. It needs to be able to pass an audit to show that the goal of reliability was achieved, minimising the errors and biases of a study (Yin, 1984).

Yin (1984) outlines three principles that help to establish construct validity and reliability that researchers should be aware of when designing their case study. The first principle is to use multiple sources of evidence. A major advantage of the case study methodology is that multiples sources of information can be utilised. By triangulating the data from these various sources the conclusions of a case study become much more accurate and convincing (Yin, 1984).

The second principle is the creation of a case study database. This involves the researcher retaining two separate collections of documentation: the data and the report. Keeping a record of the data collected is important so that future researchers are able to not only check the validity of the original researcher’s findings, but also to carry on the original research at a later date, greatly increasing the reliability of the case study (Yin, 1984).

The third and final principle is the need to maintain a chain of evidence. A reader of the case study should be able to follow the derivation of any evidence from the initial research questions through to the case study’s conclusions (Yin, 1984). In order for
these goals to be met, the researcher needs to put in place a formal design structure relating to the research methodology. The most effective method is for the researcher to create a research protocol.

4.4 Research Design and Research Protocol

The research design is the ‘blueprint’ of the research. It deals with four problems: what questions to study, what data is relevant, what data to collect, and how to analyse the results. A strong research design is necessary to ensure that the researcher stays focused so that the data collected answers the initial research questions (Yin, 1984).

There are six sources of evidence that data can be collected from to create a case study. These methods are listed as documentation, archival records, interviews, direct observations, participant-observation, and physical artefacts. In the case of this research, the interview method will be the most effective and efficient method for gathering the relevant data. To create a suitable format for carrying out the research, a researcher will put in place a research protocol.

The research protocol outlines how the researcher will undertake his or her research. This is important to increase the reliability of the case study research and guides the researcher when conducting the case study. The research protocol not only keeps the researcher focused on the research questions, but also helps the researcher to anticipate several problems (Yin, 1984).

Yin (1984) describes the sections of a case study research protocol as follows:

a. Defining the basic research questions;
b. Defining the propositions;
c. Defining the number of cases and unit of analysis;
d. Defining the data sources and sampling;
e. Defining the case study interview and questionnaire characteristics;
f. Choosing the case study ‘sites’.
Each of these steps need to be developed so that the researcher has a strong structure to follow, but at the same time be flexible enough to allow any necessary change as the research progresses.

**4.4.1 The Propositions**

The propositions relating to the research questions need to be clearly stated. These are important as they point to what needs to be studied and guide the researcher where to look for relevant evidence. Propositions are not needed in exploratory research (Yin, 1984).

The propositions for this study are discussed in the propositions chapter. They are based on a model developed from the literature review. This model proposes that the structure of a supply chain is the result of the channel coordinator’s motivation, vision and strategy, which are in turn influenced by the supply chain’s environment and resource issues. The research questions and propositions determine what unit of analysis the researcher will use in order to test his or her propositions and develop answers for the research questions.

**4.4.2 Unit of Analysis**

The unit of analysis defines what the case is. It is related to how the initial research questions were defined and is important as it reduces confusion in the research. Also, by using a unit of analysis similar to previous research more effective comparisons of the results are able to be made (Yin, 1984).

In this instance the channel coordinator of a niche agribusiness chain is the unit of analysis. This is because the research questions are based around what actions the channel coordinator takes to create the most effective and efficient supply chain structure and what factors influence these decisions. With the unit of analysis decided, the next step is developing the sampling procedure.
4.4.3 The Sample

A fundamental issue when implementing the case study methodology is determining whether a single case study or multiple case studies should be used. If multiple case studies are to be used, the researcher needs to determine how many case studies are necessary to achieve the desired generalisability of the results (Ellram, 1996). Selecting who to conduct case study research on and how many case studies to conduct is more complex than the equivalent in quantitative research. As the researcher is dealing with varied sources of data and each case is different, comparing case studies and drawing valid conclusions is far more difficult than other methods, such as coding a survey, for example. A case study can be considered an experiment in itself. Therefore, “…a single case, like one experiment, is suitable when that case represents a critical case to test a well-formulated theory, an extreme or unique case, or a case which reveals a previously inaccessible phenomenon,” (Ellram, 1996, p100).

The use of multiple case studies is different to that of a single case study. The aim of using multiple case studies is to use replication to develop a strong theoretical framework. This method can be used to either predict similar results with replication, or to show contrasting results with predictable, explainable reasons (Ellram, 1996). The theoretical framework needs to state under which conditions the phenomenon is likely and unlikely to be found. It can then be generalised to new cases (Yin, 1984). The main advantage of the multiple case study approach is that it can produce more compelling evidence, creating a more robust study. However, more resources and time need to be utilised to complete the study (Yin, 1984).

The researcher also needs to decide whether to use a holistic or embedded design. Within a single case there may be subunits of analyses that can be incorporated. The subunits can create opportunities for extensive analysis, enhancing the insights of the single case. However, the researcher needs to be aware that if too much attention is given to these subunits, the larger, holistic aspects of the case can be ignored (Yin, 1984). Once these issues are decided the researcher needs to determine how many case studies to create.
“The logic of theoretical or purposive sampling is that you select units which will enable you to make meaningful comparisons in relation to your research questions, your theory and the type of explanation you wish to develop,” (Mason, 1997, p96). Researchers therefore need to consider several factors when deciding on their sampling and selection criteria. Firstly, researchers need to decide what they are going to compare. Then the researcher needs to decide why he or she wishes to make these comparisons and how they help to develop an explanation (Mason, 1997). This question has already been discussed in earlier sections of the research protocol.

When deciding the number of case studies and selecting specific units of analysis to research, the researcher can choose cases based on their ability to predict similar results (literal replication) or contrasting results for predictable reasons (theoretical replication). These two positive outcomes of multiple case studies are discussed by de Moura (2002), who states that literal replication is needed to gain a certain level of confidence in propositions of the research, while theoretical replication is necessary to make a theory more robust. A combination of both types of case studies will be used in this research.

The size of the sample is determined by where the saturation point is. In other words, how many case studies does the researcher have to create in order to draw a picture of what is going on and develop an appropriate explanation for it (Mason, 1997). Previous research in the area that the researcher is conducting his or her investigation will also guide the researcher in deciding sample size and sampling methods. In other words, the sample size should be large enough to enable the researcher to make meaningful comparisons (Mason, 1997).

In this research, several themes began to emerge from the case studies as each was performed. Saturation was determined once it was felt that little additional information would be developed from additional case studies and that the themes that emerged were robust, as they were tested across multiple case studies. In other words, the sample size was determined once it was felt that an adequate number of case studies had been reviewed and that little would be gained from further sampling. Now that the sample has been defined, the interview methodology needs developing.
4.4.4 Interview Methodology

There are several advantages of interviewing experts in the area being researched. The first is that they may offer new insights to the research that the secondary data could not. Secondly, these people are experts in their field, therefore the information that they provide will help to prove or disprove data collected from other sources and vice versa. Finally, the interview method will provide far more data than one of the alternate methods outlined by Yin (1984).

Using interviews to collect data for a case study can be conducted using several different methods. The first method is structured interviewing, which is similar to a formal survey. The results are measured in a way similar to a normal survey, but this data is then combined with other sources when writing up the case study (Yin, 1984). However, this method limits the amount of information that can be gained from the interviewee to those things that the interviewer thought was important before the interview. The interviewee is unable to contribute to the research with new ideas and propositions.

The other two interviewing methods are both forms of unstructured interviewing, also know as in-depth interviewing (Minichiello et al., 1990). The first utilises open-ended or unstructured interviews. This form of interview has the appearance of an everyday conversation. However the conversation is guided by the interviewer, who gears it towards his or her interview questions (Minichiello et al., 1990). This is an especially good method for interviewers to gain an insight into what they are studying as the researcher can ask respondents not only about key events, but also their own insights into those events. These insights can be used to develop further propositions for the case. In this situation, these respondents become key informants (Yin, 1984).

However, the researcher needs to be cautious not to become dependent on this key information. Other evidence needs to be collected to corroborate the findings from the key informant along with a careful search for contrary evidence (Yin, 1984). Informant bias is a major criticism of research that involves interviewing human subjects. Therefore the triangulation of data from multiple interviews and multiple sources is necessary to overcome these limitations (Ellram, 1996).
The other unstructured interview type is the focused or semi-structured interview. This method is normally used when there are time constraints (for example, an hour to conduct the interview), although open-ended questions are still used. However, the researcher will usually follow a specific set of questions, called an interview guide, relating to the research plan he or she drew up (Yin, 1984). The interview guide is designed to keep the researcher on track by creating a schedule around a list of topics without using fixed wording or ordering of questions. The content of the interview is focused on the issues central to the research question, however its flexibility does reduce comparability between interviews (Minichiello et al., 1990).

The focused interview method will be used for the purposes of this research. This is because it has the flexibility to elicit new information from interviewees, while at the same time being structured enough to allow comparison between the cases of this research and cases of other research. This method is really a combination of the other two, sharing their advantages while minimising their respective problems.

However there are several limitations when using the interview technique. As it is a verbal report, bias, poor recall, and/or poor or inaccurate articulation can be problems. This further highlights the importance of gathering data from several sources to help check the validity of all findings (Yin, 1984). The final step is to use all of the information discussed above to decide the case study sites.

4.5 Case study sites

4.5.1 Pilot Study

Researchers often use a pilot case study before they conduct the main body of their research. The pilot case aids investigators in refining their data collection plans with respect to both the content to be collected and the procedures to be followed. It also allows the researcher to develop a relevant line of questions and provide some conceptual clarification as well (Ellram, 1996; Yin, 1984).
In this research a pilot case will be run with a unit of analysis that the researcher is already familiar with and has been covered in previous research – the channel coordinator of the network structured supply chain from de Moura’s (2002) research. This has the advantage of allowing the researcher to not only polish the interview process, but also compare the findings to previous research. It also has the added benefit of not negatively affecting the research if the case isn’t of the same quality as the others that the researcher will create.

4.5.2 Subsequent Case Study Sites

Subsequent case study sites were selected to rigorously test the themes that began to emerge from the previous case studies. This involved interviewing channel coordinator’s of niche supply chains that were functioning at different levels in their respective chains – two farmers, one meat processor, one distributor and one manufacturer (these descriptions are based on the main function they performed in their respective supply chains). This variety of channel coordinators reduced the risk of other influencing factors, such as their position in the chain, from negatively influencing the analysis of the resulting case studies.

4.6 Data Analysis

Data analysis is used by the researcher to understand the information that he or she has collected. The data is arranged and presented in a form so that the information can be used to search for ideas (Mason, 1997). The data analysis process can be broken down into three stages. First the data is coded to uncover themes and develop propositions. These themes and propositions are then refined, before the third stage of reporting the findings (Minichiello et al., 1990).

A researcher needs to have a general analytical strategy in place for analysing the data from his or her case studies. This is important to ensure that the evidence is treated fairly, insightful conclusions are created and to reduce the potential for alternative conclusions to be drawn from the data. The researcher has several techniques to choose from (Yin, 1984). However, before the researcher begins his or her analysis, a
tool may be used to manipulate the data in order to make analysis much more efficient and effective. One of the most common methods for case studies is the use of coding.

4.6.1 Coding

Coding is also known as cross-sectional indexing and categorical indexing. This method involves devising a consistent system for indexing the whole data set according to a common set of principles (Mason, 1997). In other words, the researcher sorts all of the information that he or she has collected into specific categories.

Coding is an important tool for researchers using the case study methodology. Without a systematic tool to analyse their case studies, researchers would get lost in the thousands of lines of data from interviews and other sources. Codes label and reorganise data under specific topics, allowing the researcher to retrieve and cluster data around a particular theme or proposition. Coding also aids the researcher by helping develop new ideas and propositions that weren’t obvious beforehand (Mason, 1997).

When using the coding method researchers need to be aware of a couple of issues. Firstly, categories need to be selected which aren’t too broad so as too lose key information. The second problem is that any one piece of information may address more than one topic at anyone time, increasing the complexity of indexing (Mason, 1997).

To code data from a case study the first level of coding is open coding. This involves breaking the case study data down so that it can be analysed, conceptualised, and developed into categories. Categories need to be selected based on the researcher’s questions and allow comparisons to be made between the researcher’s case studies and other research. Therefore, open coding allows the researcher to make comparisons and ask questions relating to the data (Ellram, 1996).

The researcher may find that open coding has created enough information for his or her research. However, other methods can be used in conjunction with open coding to
create richer information. The first of these is axial coding, also known as pattern coding. This method uses a set of techniques to make connections among the categories developed in open coding. Issues identified during first level coding can then be summarised into themes (Ellram, 1996).

Another method that can be used is called selective coding. This method involves selecting the category that is central to the data analysis, relating it to the other categories, and then validating and further developing categories (Ellram, 1996). Once the data is coded the researcher is able to commence the analysis.

4.6.2 Methods of Analysis

Yin (1984) describes two techniques that researchers can use for case study data analysis. The first involves following the theoretical propositions that led to the case study. This method will be used for this research, as the propositions are what shaped the data collection and will prioritise the relevant analytic strategies. The other method that can be used is to develop a case description. This involves developing a descriptive framework for organising the case study, but is more limited than the first method (Yin, 1984).

Three possible modes of analysis are discussed by Yin (1984). These are pattern-matching, explanation-building, and time-series analysis. This research will utilise a combination of both pattern matching and explanation building methodologies as time-series analysis is not applicable to the aims of this research.

Pattern matching is used to compare the empirically based pattern with the predicted one. The patterns may be related to the dependent or independent variables of the study or both (Yin, 1984). The next mode, explanation building, is actually a subset of pattern matching, though more complex. This method analyses the data by building an explanation about the case. This procedure is mainly relevant to explanatory cases (Yin, 1984). However it will be useful for this research in areas that the literature was lacking information, which made it difficult to create predictions about the results of the case study data analysis as used in the pattern matching method. However, in using this method it is important to relate the data
analysis to reflect some theoretically significant propositions. This is because the links between independent and dependent variables may be complex and difficult to measure in a precise manner (Yin, 1984). Following the development of the methodology, minor flaws were identified.

4.7 Research Challenges

There are several challenges that face this research:

1. Most of the information will be gathered from interviews, and as such will be opinion based
2. Only one actor in each supply chain will be interviewed, making it difficult to confirm the validity of the statements made by each interviewee
3. Only following completion of each interview will it be possible to truly determine whether the supply chain is a niche supply chain and if the interviewee is the channel coordinator.

The research has been structured in a way to minimise the impact of these problems. However, these problems related to the extensiveness of the research process – the research methodology is robust. A more extensive research process could eliminate these problems, but this is outside the scope of this research.

4.8 Conclusion

For the purposes of this research the case study methodology will be used. Yin’s (1984) methodology was selected as it was determined to be best suited to answering the research questions and fitted with the approach implemented so far in the literature review and resulting framework. Multiple case studies will be used, with the channel coordinator of the supply chain in each as the unit of analysis. The sample size is not predetermined, but sampling will be completed once it is determined that saturation has been reached. The primary form of data collection will be through focused in-depth interviews with the channel coordinators of the supply chains that are to be studied. These in-depth interviews will be semi-structured, based on open-ended questions to ensure that the researcher can guide the interviewee in the direction he wants, without inhibiting information flow from the interviewee. Once collected, the data will be coded by writing case studies based on a predetermined
format. This will allow ease of analysis and increase the comparability with other research in similar areas. The analysis of the case studies will be based on the model and propositions developed in chapter 3. This framework will help give the analysis a standard format, creating consistency, while the propositions will be helpful in offering insight on what is occurring in the case studies. The next step is to present the results, in the form of summaries of the case studies.
5. Results

5.1 Introduction
This chapter contains summaries of the five case studies that this research is based on. The full case descriptions and analysis are located in Appendix B. In all five cases, the channel coordinators market a meat product targeted at a specific market niche. However, they all have different supply chain structures, market different products and are located in different parts of their supply chains. Diagrams are used to help describe the supply chain structure of each case study. In these diagrams the channel coordinator is written and boxed in bold, while actors critical to the supply chain are written in bold.

5.2 Case Study 1

5.2.1 Introduction
This case study is the pilot case study for this research. It was chosen as the first case mainly because de Moura (2002) used the same supply chain as part of his own research, writing it up as the ‘Vital Pork’ case study. By using the same supply chain to write a case study on, de Moura’s work could be referred to in order to identify gaps in both the interview and the case study. Additional information could also be extracted from de Moura’s case, and due to the known friendly nature of the interviewee, it was felt that he would continue providing additional information if asked. It also exhibited the features that were predicted would be found in most of the case studies of this research. Both supervisors of this thesis are also very familiar with this supply chain, therefore they were in a position to comment on the quality of the interview process and case study, without having to closely monitor the researcher perform these functions.

A two-hour face-to-face interview was undertaken. This was supported with a follow up interview by telephone to clarify some issues from the main interview, as well as some secondary material prepared by the channel coordinator and de Moura (2002). This case study is described in greater detail in Appendix B.
5.2.2 Case Description

The channel coordinator\textsuperscript{3} initiated this supply chain after he saw a market opportunity in the early 1990’s. He found that most restaurants did not have a pork dish on their menu. When he asked the restaurants why this was, they told him that the quality of pork was unreliable, making it impossible to consistently produce a meal of good quality. Rather than run the risk of returned meals, restaurants found it easier to not include pork on their menus. The channel coordinator decided that if he could overcome these issues there was potentially a profitable marketing opportunity.

The product produced by this supply chain is pork meat of a consistently high quality. The market targeted by the channel coordinator is consumers willing to pay for a premium product that they know will always be high quality. The market is restricted to New Zealand. The Channel coordinator created a brand around this product to reassure consumers that each piece of meat would feature the desired product attributes. The channel coordinator’s product is sold to premium butchers that he creates a relationship with, who then sell to a combination of both restaurants and direct to consumers. All members of the supply chain are part of the Pork Quality Improvement Process (PQIP) program, whose aim is an ‘enjoyable eating experience every time.’ This not only helps ensure that quality of the product is maximised as it progresses through the supply chain, but also helps strengthen the qualities of the brand in the eyes of consumers.

\textsuperscript{3} It should be noted that the channel coordinator of these cases is often referred to as ‘him’, regardless of the sex of the channel coordinator and whether there is more than one person in partnership performing this function.
The above diagram is an outline of this supply chain. The channel coordinator is the [text]
The farmer (written and boxed in bold). He has a very strong relationship with the Wholesaler (written in bold), who also owns the Meat Processor and the Weaner Supplier. The Farmer chooses the Weaners (piglets weaned from their sow) from the Weaner Supplier. He then grows these to killing weight, before sending them via Live Transport to the Meat Processor. The Wholesaler coordinates the Live Transport and the Meat Processor as they perform their functions in this supply chain. The Wholesaler then uses another transport company to ship carcasses to the Butchers (written in bold) that the Channel Coordinator has created relationships with. It is the Wholesaler, however, who sells the carcasses to the Butchers, even though the Channel Coordinator is the one who takes orders from them each week. The Butchers then cut up the product and sell it to Restaurants, as well as directly to Consumers.

The actors in the supply chain can be classified into two categories: critical participants and important participants. Critical participants include the farmer (the channel coordinator) and the meat processor/wholesaler. The chain would be unable to function without these participants due to their specialised functions, and they would be extremely difficult to replace. Between them they hold most of the knowledge that gives the chain a sustained competitive advantage. Important participants include the transport companies and the butchers. The company that transports the pigs live (farmer to meat processor) has critical functions to perform; however he could be replaced if he left the chain. The transport company that carts the carcasses does not perform special functions specific for the chain, however he would be difficult to replace as he is the only transport company that will ship a chilled product via rail between the South and North Islands. The butchers are important to the chain as their performance will affect the channel coordinators brand, however they can be replaced due to the availability of other butchers that would be suitable for the supply chain, and multiple butchers means that the supply chain won’t be forced to stop completely if one leaves.

This supply chain is mature, with the channel coordinator having eliminated most of the ‘bugs’ in it. He has no plans to expand throughput in the future. He expends minimal inputs managing the supply chain and is happy with its profitability. This eliminates his motivation to expend additional resources expanding throughput. The
channel coordinator argues that the costs do not justify the potential additional returns.

The channel coordinator identifies financial gain as the main motivating factor behind the creation of this supply chain. The channel coordinator’s piggery, although economic, needs to be much larger to provide a good return on investment. The prohibitive cost of implementing this change motivated the channel coordinator to find another way to increase his profitability.

The channel coordinator uses a focus strategy to achieve his vision of targeting a niche market of consumers willing to pay a premium for high pork of consistently high quality. This is done by marketing through butchers (currently 11 in total) in New Zealand who are willing to pay a premium for pig carcasses that are of a consistent high quality. These butchers are mainly located in the affluent areas of New Zealand’s three largest cities and sell to both restaurants and consumers directly. The channel coordinator has not had to modify his vision since the creation of his supply chain as the environment has changed very little during this time.

5.2.3 Case Features

The supply chain in case 1 is most notable for its decentralisation of control, which is not a characteristic of the other four cases. With decentralisation of control, the channel coordinator relies on other actors in the supply chain to be autonomous in many of their functions. For example, the butchers are relied on to attract the channel coordinator’s target market and enhance his brand. In the case of the wholesaler, this actor in fact manages part of the supply chain for the channel coordinator, as he controls the meat processor and weaner supplier. The channel coordinator does not heavily monitor the function of the meat processor, even though he helped implement some of this actor’s functions and his performance is critical to the success of the supply chain.

Decentralisation of control in this supply chain has come as a result of the channel coordinator’s limited resource base, which led to the need to partner with other actors to gain access to their resources. The channel coordinator was fortunate to have a
strong personal relationship with the wholesaler, who now manages part of his supply chain, prior to the creation of the chain. The channel coordinator trusts and relies on this actor to adequately perform his functions within the supply chain, gaining access to a large supply of suitable resources. The channel coordinator also relies on the butchers to market his product under his brand in a manner that reflects the premium nature of his product. The benefits that emerge from this structure combined with the inherent difficulty in imitating it have created a strong source of competitive advantage for this channel coordinator. The ability to implement this structure comes as a result of the supply chain orientation of the critical actors that the channel coordinator has developed.

The channel coordinator does not have to expend much effort in his role now that the supply chain has been running for nearly ten years and its main problems have been rectified, leaving little room to further improve its efficiency and effectiveness. The supply chain functions with minimal effort on the channel coordinators part and the butchers have not substantially altered their demanded bundle of benefits. The low frequency of problems arising in the supply chain and the channel participants knowing what functions they must perform has greatly reduced the channel coordinator’s need to regularly expend energy on implementing his strategy.

The channel coordinator clearly communicates his vision for the supply chain and the target market to the organisations and individuals who were important during the creation, and now, during the running of the supply chain. This communication is important, as without it the other key individuals would have not understood what the channel coordinator was trying to achieve and ties the other channel participants together to create the desired bundle of benefits. To support this, the channel coordinator also communicates his strategy to channel participants. The strategy has a shorter term focus aligned to meeting the channel coordinator’s vision. If the other organisations that are critical to the supply chain did not understand the channel coordinator’s vision and strategy, it is likely that they would be focused on maximising their own profitability at the expense of the supply chain. Therefore it can be argued that the channel coordinator’s communication of this vision and strategy creates and maintains a supply chain orientation by the firms that are critical to the chain’s success.
The supply chain’s success has been reliant on the commitment of influential people in the key organisations involved in the chain. The supply chain orientation of these individuals came as a result of their belief in the channel coordinator’s vision. The channel coordinator, through communication and shared profitability and risk, developed this orientation. In particular, the wholesaler (and therefore the meat processor as well), and some of the main butchers involved in the supply chain have a strong commitment to the success of the supply chain. Without this commitment the supply chain would not be successful in the long-term.

This commitment has created cooperation between the actors in the supply chain, which the channel coordinator states has contributed to the success of the supply chain. Every actor involved in the supply chain contributes to creating the consistent bundle of benefits that makes up the final product, within the guidelines of the PQIP program and the channel coordinator’s strategy. Reciprocal dependency, also known as interdependence, is created in the supply chain, as its success is reliant on each actor fulfilling his obligations to the supply chain. The actors are motivated to work together to benefit the supply chain as a result of the larger profit margins they make.

The channel coordinator’s lack of resources, in particular capital, make it very difficult for him put in place the infrastructure to perform functions at other levels (beyond his piggery) in the supply chain (through vertical integration). Vertical integration is unnecessary as the channel coordinator was able to find suitable organisations at each level of the supply chain capable of carrying out functions necessary to produce the required bundle of benefits in the final product, with low risk of the critical organisations leaving the supply chain or demanding a larger share of its profits. The channel coordinator also benefits from the knowledge and specialisation of the other actors in the supply chain. Despite this lack of resources, the function that the channel coordinator performs not only as farmer (such as, pig management to reduce stress), but also as channel coordinator in managing the supply chain and developing new ideas (the resource of creativity, such as some of the additional functions performed by the meat processor), are critical to the success of this supply chain.
This supply chain currently has no direct competitors – there is no other high quality pig meat marketed in New Zealand. New competitors could potentially enter the market, as the supply chain has not maximised the potential expansion of its customer base within its target market. However, the channel coordinator feels secure in the target market due to his well-established brand. Minimising outside attention to the supply chain is important to the channel coordinator. Rather than working hard to maximise the profitability and exposure of the supply chain, the channel coordinator focuses on making a comfortable earning from it. He feels that if too much attention was drawn to it, other people might try to imitate his supply chain and compete against him for market share.

5.2.4 Conclusion

As can be seen, the most notable feature of this supply chain is its decentralisation of control. This has been made possible by the close relationships the channel coordinator has formed with key actors, as well as the supply chain orientation he has created among them. This has created competitive advantage and allowed the channel coordinator to create and manage a robust supply chain that creates a specialised product with stringent quality criteria. This comes despite his limited resources as the self-funded farmer of this supply chain, which inhibits his ability to control and monitor the supply chain himself.
5.3 Case Study 2

5.3.1 Introduction

This case study is based on the second interview for this research. It was chosen to provide both literal and theoretical replication of the first case study. In both cases the channel coordinator is the farmer, who was looking for a way to increase the profitability of his farming operation. As well as this, only the original farming operation is used to supply the supply chain in both cases. But there are also several key differences. Firstly, this channel coordinator markets lamb rather than pork. He also sells his product to the United States, while the first case is restricted to the domestic market. The second supply chain is also newer than that of case 1, which has resulted in additional differences.

This case study is primarily based on a two hour face-to-face interview. This was supported with a follow up interview by telephone to clarify some issues from the main interview. A more detailed version of the case study is available in Appendix B.

5.3.2 Case Description

The channel coordinator was created after the two partners decided that it was possible to earn better returns on lamb by marketing it themselves. As there were no toll processors (to slaughter lambs by contract) that had EU export licences close to the farm they decided to export to the U.S.

The product sold by the channel coordinator is New Zealand lamb that has been finished on grain. The channel coordinator supplies this lamb continuously all year. The method employed is similar to feedlot systems in the United States, though less intensive. The lambs remain on the feedlot for an average of ten weeks and once they reach idea weight are processed in New Zealand before being shipped to the United States. The channel coordinator produces grain-fed lamb, as this is demanded by his target market. The market wants large cuts with more intramuscular fat and a milder taste, which cannot be achieved with grass-fed lamb production.
The channel coordinator’s target niche market for product under his own brand is niche upmarket supermarkets. These are usually local supermarket chains in large, affluent cities that consist of between five and fifteen stores. The supermarkets are more upmarket than mainstream supermarkets, with a focus on presentation and stocking higher quality (and generally more expensive) product. This market currently only accounts for a small portion of the supply chain’s total volume due to the newness of the chain, but is the focus of the channel coordinator’s market development due to its additional profit potential. The channel coordinator is hoping that as consumer recognition of their brand develops he will be able to increase store numbers, product volume and his margins.

The majority of product is sold to the U.S. meat processor. This product is not distinguished from the meat processor’s U.S. produced lamb. It is sold as standard grain-fed lamb, with emphasis on its carcass weight. The meat processor uses the channel coordinator’s product to fill his own supply shortages. The meat processor sells to multiple supermarkets within a fairly large area of the United States. One of the largest benefits to the channel coordinator is the ability of the distributor to sell all of the cuts of lamb sent to the United States, regardless of how difficult they are to find markets for.
Figure 7 - Supply Chain Structure of Case Study 2

The above diagram is an outline of this supply chain. The channel coordinator is the
Exporting Company (written and boxed in bold). One of the partners in the Exporting Company is also the Finisher (also written and boxed in bold). The channel coordinator has a solid relationship with the New Zealand Meat Processor (written in bold), who he interacts with regularly. The channel coordinator organises all transport to and from the meat processor (although the live transport is organised by the Finisher, rather than directly by the Export Company). The channel coordinator has a strong relationship with the U.S. Meat Processor/Distributor (written in bold), who he relies on to distribute his product in the United States. The Distributor takes ownership of the product while in transit to the U.S. He sells most of this product to his own customers, but a small amount is sold to customers of the channel Coordinator.

The actors in this supply chain can be classified into two main categories: critical participants and important participants. Critical participants include the export company (the channel coordinator), the feedlot (managed by one of the exporting company’s partners) which is responsible for the main attributes of the meat, the New Zealand meat processor due to its difficulty to replace and the U.S. meat processor/distributor who has been vital to the establishment of sales in the U.S. market. The U.S. distributor could be replaced, although the channel coordinator does not plan to use an equivalent organisation for future expansion into other regions. Important participants include the livestock agent and lamb breeders, the three transportation companies, and the U.S. supermarkets. None of these organisations perform specialised functions and all could be replaced.

The channel coordinator interacts personally with every organisation in the supply chain. Organisation to organisation interaction not directly controlled by the channel coordinator is limited. This includes coordination by the farmer (one of the partners) of trucking stock to the processing plant, although the exporting company pays this cost. The channel coordinator also does not deal with the supermarkets that are the U.S. distributor’s customers, however, the product is effectively out of the supply chain once sold to the distributor for mixing with its own product. The U.S. distributor also interacts with supermarkets retailing the channel coordinator’s branded product, handling logistical issues while the channel coordinator deals with strategic communication and relationship building.
Financial gain is the main motivation for the channel coordinator. The partners decided that they could market lambs more profitably than selling them to local meat processors, motivating them to create and manage this supply chain. They have proven that this is possible and look set to rapidly expand over the next five years.

The channel coordinator’s vision for this supply chain is to create a strong business that remains profitable regardless of the New Zealand/U.S. exchange rate. The vision has been planned for the next five years to meet the channel coordinator’s needs of creating a robust business. The aim is to increase lamb export numbers four times over and to supply at least three or four customers in the U.S. This not only spreads risk, but the targeting of customers in different regions with different product demands also allows the more efficient sale of different cuts of lamb, reducing the amount of surplus cuts per carcass. Increasing production will also spread risk, with the aim of doubling production on the existing farm and then purchasing another one or two farms in a different part of New Zealand to reduce the impact of negative geographically related events. The channel coordinator states that by increasing their volume they will still be able to improve their profitability, even if their margins decrease, which they feel is a strong possibility.

5.3.3 Case Features
Case 2 is most noticeable for the immaturity of its supply chain. The supply chains of the other four case studies could all be considered ‘mature’. In other words, the channel coordinator had only recently created and then restructured the supply chain at the time of the interview. As such, the channel coordinator invests a lot of resources into communication and monitoring other actors in the supply chain. He felt that this utilisation of resources would be greatly reduced once the supply chain became more established. Additionally, he was only in the beginning stages of developing his own brand to be sold in supermarkets. The majority of his product was sold through another wholesaler/meat processor and was indistinguishable from this actor’s own American sourced product. Once mature, the channel coordinator will probably focus on marketing his own branded product.
The partners expend a lot of energy ensuring that the supply chain functions according to their strategy. This is mainly due to the newness of the supply chain – the channel coordinator still has a lot of ‘bugs to iron out’ and also needs to put a lot of effort into developing strong relationships with his supply chain partners.

With his product flow established through the U.S. meat processor the channel coordinator is able to focus on expanding sales under his own brand in supermarkets not supplied by the distributor. This is beneficial to the distributor as he still takes ownership of this product, giving him a cut of the profits and effectively expanding his own customer base. The channel coordinator benefits from having a market for his product while he develops his own brand. This relationship also gives the channel coordinator access to the distributor’s distribution network, allowing him to easily move product to his own customers. The channel coordinator maintains that the current system, selling both the branded and unbranded product to the distributor, is advantageous as it reduces the cost of distribution. However, the channel coordinator states that he will use whichever relationship and ownership system that works most effectively in a given situation.

The channel coordinator does not invest much effort in communicating his vision to the other supply chain participants. Most of the other actors perform a function only at their level of the chain and have very little communication with the other actors in the chain, limiting the need for them to understand the channel coordinator’s goals and vision for the supply chain. They have a very low supply chain orientation. This is reflected by the large amount of effort that the channel coordinator places in monitoring the various actors performing their functions.

The only organisations that the channel coordinator has really focused on creating a strong relationship with are the U.S. distributor/meat processor and the supermarkets selling product under the channel coordinator’s brand. The U.S. distributor/meat processor is the organisation most aware of what the channel coordinator is attempting to achieve and is also the most autonomous due to its geographical distance from the channel coordinator. The channel coordinator relies on the distributor to perform his functions in his absence. Therefore the distributor is aware
of his part in the channel coordinator’s vision, better ensuring that he consistently performs his functions correctly.

Strategic fit has been necessary for those organisations that have a certain level of autonomy – in other words, the U.S. based organisations that the channel coordinator cannot regularly monitor. In the case of the distributor it was strategically advantageous for both parties that he use the channel coordinator’s production to make up for short falls in his own supply. Product marketed under the channel coordinator’s brand is also advantageous to the distributor as it gets new customers (the channel coordinator’s branded product will never enter a supermarket already supplied by the distributor) and a cut of the additional sales. In the case of the supermarkets selling the channel coordinator’s branded product, the supermarkets need to be carefully selected to ensure that the perceptions of their customers fit with those that the channel coordinator is attempting to create for its brand. This helps ensure that the channel coordinator will be able to develop the future price premium that is part of his vision.

The channel coordinator uses a very centralised form of management. The hands on approach used by the channel coordinator suggests that if it were financially and/or strategically advantageous to do so, vertical integration would be utilised. Reliance on external organisations has been kept to a minimum and is only utilised where necessary. The channel coordinator’s motivation for this appears to be his distrust of external organisations (both to do what is in the supply chain’s interests as well as maintaining intellectual property and knowledge developed in the supply chain), which is understandable given the partners awareness of the aggressive nature of New Zealand’s meat industry.

The channel coordinator has stated that he will use whichever structure is most effective for a given situation and location. In the future the channel coordinator is likely to adapt different structures as he expands into other geographical locations, based on the knowledge he has built up during the creation and management of the current supply chain and his predecessor. In other words, the channel coordinator is also always attempting to minimise his reliance on other organisations. This is reflected in the hands on approach that he has with every organisation, except the U.S.
distributor, whose management functions the channel coordinator is expecting to perform himself when expanding into other geographical locations. The channel coordinator appears to be attempting to internalise all valuable knowledge that is accumulated in the chain, further reducing his reliance on other organisations. Competitive advantage is created to a small extent by this focus on risk reduction.

5.3.4 Conclusion

From the discussion it can be seen that one of the most distinguishing features of this supply chain is its newness. This has influenced the supply chain structure, such as the need to partner with knowledgeable actors, as well the methods used by the channel coordinator to manage the supply chain, for example, the large effort placed in monitoring the meat processor. The supply chain is producing high quality cuts of grain fed lamb, which the channel coordinator is trying to increase his market size for. He manages the whole supply chain, interacting directly with the majority of organizations in it. In other words, he has maximised his control over the supply chain as much as possible, despite the limitation of his own resources such as knowledge and capital.
5.4 Case Study 3

5.4.1 Introduction

This case study is based on the third interview for this research. It was chosen to provide both theoretical and literal replication of the first two case studies. Like the first two case studies, the supply chain in this one is marketing high quality cuts of meat to a specific market niche. Like case study 2, the channel coordinator is marketing high quality cuts of lamb in the United States, however the lamb in this case is grass-fed. This case is also quite different to the first two in many ways. The main difference is that the channel coordinator company is much larger, funded by multiple shareholders. This increases resource availability for the channel coordinator. The supply chain also markets a much higher quantity of product, which is sourced from a number of farmers. This has resulted in a supply chain structure quite different to the first two cases.

This case study is primarily based on a two hour face-to-face interview. This was supported with a follow up interview by telephone to clarify some issues from the main interview. Third party written material was also utilised. A more detailed version of the case study is available in Appendix B.

5.4.2 Case Description

The supply chain was created in the late 1980’s when the two founding partners (the channel coordinator) faced poor profitability and an uncertain future with their respective farming operations’. They decided that they could improve their profitability and continue farming by selling the meat they produced themselves. Several other local farmers invested in the company (the channel coordinator company). Their sales focus is in the U.S. market, where sales have continued to expand since the supply chain’s creation. The U.S. market was targeted, as this was the only profitable market they could gain quota for at the time of the company’s creation. The company now has several employees based both in New Zealand and the United States. The channel coordinator is very focused on creating a strong brand and ensuring that he has a very robust and flexible supply system in place. He has
therefore internalised the logistics and further processing functions in the U.S. market due to his perceived importance of these functions and the availability of capital to do so.

The supply chain’s product is New Zealand grass fed lamb, sold as a variety of different cuts in order to maximise the value that can be attained from each carcass. Although this is a mainstream product in New Zealand, the channel coordinator is targeting a specific niche of consumers in the United States demanding foods perceived by targeted consumers to have product attributes guaranteeing them to be safe and healthy.

The channel coordinator has created a strong brand for his product. He states that there is very little difference in the quality of the meat supplied by his company and his competitors. Therefore the brand becomes important as this assures consumers that they will get a consistent, high quality product with the attributes outlined on its packaging. The product’s packaging emphasises that it is hormone and antibiotic free, and not grown on a feedlot. The channel coordinator argues that focusing on ‘Product of New Zealand’ alone is pointless. Instead the focus is on creating a strong brand built on the previously mentioned product attributes, and uses a ‘Product of New Zealand’ statement to give it credibility.
The channel coordinator company (written and boxed in bold) does not directly
handle the product in this supply chain. Instead, this company is only used to coordinate the supply chain. A variety of farmers supply lambs that meet the specific criteria of the supply chain. Some of these farmers also own shares in the channel coordinator company. Live transport to the Meat Processor is organised by the Farmers. The channel coordinator has a strong relationship with the Meat Processor (written in bold), who contract kills for him. The Meat Processor owns part of the channel coordinator company and is a board member. The channel coordinator organises a shipping company and contracts with an import broker to have the product clear U.S. customs. Product is sold to the Importing Company (written and boxed in bold), which is owned by the channel coordinator company. The Importing Company also performs the warehousing and distribution function in the United States. The Importing Company then sells and delivers product to the supermarkets that are customers of the channel coordinator.

The actors in this supply chain can be classified into two main categories: critical participants and important participants. Critical participants include the supermarkets, as different types are utilised to market different cuts of meat and the channel coordinator is focused on selling to a specific niche of customers that mainly shop at ‘natural food’ type stores. The meat processor and importing company/warehouse/distributor are also critical to the supply chain, however they are tied into the channel coordinator through ownership structures – the meat processor has a shareholding in the channel coordinator company, while the channel coordinator company owns the importing company. Important participants include all of the remaining actors in the supply chain, who provide standardised services to the channel coordinator. Farmers provide their premium lambs to the channel coordinator, however, due to the large number of farmers and the higher-than-schedule price paid for lambs, the channel coordinator never has difficulty finding suppliers.

The channel coordinator’s original motivation to create the supply chain was the poor profitability facing farmers at the time. The two partners that created the supply chain decided that they faced an uncertain future as farmers and thought that by selling product themselves overseas they could boost their returns in order to keep their farming operations economic. This motivated them to create the supply chain.
The channel coordinator places little emphasis on having a set, long-term vision for his supply chain. Although the channel coordinator will have a vision for the supply chain’s future, little effort is exerted on strategic planning. Instead the channel coordinator’s focus is on identifying opportunities as they arise for increasing sales of his New Zealand grass fed lamb. The channel coordinator states that the main areas for potential improvement of his profitability are through gaining new retail customers (mainly supermarkets) that serve the niche of consumers he is targeting and finding more efficient and effective ways of moving product through the supply chain.

The channel coordinator’s strategy is well known to the critical organisations involved in the supply chain. The warehousing and distribution function in the U.S. are owned by the channel coordinator, while the meat processor’s owner is on the board of the channel coordinator company. Communication of the channel coordinator’s strategy, therefore, comes about as part of the natural business process. The remaining organisations provide only standardised services and, as such, do not need to be aware of the channel coordinator’s strategy in order to adequately serve his needs.

5.4.3 Case Features

The channel coordinator has structured the supply chain in order to ensure its long-term success by maximising his control of the supply chain. This is done by personally communicating and coordinating with every level in the supply chain, with the exception of the live transport function. The channel coordinator’s small size and relationship with every level of the chain ensures that he rapidly receives information from every level of the supply chain. This allows him to quickly minimise the cost of problems that occur and rapidly take advantage of opportunities that may arise. He utilises ownership structures for additional control of those functions that he perceives are critical to the success of the supply chain. As such, the channel coordinator has complete control of the warehousing, further processing and distribution of the majority of his product in the United States.
The ownership of these particular functions is the result of the channel coordinator’s philosophy that the key to successful business is not the product but the distribution channel. He argues that the difference between a mediocre product and a great one is very little, reducing the importance of the product in determining the success of an organisation. Instead, he argues that competitive advantage is created by consistently delivering the product in full, on time and to specification. By internalising these functions (i.e. owning them - vertical integration) in the supply chain the channel coordinating is not reliant on an external company.

The channel coordinator was able to vertically integrate the functions in the United States as they began from a small base and the he had a large amount of money invested by the group of farmers that originally invested in the channel coordinator company with him. This also means that all of the risk is borne by the channel coordinator company in the supply chain. If the supply chain fails, the shareholders of the channel coordinator company have a lot more money invested in the supply chain than if the channel coordinator outsourced all of the functions performed in the United States. In other words, most of the risk in the supply chain is bourn by the channel coordinator company’s shareholders.

The channel coordinator has made his company more valuable to this supermarket due to the efficiency of his supply chain. The supermarket asked the channel coordinator if he would handle all of the supermarket chain’s meat deliveries. There are several reasons why the channel coordinator agreed to take on this extra work. Firstly, he receives additional income and better economies of scale through his cool store. He has also made himself more indispensable to that supermarket chain and has gained control over potential competitors wishing to supply the supermarket chain (also creating an early warning system). Finally, it has allowed the implementation of collective systems with the other meat suppliers. These advantages support the channel coordinator’s argument that logistical effectiveness and efficiency are critical for success when dealing with supermarkets.

The channel coordinator does not own any infrastructure in New Zealand, despite the importance of the meat processor’s function. He does not have the capital available to perform this function himself, instead ensuring that the meat processor will work
towards the success of the supply chain as the owner of the meat processor owns a share of the channel coordinator company and has a position on its board. Also, a large percentage of the meat processor’s throughput is the channel coordinator’s product. Therefore it is in the meat processor’s interests that the channel coordinator succeeds. Both parties benefit from this relationship as the closeness of the relationship has created a high level of trust, allowing them to focus on their own areas of expertise.

The channel coordinator does not invest any resources in communicating his strategy and vision to the other participants in the supply chain as the critical functions that create value in the chain are controlled using ownership structures. The channel coordinator owns the distribution and warehousing function, while the meat processor has invested in the channel coordinator company and is a member of its board, motivating him to work closely with the channel coordinator. Therefore, all of the companies that undertake functions critical to the success of the supply chain are well aware of the channel coordinator’s vision and strategy, which is communicated as part of regular business practise. This also means that there is no need to develop a supply chain orientation between organisations involved in the supply chain, as this orientation is internalised through ownership structures.

5.4.4 Conclusion

As can be seen, the most notable feature of this supply chain is the channel coordinator’s vertical integration of functions he deems critical to the long-term success of the supply chain. In particular, ownership of the warehousing and distribution function in the United States, which the channel coordinator uses to create competitive advantage by better serving the demands of his supermarket customers. The internalising of these functions was made possible by the financial base of the channel coordinator company, as a result of it having multiple shareholder owners.
5.5 Case Study 4

5.5.1 Introduction

This case study is based on the fourth interview for this research. It was chosen as it provides both literal and theoretical replication of the earlier case studies. Like the third case study, the channel coordinator company is not involved directly with the product and instead focuses entirely on coordinating the supply chain. It is also similar to the third case in that it has several shareholders, most of which are farmer/suppliers, giving the channel coordinator access to more resources than in cases 1 and 2. The channel coordinator also markets his product as premium cuts of meat in the United States. Despite the similarities to case 3, there are several differences. The main difference is that the channel coordinator has not invested as many resources internalising functions as in case 3, although he does use more resources to control functions than are available to the channel coordinators of cases 1 and 2. Also, he markets cuts of both natural and organic beef, which none of the other case studies do.

This case study is primarily based on a two hour face-to-face interview. This is supported with a follow up interview by telephone to clarify some issues from the main interview. Written material created by both the channel coordinator and third parties was also utilised. A more detailed version of the case study is available in Appendix B.

5.5.2 Case Description

The channel coordinator company began exports more than 10 years ago. It primarily sells USDA certified ‘natural’ and ‘organic’ beef to affluent, health conscious consumers in the United States. The product is mainly marketed through supermarkets targeting these same consumers. The channel coordinator controls the supply chain from the farmer through to the supermarket as he maintains that this is necessary to create a premium branded product rather than selling it as a commodity on a cost basis.
The channel coordinator markets a mix of USDA certified ‘natural’ and ‘organic’ grass fed New Zealand beef. The channel coordinator sources steers for his beef as this has the preferable balance of leanness to be a ‘healthy’ product and fat for taste. The channel coordinator targets a market niche of health conscious consumers. These consumers are reached by marketing through supermarkets that they shop at. The channel coordinator’s main supermarket chain customer has a focus on selling safe, healthy foods. These supermarkets are generally located in the more affluent areas of larger cities. The channel coordinator states that with his natural and organic product he is targeting niches within this group of consumers that demand the product attributes he provides. The channel coordinator has identified three main types of consumers purchasing his products – high-income individuals interested in their health, ‘hippies’ with high disposable incomes and mothers focused on the health of their children.
The above diagram is an outline of the supply chain. The channel coordinator company (written and boxed in bold) does not interact with the product, instead focusing on coordinating the supply chain. He has a strong relationship with most of his farmer suppliers (written in bold), particularly those that supply him organic beef as it takes them three years to become certified organic. Many of his Farmer suppliers are also shareholders in the channel coordinator company. The Farmers organise the Live Transport to the Meat Processor. The channel coordinator has a strong relationship with the Meat Processor, as he leases space in the Meat Processor’s plant and employs his own butchers to kill and process the cattle. The channel coordinator organises shipping of the product to the United States, where the Importing Company (written in bold) owned by the channel coordinator clears the product. The channel coordinator company retains ownership of the product, until the point at which the Distributor collects the product and takes ownership of it. The Distributor only takes ownership of the product to simplify billing – in reality the channel coordinator retains control of the product right through to the Supermarkets.

Actors in this supply chain can be classified into two main categories: critical participants and important participants. Critical participants include the supermarkets as the channel coordinator is focused on selling to a specific niche of consumers that manly shop at ‘natural food’ type stores. The distributor for the supermarket chain primarily supplied by the channel coordinator is critical as he is the main distributor that the supermarket chain deals with, making him difficult to replace. The meat processor is also critical to the supply chain, although the channel coordinator currently controls this function by leasing floor space and using his own butchers. The channel coordinator’s farmer suppliers are critical to the supply chain as there are only a limited number of certified organic beef farmer suppliers available and all the farmers are required to supply animals year round. Important participants include all the remaining participants, who provide standardised services to the channel coordinator and can easily be replaced.

The channel coordinator is motivated to act in this role as he decided that in order to market a premium product successfully it was necessary to create and retain control of the product and its brand by controlling critical functions in the supply chain. The founders of the channel coordinator company originally created it as a research
company only. They felt that, as farmers, they were producing high quality meat products that were being traded as commodities, greatly reducing their value in the marketplace. They were certain that opportunities existed to sell New Zealand sourced meat as a premium product internationally by moving away from commodity trading.

The channel coordinator states that the channel coordinator company was created by farmers to benefit farmers. The channel coordinator is currently fulfilling his original vision of maximizing returns to farmer shareholders by selling a branded premium, rather than commodity (i.e. lowest cost basis), product to affluent consumers. This vision is currently being achieved and the channel coordinator is focused on expanding the amount of product exported to the United States.

The channel coordinator has not developed his vision for the future. He states that most of his effort goes into ‘putting out fires’ and sourcing enough cattle to supply the rapidly increasing demand for his products. This leaves very little time for strategic planning. With the rapid expansion of the channel coordinator’s primary supermarket chain, developing a future vision for the supply chain is unnecessary as expanding production to fulfill this supermarket chain’s demand in the future will be very profitable.

The channel coordinator’s strategy is related to his vision. By controlling as much of the supply chain as possible he ensures that consumers receive a branded product that they can rely on to be consistently high quality, healthy and safe. This strategy involves focusing on the niche of affluent consumers that demand these product attributes by selling through the supermarkets they shop at.

5.5.3 Case Features

The channel coordinator has structured the supply chain to maximize his control of it while costs are minimized. He argues that there is no point expending resources to duplicate existing capacity if you can maintain a desirable level of control over the function. This is reflected by the fact that he leases space in a meat processor but uses his own butchers, he owns the importing company and negotiates directly with
supermarkets, while utilising the services of distributors to move product between the 
ports and the supermarkets.

The channel coordinator emphasised the importance of controlling as much of the 
supply chain as possible, own the product the length of the supply chain and only use 
third parties on a contract basis. This strategy ensures that they are not required to 
share profits and reduces risk associated with reliance on third parties in critical areas 
such as quality management. It has also allowed him to create and maintain a robust 
brand built on a consistent product. This competitive advantage is strengthened by 
the fact that he has not had to raise capital to fund the infrastructure to perform these 
critical functions, but instead works with existing organisations that have excess 
capacity. The channel coordinator states other organisations would find it very 
difficult to imitate his low cost of reaching the market with product, creating a 
sustainable competitive advantage. The channel coordinator stated that the aim is to 
ensure that consumers consistently receive a product with the attributes demanded and 
his strategy and structure are adapted as necessary to ensure this.

Emphasising this strategy, the channel coordinator stated that in all cases distributors 
are used only for their delivery function. The channel coordinator wants to minimise 
the loss of control in the supply chain, as he fears that having other actors more 
heavily involved at the retail end of the chain will have a negative impact for three 
main reasons. He stated that they would destroy the identity of the product, as well as 
destroy the ambition to adequately care for the product. He also felt that a wholesaler 
would take too large a share of the profit margin on the product.

Although this risk is reduced by the channel coordinator controlling as much of the 
chain as possible, he states that it is very expensive to have the supply chain 
structured this way. He motivates the distributors to perform by ensuring it is in their 
best interests. This is done through the margin the distributors receive and by the 
channel coordinator keeping the functions simple, as well as diagnosing and fixing 
problems as they occur. Risk is increased by having to form a relationship, rather 
than completely owning the function. The channel coordinator balances between 
minimising reliance on third parties, while at the same time minimising the cost of 
controlling this function. This low cost structure also gives competitive advantage
when sourcing stock as the channel coordinator states that it is very unlikely that competitors will be able to match the 25 percent premium he pays farmers for organically raised cattle. It also increases his competitive advantage against low cost South American producers in the U.S. market.

The channel coordinator does not invest resources in communicating his strategy and vision to the other participants in the supply chain as he controls the critical functions that create value in the chain. Therefore, all of the actors that undertake functions critical to the success of the supply chain are well aware of the channel coordinator’s vision and strategy, which is communicated as part of regular business practise. This also means that there is no need to develop a supply chain orientation among the critical organisations involved in the supply chain.

The channel coordinator states that his strategy is adapted as needed, creating competitive advantage over less flexible competitors. His aim is to ensure that the product consistently reaches consumers with the demanded product attributes intact. The channel coordinator’s regular communication with customers and the supermarkets he supplies gives him much of the information he needs to identify and respond to changes in the market place. This is important as the market can rapidly change, as emphasised by the loss of premiums for natural beef. The channel coordinator and others are now watching the large supply of organic beef available from South America that is awaiting relaxation of U.S. trade barriers resulting from the policies of both government and commercial entities. This awareness is vital for the channel coordinator to develop new sources of competitive advantage as competitors match older ones.

**5.5.4 Conclusion**

As can be seen, the supply chain in this case study has some unique relationship structures. The main example of this is his leasing arrangement of space in the meat processing plant, allowing him to use his own butchers without the cost of vertically integrating this function. It is also interesting to note that, despite having a large resource base similar to case 3, he has chosen not to internalise this function, and has instead partnered with a wholesaler in the U.S. market. The channel coordinator
repeatedly emphasised the importance of maintaining as much control over the supply chain as is possible, while at the same time minimising costs through creative relationship structures.
5.6 Case Study 5

5.6.1 Introduction

This case study is based on the fifth interview for this research. It was chosen to provide both literal and theoretical replication of the previous case studies. This case is noticeably different to the previous four. This is due to the channel coordinator acting as a manufacturer, creating a processed meat product. This has resulted in a much more simplified supply chain structure in comparison to the other supply chains.

This case study is primarily based on a one and a half hour, face-to-face interview. This is supported with a follow up interview by telephone to clarify some issues from the main interview, as well as additional material, both created by the company, such as its website, and profiles created by third parties. A more detailed version of the case study is available in Appendix B.

5.6.2 Case Description

The channel coordinator is a manufacturing company that produces several value-added meat products that are sold through different distribution channels. Two partners, who are husband and wife, own the company. They created it approximately seven years before this case study was created. For the purposes of this case study the focus will be on the channel coordinator’s primary product.

The channel coordinator’s product is a healthy convenience food made from manufacturing grade beef, lamb, or chicken. The channel coordinator uses a unique processing technique when processing the meat, creating a sustainable competitive advantage. The unique product that is created is supported by strong brand and product recognition created through the company’s marketing campaign.

The channel coordinator aims to create a high quality product that tastes good and, unlike the meat in many convenience foods, is tender. The product is mainly meat, and no ‘fillers’ are used to ‘bulk up’ the product. To produce a consistent product the
channel coordinator will only purchase meat with the correct product specifications such as chemical lean percentage and Halal certification. The product is in a frozen form before and after manufacturer, allowing it to be stored for a lengthy period of time without fear of deterioration.

Although the channel coordinator’s customers are supermarkets, its target market is household shoppers’ with children. The channel coordinator’s marketing efforts are aimed at this segment, although the product also appeals to single people living alone. Both target markets demand the same main product attributes – a quick and easy to cook meal component that is healthy and creates a positive eating experience.

![Figure 10 - Supply Chain Structure of Case Study 5](image-url)
The above diagram is an outline of the supply chain. The channel coordinator is the Manufacturer (written and boxed in bold). He sources meat which meets his specific product attributes from a number of Brokers, Meat Traders and directly from the Freezing works or Chicken Processors. He does not know the history of the meat before this point. Both the meat the channel coordinator purchases and the finished product he markets may be stored with the Cool Store company. He then sells his product to the central warehousing operation of the two supermarket groups operating in New Zealand, who on-sell and ship the product to individual supermarkets. The channel coordinator uses a merchandising company to manage the product in store, as well as provide feedback and advice.

The actors in this supply chain can be classified into two main categories: critical participants and important participants. The only critical participant in the supply chain besides the channel coordinator in the role of manufacturer is the merchandising company due to its invaluable expertise, advice and the company’s management of the channel coordinator’s product in the supermarkets. The supermarkets become critical, as there are only two supermarket chains in New Zealand, making it impossible for the channel coordinator to replace them. Important participants include all the other organisations involved in the supply chain. These participants all provide important functions, however, they have multiple competitors that can provide the exact same product or service and are therefore replaceable.

Financial gain was the original motivator for the creation of this supply chain. The partners created the manufacturing company once it was decided that further value could be added to the beef and lamb they were producing on their farm at the time. The channel coordinator prides itself on creating a healthy convenience food from beef, lamb, or chicken. This sense of pride in their product motivates the channel coordinator to control the supply chain in order to ensure that the product consistently reaches the market exhibiting the product attributes that they are aiming for.

The channel coordinator’s vision for the supply chain is to create a consistently high quality, value-added convenience food product from manufacturing grade meat. The channel coordinator targets consumers that want a meat food product that is healthy and tender, while still being quick and easy to prepare. This study focuses on a
unique product produced by the channel coordinator that exhibits these characteristics.

The long-term vision of the channel coordinator is to franchise the intellectual property of their processing technology to firms in other countries. This will allow the channel coordinator to rapidly expand its distribution and collect royalties from these firms without having to expend the large amount of resources necessary if they were to develop these markets themselves. The partners are more interested in developing new ideas, products and technology in New Zealand, rather than expanding the size of their company.

There is no need for the channel coordinator to attempt to create a consistent strategy throughout the supply chain, removing the need for the partners to communicate their vision and strategy. This is because there is no need for any of the other actors to have a supply chain orientation – all of the functions that they perform in the supply chain are standard functions that they also perform for their other client organisations. The channel coordinator implements the strategy for delivering the product in its vision to its target market through the standard service and products provided by the other actors.

5.6.3 Case Features

The channel coordinator does not require functions beyond the standard product offering of each organisation in the supply chain, and each can easily be replaced (with the exception of the supermarkets). Therefore an arms length relationship is maintained, except with the merchandising company that provides valuable advice and information to the channel coordinator. As a result, there is no profit and risk sharing among the actors in the supply chain – they just charge a standard rate for services and products provided. Regardless, the channel coordinator’s lack of financial resources has meant that vertical integration of the supply chain has not been an option in the past, although they are currently assessing building their own cold store due to stronger financial resources and better economics as a result of a larger volume of product flow.
The critical nature of the information flow between the channel coordinator and supermarkets (category managers at the parent organisations) and the merchandising company drives the large amount of effort placed in communicating with these parties. They provide advice and information to the channel coordinator and the channel coordinator ensures that they are aware of new product releases, promotions, and so on. This communication is also important to ensure the ongoing purchase of the channel coordinator’s product by the supermarkets.

The channel coordinator invests no effort in communicating his vision to the other supply chain participants as a result of the standard functions most perform. This limits the need for them to understand the channel coordinator’s goals and vision for the supply chain, creating a very low level of supply chain orientation. To the other actors in the supply chain the channel coordinator is just one of many of their typical customers.

The channel coordinator’s proprietary manufacturing process creates a sustainable competitive advantage. With it the channel coordinator has created a unique product that has not been replicated anywhere else in the world as far as the channel coordinator is aware. Although this means that it is unlikely that the channel coordinator will ever have any competitors producing exactly the same product, any convenience meal component food products are direct competitors. The channel coordinator works to maximise this competitive advantage by focusing on ongoing research and development around the technology to further refine it and develop new products.

### 5.6.4 Conclusion

As can be seen, this supply chain has a noticeably different structure to the other supply chains. This is mainly due to his role as a manufacturer, eliminating the need to tightly control the product the length of the supply chain. The supply chain is further simplified by the fact that his product is only sold domestically and is sold direct to the central warehouse operations of the two supermarket groups operating in New Zealand. These two factors have led to the channel coordinator needing to create only a very simple supply chain structure.
5.7 Conclusion

This chapter has provided a summary of the five case studies that this research is based on. Each of the case studies has different supply chain structures, each with different features. The full versions of these case studies are in Appendix B. In the next chapter, the Analysis, these case studies are analysed, both by comparison, and by using the framework and associated propositions, developed from the literature review.
6. Analysis

6.1 Introduction

The purpose of this chapter is to compare the five case studies, and in doing so, to answer the research questions posed in chapter 1. The chapter begins by performing a cross-case analysis of the five case studies to compare and contrast different factors that may have some influence on supply chain structure. This is followed by brief descriptions of the coordination structures of the five case studies. General principles that emerge from the analysis are then discussed. The chapter concludes by bringing all of this information together in order to develop an understanding of how all the factors discussed have influenced the supply chain structures in the five case studies.

6.2 Insights that Emerged from the Cross-Case Analysis

6.2.1 Introduction

From the cross-case analysis a number of insights emerged that cast some light on the research questions. These insights will be discussed prior to the research questions, due to their importance in that discussion. The cross-case analysis has been broken down into sections based on factors that appeared to contribute to differences in the supply chain structures of the case studies. These sections are the type of product, the contrast between steady state chains and those still expanding, developing versus mature chains, vertical integration versus vertical coordination, centralised versus decentralised control and externally versus internally funded supply chains.

6.2.2 Type of Product

The channel coordinator in case 5 is the only one in this research who created competitive advantage through the use of technology. A proprietary processing technology is utilised to create his product, blocking competitors from using the same technology. This gives the channel coordinator a competitive advantage until a potential competitor develops and implements technology to produce a similar or superior product. Therefore, this channel coordinator’s resource base and target
product attributes differ to those of the other cases, resulting in a different supply chain structure.

The main difference the supply chain structure in case 5 has in comparison to those of the other four cases is its short length. The other four cases control the supply chain back to either the farm level or sourcing livestock from farms in order to ensure a consistent, year round supply of stock with the correct product attributes. In contrast, the channel coordinator in case 5 is able to source meat with the desired product attributes from the spot market. The readily availability of this product means that the channel coordinator is able to purchase product on the spot market from a variety of sources, based mainly on the product’s cost. This eliminates a lot of complexity from the supply chain as the channel coordinator expends little effort in creating relationships to source suitable product and does not have to closely monitor the meat processing function as occurs in the other four chains. It could be argued that the channel coordinator in case 5 doesn’t purchase from a true spot market as he builds up a history with sellers. This history means that the channel coordinator know which can be relied on and which cannot be trusted to deliver the claimed product, reducing uncertainty over product quality. Product is also be able to be traced back to a meat processor, and then further depending on the level of traceability implemented by that meat processor. In a true spot market neither of these would occur.

The supply chain in case 5 is further simplified by the fact that a wholesaler function is not performed. This is different to the other four cases, and is a result of this channel coordinator being the only one to extensively supply New Zealand supermarkets, rather than due to the differing nature of product he sells. In this supply chain product is delivered directly from the channel coordinator (usually after being stored at the cool store) to the central warehousing operation of New Zealand’s two supermarket groups. The supermarket groups perform the function of distributing product to individual supermarkets. A merchandising company is then utilised to manage the product in individual supermarkets. In contrast, in cases 2, 3 and 4 a large warehousing function occurs in the supply chain to manage the logistics of delivering product shipped to the United States and then delivered to individual stores.
The uniqueness of the channel coordinator’s product in case 5 means that he has not had to develop a strong relationships with final retailers, as occurred in cases 1, 3 and 4, and currently being developed by the channel coordinator of case 2. Unlike cases 1, 3 and 4, the channel coordinator in case 5 sells to a broad variety of supermarkets. This is because he is targeting a broader consumer base, but from a much smaller population base than in the other cases, which has allowed this channel coordinator the use of broader promotional methods, such as television as a medium. This has created a well known product and brand within New Zealand. Therefore, his product is available in every supermarket in New Zealand. It is still a niche product, however, due to its uniqueness and the specific consumer groups targeted. In contrast, the consumers targeted in cases 3 and 4, and in case 2 under the channel coordinator’s brand, are different to those of case 5. These consumers mainly purchase food at ‘high-end’ grocery stores, whose equivalent does not exist in New Zealand. Due to the large population size in the United States and the specialised niche they are targeting, these channel coordinators are unable to use the same promotional tools implemented by the channel coordinator in case 5. Instead, these channel coordinators rely on the majority of their target market purchasing food at the supermarket chains they sell through, relying mainly on in-store promotion, word of mouth and repeat purchase, as a result of brand recognition, to drive sales. This creates the need to have a strong relationship with the correct type of supermarkets to ensure that these channel coordinators are able to reach their target markets.

In summary, it can be seen that the nature of the product in case 5 has resulted in a very different supply chain to those of the other four cases. The most noticeable feature is the comparatively short length of this supply chain. A lot of complexity has been eliminated from the supply chain due to the fact that the channel coordinator manufactures the product and that this process is a source of competitive advantage for the channel coordinator. The target market of the channel coordinator and the proprietary nature of his product has resulted in a very different method for marketing and has eliminated the need for strong partnering with retailers as seen in the other four cases.
6.2.3 The Contrast between a ‘Steady State’ Supply Chain and those still Expanding

Case study 1, which is considered to have a ‘steady state’ supply chain, will be compared and contrasted to cases 3 and 4, whose channel coordinators aim to continue expanding. The channel coordinator in case 1 is marketing a product with similar product attributes to that of the channel coordinators in cases 3 and 4. In all three cases the target market consists of consumers willing to pay extra for cuts of meat that are consistently healthy and high quality. All three channel coordinators have strong relationships with their retailers in order to maximise control over their product and brand. Yet the supply chain structure in case 1 is very different to that of cases 3 and 4. In part the supply chain structure appears simpler in case 1 in comparison to those of cases 3 and 4 as its product is only sold on the domestic market, rather than exported, eliminating actors such as customs brokers and additional transport and storage. However, many of the differences can be explained by the motivation and vision of the channel coordinators for their respective supply chains and the resources available to them.

The most noticeable feature of the channel coordinator in case 1 that emphasises his ‘steady state’ is his satisfaction with his current supply chain. He has no motivation to expand it further as he feels that the additional income he could generate does not justify the potential costs to generate it. Due to its maturity, the supply chain has very few ‘bugs’ in it, requiring only a low level of input from the channel coordinator. The channel coordinator is very satisfied with the income he generates for such low inputs. In contrast, the channel coordinators in cases 3 and 4 are aiming to rapidly expand in the future. They are continually looking to expand throughput and profitability, while strengthening their position in their target markets.

A different set of motivating factors drives the channel coordinator in case 1 when compared to the channel coordinators of cases 3 and 4. Demand for the products produced in cases 3 and 4 in the U.S. market has grown, particularly from their main supermarket customers, who have grown with this demand. The channel coordinators both talked about the large amount of expansion they are planning in the future. This expansion in production is much easier to achieve in comparison to the supply chain
in case 1 due to the channel coordinators of cases 3 and 4 sourcing stock with the correct characteristics from multiple farms. In contrast, all of the stock in case 1 is raised on only the channel coordinator’s farm after being sourced from the wholesaler. In cases 3 and 4 the channel coordinators also have access to a much larger financial resource, due to having a number of shareholder investors, while in case 1 the channel coordinator only has the leverage of his own funds. As the channel coordinators in cases 3 and 4 are liable to shareholders and their company board they are motivated to continue improving company profitability. They work as part of a management team, driving ongoing innovation. The channel coordinator in case 1 is less motivated, as he is only concerned about his own profitability and isn’t required to keep growing the business to please other investors. Instead, he can focus on returns against inputs and has succeeded in minimising his own inputs into managing the supply chain. These additional factors contribute to making expansion for the channel coordinator in case 1 far less motivating in comparison to those of cases 3 and 4.

The decentralisation of control, which is not a characteristic of any of the other chains in this research, is a factor that makes the supply chain in case 1 require minimal inputs from its channel coordinator. This supply chain structure came about as a result of the strong personal relationship between the channel coordinator and the wholesaler that manages part of the supply chain, when the chain was first created. This relationship has grown and strengthened as the supply chain has developed. The result is that the channel coordinator does not have to perform a monitoring function as in cases 2, 3 and 4, who all sell similar high quality cuts of meat. Instead, he has trained other actors to perform some of the monitoring functions in the supply chain for him. Much of his effort can instead go into maintaining and developing relationships within his supply chain and expanding production only if an opportunity arises. It should also be noted that a lot of his effort goes into small details to enhance the quality of the pork at the farm and live transport levels – levels that he has the most control over. In these other three cases a lot of resources are utilised performing a monitoring function and, in cases 3 and 4, controlling other parts of the supply chain.
Another factor lowering inputs for the channel coordinator in case 1 is his lack of direct competitors. In contrast, the channel coordinators of cases 3 and 4 were able to identify several sources of current and potential competitors able to provide a very similar product to theirs. In both cases the channel coordinators felt that they had created relationships robust enough to block these competitors stealing some of their market share. However, they still had to consistently focus on maintaining their competitive advantage. This will further motivate these channel coordinators to keep expanding. In case 1 this is not necessary as the channel coordinator feels that he will have plenty of time to react in the unlikely event of a potential competitor emerging, reducing the amount of energy that needs to be expended in this area, further lowering his inputs into the supply chain.

In conclusion, it can be seen that the channel coordinator in case 1 is not motivated to expand further as the costs outweigh potential benefits. He currently needs to expend minimal inputs into his supply chain to ensure it runs smoothly and generates an income that he is happy with. In contrast, in cases 3 and 4 the channel coordinators are motivated by shareholders wanting the companies to keep expanding and increasing profitability. Expansion is also much easier for these channel coordinators in comparison to the channel coordinator of case 1. This aggressive stance is necessary for their survival, as their target markets continue to rapidly expand and they are required to consistently work to create and maintain competitive advantage, whereas in case 1 he currently has no direct competitors.

6.2.4 Developing versus Mature Supply Chains

In order to understand some differences between developing and mature supply chains, case 2, which can be considered ‘developing’, will be compared and contrasted with cases 3 and 4, who can be considered ‘mature’. The channel coordinators in cases 3 and 4 are targeting very similar consumers with similar products and are selling their product through many of the same supermarkets. The supply chains are similar in many ways as both have farmer shareholders, were established several years ago and can be considered mature. The supply chain in case 2 can also be considered similar to these two cases in many ways, such as his marketing of high quality cuts of meat in the United States. However, this supply
chain is very new. As such, the channel coordinator is still establishing it and very little of his product is sold under his own brand. In the long-term it is likely that once he gets his own brand established he will market his product to a target market similar to that of cases 3 and 4. By establishing what makes cases 3 and 4 so similar we can contrast this with case 2, which should give some insight into the differences between developing and mature supply chains marketing a niche meat product and the role of the channel coordinator in both.

The target market in cases 3 and 4 are affluent consumers that demand consistently healthy product that creates a positive eating experience. In order to reach this target market, the channel coordinators mainly sell their product through supermarket chains that specialise in similar product and are located in the affluent areas of American cities. In contrast, the majority of the product in case 2 is sold through a variety of types of American supermarkets. This is because the channel coordinator’s product is sold through a U.S. distributor/meat processor who does not distinguish the channel coordinator’s product from his own. This mutually beneficial arrangement has allowed the channel coordinator to immediately sell large volumes of product without having to establish relationships with any supermarkets, as well as lower his distribution costs. It has also greatly simplified the channel coordinator’s management function in the supply chain, as the wholesaler takes ownership of product when in transit between New Zealand and the United States. This eliminates the need for the channel coordinator to manage functions and other actors in the United States. It also means that the channel coordinator’s lack of knowledge and financial resources do not inhibit him. The distributor benefits from the channel coordinator’s product as it replaces some of the shortfall of his continuously decreasing volume of domestically produced product, as well as earning a margin from selling that product for little additional cost to existing operations.

The main reason that the channel coordinator in case 2 is not as narrowly focused and marketing in a similar manner to the other two is his relative lack of knowledge of the target market. He originally utilised the wholesaler to overcome this problem. He stated his intention to target new supermarkets with product carrying his own brand now that he is selling a steady volume of product through the wholesaler. In the geographical region that the wholesaler covers, product will be distributed through
this wholesaler. However, he now feels that he has accumulated enough knowledge to enter new geographical regions and manage distribution of product to supermarkets himself under his own brand, rather than relying on a third party to manage most of his product.

A notable feature of the supply chain in case 2 is the large amount of communication between the channel coordinator and the wholesaler, as well as the supermarkets that he supplies product under his own brand to. The channel coordinator stated that he is in regular communication with these actors due to the relationships still being developed. This is important, as more problems arise and the channel coordinator and the actors are still learning what their obligations and functions are within the relationship as well as how to interact together. This occurred in all of the other supply chains when they were still in their development phases following their creation. For example, in case 1 the channel coordinator only communicates with the management of the wholesaler approximately once per month or if a problem occurs. This is in contrast to when the supply chain was first formed when the two were, on average, in contact daily.

The small percentage of product the channel coordinator in case 2 sells under his own brand direct to supermarkets is targeted at affluent consumers, with an emphasis on its status as a natural product with no antibiotics or steroids. However, the product does not have all the features emphasised by the channel coordinators in cases 3 and 4. Some of the features may be built up under the channel coordinator’s own brand as he develops it, but he will be aiming for a slightly different market to that of the other two channel coordinators due to his product being grain fed, making it more generic in the eyes of American consumers, as this type of product is more commonly available than grass-fed product.

The channel coordinator in case 2 has created very little competitive advantage due to the newness of his supply chain, stating that he wants to remain ‘below the radar’. In other words, the less people that know about his venture, the less likely it is to be replicated. This is important, as the newness of his supply chain makes him vulnerable to organisations looking to replicate his supply chain and product. The channel coordinator’s low profile is partly the result of his smaller scale in
comparison to the supply chains in cases 3 and 4 and not having any shareholders. The supply chains in cases 3 and 4 are well known within the industry, eliminating the option of ‘remaining below radar’ for their channel coordinators. However, the channel coordinators aren’t concerned, as both feel that the relationships they have created and knowledge of processes they have built up create competitive advantage for them. The strong relationship with the supermarkets they sell to is critical, as the competitive nature of this industry means that supermarkets can easily change suppliers without difficulty. However, in these two cases the channel coordinators feel that they would have the information and the opportunity to adjust their product offering as required. As new competitors enter the market they feel that they will have time to react, reducing the risk of losing market share.

As can be seen, the channel coordinator in case 2 has had to partner with a U.S. distributor in order to more easily become profitable in this market. This has been beneficial as he has been able to gradually build up knowledge in the market and establish relationships with other supermarkets, while having a steady income stream from the wholesaler. He now feels that with this steady flow of product and the knowledge he has accumulated he is able to enter new geographical areas without the need to partner with another organisation. The channel coordinator’s strategy is affected by his vulnerability to potential competitors, as he has not yet built up the strong brand and relationships as seen in cases 3 and 4, who consider these to be source of competitive advantage for their supply chains.

6.2.5 Vertical Integration versus Vertical Coordination

The most distinguishing feature of the supply chain in case 3 is the channel coordinator’s ownership of a large part of the supply chain separate from the location of the channel coordinator company. Such a significant investment is not observed in the other four cases. Case 3 is similar to case 4 in many ways, however. Both channel coordinators emphasised the importance of maintaining control over their product until it reaches the market and their lack of confidence in relying on third parties. They also market to a similar group of consumers through the same and similar supermarkets and have similar financial resource availability, yet their supply chain structures are different. As case 4 is the most similar to case 3, they will be
compared and contrasted to look at some of the factors that have driven the vertical integration observed in case 3.

The channel coordinator in case 3 argued that his ownership of the storage, distribution and product management function in the United States creates a robust source of competitive advantage. He has identified several competitors and potential competitors capable of supplying a product very similar to his own. To create competitive advantage he controls the storage and distribution function in the United States to ensure that product is consistently delivered in full, on time and to specification. He feels that this consistency would not be possible if another organisation controlled this section of the supply chain.

The supply chain structure in case 3 has proved beneficial in other ways to the channel coordinator. Firstly, the main supermarket chain that he supplies made him their preferred distributor for delivering fresh meat to their supermarkets in his geographical area. As such, suppliers of these supermarkets deliver all fresh meat products stocked by these supermarkets to him. He then consolidates and delivers all of this meat to the supermarkets. This has created several benefits for the channel coordinator – additional income and better economies of scale through his cool store, he is now more indispensable to that supermarket chain, control over potential competitors and an early warning system, and it allows the implementation of collective systems with the other fresh meat suppliers. It also allows the channel coordinator to partner with distributors in other parts of the country – he delivers their product in his region while they deliver his product in their region. The knowledge that the channel coordinator has accumulated performing this function since the creation of the supply chain would be very difficult for competitors to imitate, creating a strong level of competitive advantage.

In contrast, when supplying his main supermarket customer the channel coordinator in case 4 uses this customer’s preferential distributor. The channel coordinator trusts this actor to perform this function as required. The main advantages observed by the channel coordinator with this structure is that it simplifies his role by having the other actor perform processes such as transportation, bill consolidation, and so on, as well as reducing his overhead costs. The channel coordinator is focused on having a very
low cost supply chain structure, as he argues that this eliminates the need to constantly cover the high fixed costs associated with vertical integration. He states that it is pointless to duplicate existing capacity if a desirable level of control can be maintained over that function. This has created competitive advantage for him, as competitors find it difficult to imitate. He looks for organisations with a strategic fit so a mutually beneficial arrangement can be created. This has occurred at several levels in his supply chain. For example, he has lowered the meat processor’s fixed costs while getting low cost access to a processing facility and lowered the distributor’s fixed costs while simplifying his own function.

Both channel coordinators will implement the structure that they feel is most beneficial. For example, the channel coordinator in case 3 will use vertical coordination over vertical integration if he sees this structure as advantageous, even if he could internalise that function. A good example of this is the import broker. The channel coordinator argues that originally he utilised the services of this import broker due to his not possessing the knowledge to adequately perform this function himself. Although he now feels confident that he has accumulated the required knowledge, he states that this actor greatly simplifies this function for him and can be trusted to always perform to expectations. This means that far fewer resources are required than if he were to vertically integrate this function, while the same results are still achieved. Likewise, the channel coordinator in case 4 will use vertical integration if he feels that this will be the best structure. This can be seen with his internalising of the product management function in the supermarkets he supplies.

In conclusion, although the channel coordinators in cases 3 and 4 have similarly large resource bases available, they have developed different supply chain structures. In case 3, the channel coordinator has opted to internalise what he views as critical functions. He has accumulated several benefits from this and views the distribution function as his primary source of competitive advantage. In contrast, the channel coordinator in case 4 has internalised only a couple of minor functions in the supply chain. He creates mutually beneficial relationships with other actors to perform critical functions, arguing that it is pointless to replicate capacity if it already exists. As such, he is exposed to more external risk than the channel coordinator in case 3, but is able to move product through his supply chain at relatively lower cost, which is
where he feels that his source of competitive advantage lies. Both channel coordinators stated that they implement the structure they feel will be most beneficial to them.

6.2.6 Centralised versus Decentralised Control

The decentralisation of control observed in the supply chain of case study 1 distinguishes it from the other four cases. The benefits that emerge from this structure, combined with the inherent difficulty in imitating it because of the energy required to create a supply chain orientation among chain participants for example, has created a strong source of competitive advantage for this channel coordinator. The ability to implement this structure comes as a result of the supply chain orientation of the critical actors that the channel coordinator has developed.

The channel coordinator controls and monitors some critical functions, however, he also uses a trusted actor, the wholesaler, to control and monitor some of the other critical functions in the supply chain. Additionally, he relies on the butchers in his supply chain to manage the marketing of his product and will often work with them to promote to potential customers. Although the supply chains of the other four case studies incorporate actors performing critical functions for the channel coordinator and managing some third party suppliers (for example, product transport), they all provide a ‘standard’ function, similar to what they provide other clients. In case 1 the wholesaler and butchers provide very specialised functions, working closely with the channel coordinator, that are not replicated by these actors for their other customers. The main benefit of this structure is that the channel coordinator is not hindered by his own resource limitations.

As a result of the decentralised supply chain structure, the channel coordinator in case 1 is the only one out of the five cases who actively communicates his strategy and vision to some of the other actors in his supply chain. This is important to create a supply chain orientation amongst the wholesaler and the butchers, the two most critical levels of this supply chain. In the other cases communication with actors performing critical functions is important, but no supply chain orientation is created. This is due to the standardised nature of these functions in most cases – there is no
need for the actors to become intimately involved in the vision for the supply chain as they perform their functions adequately without doing so. This simplifies the channel coordinator’s function, as creating a supply chain orientation among actors is more resource intensive than a standard relationship.

Utilising the wholesaler to manage part of the supply chain creates additional risk for this channel coordinator in case 1, as he needs to ensure that he adequately communicates his vision to this actor to ensure that their actions are coordinated. Strong communication is needed to ensure that this actor is aware of his obligations to the supply chain and performs his functions to the expectations of the channel coordinator. This is possible through the strong personal relationship that the channel coordinator has with the wholesaler. He also needs to ensure that this actor doesn’t leave the chain, which would eliminate some of the technical knowledge accumulated by this actor since the supply chain’s creation. Much of this knowledge is not obvious and would be difficult to replicate, making it important that it does not become available to potential competitors.

This risk is outweighed by the benefits of the supply chain orientation that the channel coordinator has created with the wholesaler, who is focused on benefiting the supply chain as a whole through the actions he undertakes. This supply chain orientation is a result of the reciprocal dependency that the channel coordinator has created. In other words, it is in the best interests of both parties to ensure that they perform to expectations to aid the success of the supply chain, although this supply chain only contributes a small percentage to the wholesaler’s profitability. This is true also for the butchers, to a lesser extent, as they benefit from the opportunity to sell such a high quality pork product that is unique in New Zealand. The wholesaler also bears some of the risk in the supply chain as he collects payment off the butchers in place of the channel coordinator. Also, having this actor work autonomously simplifies the channel coordinator’s role and eliminated the need to learn new skills and information that the actor already possessed and has further developed in his role.

Communication is also important when the channel coordinator is dealing with the butchers. He has differing levels of communication with the various butchers in the supply chain. Some have a strong supply chain orientation and work closely with the
channel coordinator to develop new customers as this benefits both parties. Unlike the other four chains that sell to supermarkets, in case 1 the success of the channel coordinator’s brand is very reliant on the performance of the butchers he sells through.

As such, the importance of correctly selecting a butcher with strong ‘strategic fit’ with the supply chain is emphasised by the channel coordinator. He always carefully assesses a butcher before even approaching him. Selecting an inappropriate butcher could prove very costly for the channel coordinator in terms of brand image and resources needed to rectify problems. The butchers create a lot of value for the supply chain as they are at the premium end of the market. This allows them to charge premium prices for the product and also ensures that they are consistently up to date on the latest cuts and so on to fulfil the needs of demanding customers. Additionally, as whole carcasses are sold to the butchers they need to dispose of all of it. This eliminates complexity for the channel coordinator, who does not have channels to dispose of the less valuable parts of each carcass.

As can be seen, centralised and decentralised control both have advantages and disadvantages. The main advantages of decentralisation of control in case 1 is the simplification of the channel coordinator’s function, the motivation of the actors with a supply chain orientation to work with the channel coordinator in the interests of the supply chain and the risk borne by these actors. Disadvantages include the need for the channel coordinator to actively communicate his vision, careful partner selection to ensure a supply orientation is possible and the risk that a partner may leave the supply chain taking some of his knowledge with him, which could end up in the hands of competitors.

6.2.7 Externally Funded Chains versus Internally Funded Chains

The channel coordinators in cases 1, 2, 3 and 4 emphasised the importance of controlling as much of the supply chain as possible and their lack of faith in trusting others to perform critical functions. In case 5 this was also discussed to a certain extent, although the channel coordinator did not feel as exposed to possible unscrupulous behaviour as the other four channel coordinators. The sentiment of the
four channel coordinators can be seen by their close monitoring of critical functions that they don’t directly control. In cases 3 and 4 some critical functions have been internalised where resources are available. This is not an option for the channel coordinators in cases 1 and 2 due to their relatively limited resources.

In cases 3 and 4 the supply chains were created to benefit multiple farmers. Farmers became shareholders in the respective companies, giving the channel coordinators a solid financial base through this external funding when they created their supply chain, as well as a solid throughput of livestock. As such, the channel coordinators had the resources available to internalise many of the functions they feel are critical to the success of their supply chains. In contrast, the channel coordinators in the other three cases funded their business and supply chain creation internally through a mix of their own equity and debt. While they don’t have to answer to shareholders, a much larger financial constraint is created relative to the channel coordinators in cases 3 and 4. This reduces the opportunities for internalising functions in their supply chains. Although the channel coordinators in cases 3 and 4 benefited from larger economies of scale when they began their supply chains, all expansion since has been funded from these original funds and after tax profit.

An example of the difference the financial base of a channel coordinator makes is seen by the fact that in case 2 the channel coordinator relies on others to maintain his product in supermarkets, while in cases 3 and 4 the channel coordinators use their own employees to maintain product in store. This is a result of the channel coordinator in case 2 lacking the resources of the channel coordinators in cases 3 and 4, rather than attempting to simplify his function in the supply chain.

In other words, the internally funded channel coordinators do not have the opportunity to internalise functions. Instead, they rely solely on the relationships they form and, when considered necessary, monitoring the performance of some of the other actors. The channel coordinators externally funded, in contrast, benefit from better economies of scale and more opportunities to internalise critical functions due to their larger resource base. However, their resources are still finite and they don’t have the opportunity to internalise all of the functions that they would like to. Also, they
choose not to in some instances, as it is more beneficial to use a more experienced actor. This is discussed in the next section.

6.3 Coordination Structures Utilised

This section aims to answer part A. of the research question, ‘What co-ordination structures are used by niche agribusiness chains in the New Zealand meat industry?’ As will be discussed, all five supply chains are structured differently, even though some of the channel coordinators target a similar group of consumers and share many other similarities. The most distinguishing features of each supply chain are discussed below.

The most noticeable feature of the supply chain in case 1 is the decentralisation of control. The channel coordinator in case 1 has created competitive advantage by creating a difficult to replicate supply chain orientation of, and strong relationship structures with, the organisations critical to the supply chain. In particular, the wholesaler and some of the main butchers involved in the supply chain have a strong commitment to the success of the supply chain. The wholesaler also manages part of the supply chain, creating decentralisation of control, reducing resource expenditure by the channel coordinator. This is important, as it would not be overly difficult for a motivated organisation to imitate the product produced by this supply chain.

Case 2 is most noticeable for the immaturity of its supply chain, which has influenced its supply chain structure. The channel coordinator has used other actors to perform critical functions due to his lack of knowledge and resources. He invests a lot of resources into communication and monitoring other actors in the supply chain to overcome the limitations of this approach and interacts personally with every organisation in the supply chain. This ensures that although he does not have the resource base to vertically integrate any functions, he tightly controls all critical functions.

The most noticeable feature of the supply chain in case 3 is the channel coordinator’s ownership of the distribution function to his retail customers in the United States. The channel coordinator felt that internalising this function gives him competitive
advantage through the greater control he has over his supply chain and the knowledge that he has built up performing this function. As part of this process, he has created very strong relationships with the main supermarket chains he is focused on supplying. The channel coordinator has not vertically integrated any functions in New Zealand, but does have a strong relationship structure with the meat processor, as this actor’s function is considered critical to the success of the supply chain.

In case 4 the channel coordinator states that he has gone for low cost rather than invest in infrastructure. As such, he has a strong relationship with the main supermarket chains he supplies, as does the channel coordinator in case 3, but he utilises the services of a wholesaler to deliver his product to these supermarkets and consolidate his billing. He also uses a leasing arrangement with the meat processor, allowing him to use his own butchers without the need to invest in infrastructure. The channel coordinator states that creating mutually beneficial relationships, rather than using vertical integration, simplifies his processes while still allowing him to retain control of his product and his brand the length of the supply chain.

The supply chain in case 5 is very different to the other four. The channel coordinator controls the manufacturing process, purchasing meat with specific product attributes from the spot market for processing. From this he produces a consistently high quality, processed product. This makes the supply chain very short in comparison to those of the other four cases. As a result, the channel coordinator does not feel the need to control or closely monitor the performance of any other part of the supply chain.

It can be observed that there are quite striking differences in the supply chain structures of the case studies. However, there are also many common features of the supply chains and the channel coordinators will usually act in a predictable manner to influencing factors (although the results will depend on the situation). This is discussed in the next section.
6.4 General Principles that Emerged from the Analysis

6.4.1 Introduction

As can be seen from the case studies niche agribusiness supply chains do not favour a particular structure. From the above analysis it has emerged that there are a variety of factors that cause the high degree of variance between supply chain structures. Despite the disparity in supply chain structures, many similarities between the supply chains also emerge when they are compared. This includes factors such as the original motivation of the channel coordinators, the inherent reasons for implementing specific strategies related to their supply chain structure and the methods used to control their product and brand.

This section addresses part B. of the research questions posed in Chapter 1: 
1. What is the role of the channel co-ordinator in niche agribusiness chain structures in the New Zealand meat industry?
2. What strategies does the channel co-ordinator employ with respect to the co-ordination of niche agribusiness chains in the New Zealand meat industry?
3. What factors influence the strategies that the channel co-ordinator employs with respect of the management of niche agribusiness chains, and hence their structures?

This analysis is undertaken by assessing each of the features of the five case studies in the format outlined in Chapter 3, the ‘Framework’. These sections are the channel coordinator’s vision and motivation, strategy, environment and resource issues. The final section, ‘The Resulting Supply Chain Structures’, discusses how all these factors contribute to the resulting supply chain structures. It was noted in Chapter 3 that it is not possible to discuss the strategy without making reference to the vision and motivation. As such, vision and motivation will be discussed below.

6.4.2 The Channel Coordinator’s Vision and Motivation

In all five cases the channel coordinators have a vision for their supply chain, in particular, the product attributes that need to be produced to satisfy their target markets. Only in cases 1, 2 and 5, however, has the channel coordinator invested
considerable effort developing his vision. The channel coordinators have specific goals that they want to achieve in the medium and long-term that they are continuously working towards. This is not so in cases 3 and 4.

In case 1 the channel coordinator has achieved his vision and is happy to continue fulfilling it without creating additional future goals. This is different to case 2 where, as the supply chain is relatively new, the partners that created the channel coordinator company and supply chain have actively discussed their long-term plans and know what goals they would like to achieve in the next 5 and 10 years. In case 5 the channel coordinator has profitably maximised his sales in the domestic market (part of his original vision) and now has a vision to franchise his intellectual property internationally, while developing new products in his home market.

The channel coordinators of cases 3 and 4, in contrast, do not have a structured vision with set goals and aims. Both have a basic vision that entails increasing their long-term profitability and solidifying their position in the market against competitors. However, both state that they react to challenges and market opportunities as they occur. They argue that due to the need for rapid adaptation in their markets it is not feasible to expend more than minimal resources developing a detailed vision when they know that it will have to be constantly updated as the environment changes.

All five channel coordinators have similar motivating factors to act as channel coordinator. The original motivator was the lack of profitability of their farming operations and the feeling that they could improve their own returns by marketing a product directly to consumers. They all performed research and were surprised to discover the inconsistency of product quality reaching the market place and being sold as a commodity product. In cases 1, 2, 3 and 4 the channel coordinators performed market research to determine the bundle of benefits sought by a niche of consumers they felt would be profitable. In case 5 the channel coordinator started from the other direction, approaching a research organisation looking for a propriety manufacturing process that he could develop. The channel coordinator develops target markets based on the products he can produce with this and other technologies.
The channel coordinators are further motivated to act as channel coordinator as they each created their respective supply chains, giving them a sense of ‘ownership’ of them. They are also motivated to undertake the role of channel coordinator as they all have capital tied up in their companies, whose success relies solely on the success of the supply chain that they manage (although its form may drastically change, as seen in case 2). In contrast, the other actors involved in the supply chain are not concerned about the success of the supply chain as they only contribute to a small percentage of their profitability, and are therefore not motivated to act as the channel coordinator.

### 6.4.3 The Channel Coordinator’s Strategy

All five channel coordinators have a strategy to match their supply chain’s resources to the needs of their target market. In all cases this was done with their long-term vision in mind, regardless of how detailed a vision they had developed. In all cases the strategy varies as the channel coordinators face differing environments and resource issues. There strategies are each very complex if analysed in detail, so only their core strategies are discussed in this section.

The strategy of the channel coordinator of case 1 is to implement practices that ensure his cuts of pork always reach the consumer in optimum condition, such as ensuring that his pigs aren’t under stress before killing, maintaining an optimal pH level and therefore meat quality. He is the only channel coordinator of the five not motivated to continue expanding his throughput and market size as he is currently achieving his vision, influencing his strategy differently to the other cases. His strategy remains constant (although will adapt to applicable changes in his environment), maintaining the status quo. In contrast, part of the strategy of the channel coordinators in the other four cases is to continually assess and take advantage of new opportunities for further expansion.

In case 2 the channel coordinator’s strategy is to create cuts of consistently high quality grain fed lamb, so that he can slowly expand sales of product under his own brand and build towards his long-term vision of having a large, robust and profitable supply chain. The strategy of the channel coordinators in cases 3 and 4 is to continue supplying a branded, consistently high quality, safe and healthy product for a
premium to consumers in their target markets and to continue expanding to meet growing demand and other market opportunities. This strategy reflects their basic vision of managing a robust and profitable supply chain that can be rapidly manipulated to react to opportunities and threats in the environment. In case 5 the channel coordinator’s strategy is to expand profits with minimal effort by licensing his proprietary technology overseas, minimising risk of business failure while receiving royalties from those that succeed, building towards his long-term vision.

There are several other similarities among the cases. In particular, the channel coordinators targeting of a specific niche has motivated them to consistently deliver the product attributes demanded by these consumers and has allowed them to ‘specialise’ in understanding their target market. Branding emerged as very important to communicate product attributes to these consumers. Communication in the supply chain was also very important and allows the channel coordinators to react to problems in the supply chain and adapt their product offering as necessary. They all face similar challenges in managing their supply chains, such as forming relationships where they are the weaker organisation and the need to heavily monitor and control many functions. Strategic fit was also important for many of the critical functions performed by actors in their supply chains.

Despite the differences in overarching strategies, all the channel coordinators strategies use incentives to motivate the other actors in the supply chain to perform their required functions. This is usually in the form of a profit incentive. In some cases this has gone a step further, with the channel coordinator employing a strategy utilising persuasiveness to motivate some actors by creating reciprocal dependency with them. This can be observed in case 1 where the channel coordinator has made it more profitable for the wholesaler to sell the channel coordinator’s branded product in place of his own branded product to customers, both new and existing. The channel coordinator of case 2 has created benefit for the wholesaler in his supply chain by filling the continually expanding shortfall in his own supply, as well as creating new customers that purchase product carrying the channel coordinator’s own brand. In case 4 the channel coordinator has actively partnered with organisations with excess capacity that the channel coordinator needs to utilise to produce his product, such as the meat processor, so that both parties benefit from the relationship.
The channel coordinators all have actors in their supply chains that have stronger leverage in the relationship than them. In cases 2, 3, 4 and 5 the supermarkets have the most control in the relationship as they can easily source a similar alternative product to that of the channel coordinators. This results in the channel coordinators focusing on consistently filling the stringent demands of these actors. Another example of this leverage is in case 2 where the channel coordinator only has one suitable meat processor available to him. He feels that he pays too much for this function as a result of both parties awareness of this. In contrast, in case 1 the wholesaler has strong leverage of the channel coordinator, but chooses not to exert it due to the strong personal relationships involved and the mutual profitability they both gain from the supply chain. In other words, the extent to which favourable leverage in a relationship is taken advantage of by an actor depends on the broader environment that the two parties are interacting in and the strength of the relationship.

A strategic fit with at least one other organisation occurs in all five supply chains. This mainly arose from the inability of the channel coordinators to internalise every critical function due to resource limitations, creating a reliance on some actors. In all cases a certain level of strategic fit was necessary with their retailers. However, this only applied to the channel coordinator in case 2 when selling product under his own brand – the majority of his product was sold to various supermarkets without a focus on its product attributes. In case 5 this strategic relationship was also fairly minor – both parties benefited from the relationship, although the supermarkets would not lose much profitability if they did not sell the channel coordinator’s product. In cases 1, 3 and 4 this strategic fit was vital as the channel coordinators need to sell their product through retailers that their target niche of consumers purchase fresh meat from, and also to help establish their brand image. This can be seen by the care taken by the channel coordinator in case 1 when choosing butchers to sell his product.

All the channel coordinators ensured that they controlled the necessary functions in the supply chain to retain control of their brand and maintain the consistency of the product marketed under it. This is either directly through ownership of the function or indirectly through a relationship with another actor. Each channel coordinator places differing importance on different parts of their supply chain and have differing
resource availability for internalising functions (finance, knowledge, and so on), resulting in unique supply chain structures in all five cases. Regardless of the channel coordinators emphasising the need for control, in all cases they often use actors to simplify a function for them, even if they feel certain that they could perform it themselves. Examples include the distribution function in cases 2 and 4, and the importing/‘clearing customs’ function in cases 3 and 4.

The need for control is least obvious is case 5. The shortness of this supply chain has meant that the channel coordinator only directly controls the manufacturing process. The other important function is management of his product in store. A merchandising company undertakes this as a standard service. In cases 2, 3 and 4 the channel coordinators have internalised critical functions when they have the resources available or felt it necessary to do so. The channel coordinators closely monitor critical functions that they are unable to directly control. Case 1 is different again. The channel coordinator controls and monitors some critical functions, however, he also uses a trusted actor to control and monitor some of the other critical functions in the supply chain.

An example of monitoring is the close watch of the meat processing function in cases 1, 2, 3 and 4 to ensure the meat quality and extraction per carcass are maximised. In case 1 the wholesaler, on behalf of the channel coordinator, performs this monitoring function. In case 4, employees of the channel coordinator perform the meat processing function at the primary plant, altering the dynamics of the monitoring process. In cases 2 and 3, and in the secondary processing plant in case 4, the channel coordinators carefully monitor the performance of workers at the meat processing plants. In these three cases the channel coordinators state that it is boring work, motivating workers to ‘cut corners’ if not properly monitored. Monitoring is not necessary in case 5 due to the ready availability of meat with the required attributes on the spot market. Part of the monitoring function is active communication with actors in the supply chain.

In all cases the channel coordinator directly communicates with the majority, if not all, of the actors in the supply chain. This is important to ensure that each actor performs as required, to maintain control of the product and brand, and ensure that...
information flows freely to and from the channel coordinator. Information flow is important as it allows the channel coordinator to rapidly react to problems that occur anywhere along the supply chain, ensure that actors get feedback on their performance and adapt the product offering as necessary.

When necessary the channel coordinators have adapted their strategy to changing market conditions. For example, in case 2 the channel coordinator created a new supply chain structure when the first became unprofitable. In case 4 the channel coordinator contracted with a second meat processor to process product from a different geographical location to his primary processing plant as his supply base expanded, rather than create another leasing arrangement similar to that with the first meat processor.

All of the channel coordinators gave the impression that they would be able to react far more rapidly and effectively to changes in their environments than their larger competitors. A couple of them emphasised that this created competitive advantage for them, both in marketing product and sourcing stock. The ability to react rapidly to changes is not only a result of the channel coordinators active communication with actors that are in direct contact with the market, but also the market research that they undertake. The extensiveness of this market research, however, depends on the resources available to the channel coordinator. In cases 1 and 2 where resources are limited, most market research is in the form of talking to consumers of the product to gain feedback. In the other three cases, market research of varying complexity and frequency is undertaken. The channel coordinators emphasised its importance so they could adapt their product offering as necessary.

6.4.4 Environment

The environment faced by the channel coordinators influences their strategy, and prior to this, their vision and motivation. The identification of opportunities in their environment was the source of the original vision of the channel coordinators. This can be seen in case 1 when the channel coordinator realised that there was no consistently high quality cuts of pork available on the New Zealand market. In cases 2, 3 and 4 the channel coordinators are all developing markets that they identified in
the United States that demand year round supply of consistently high quality cuts of meat. In case 5 the channel coordinator created market opportunities once he had developed a proprietary product with unique characteristics. The environment contributes to the motivation for all the channel coordinators as well. In all cases the channel coordinators were disappointed with their profitability as farmers and saw opportunities in the environment to take control of product to market in order to improve their returns.

However, unlike what was theorised at the beginning of this research, the fact that a supply chain supplies a niche market does not result in a predictable supply chain structure. Instead, it is a combination of factors in the environment, including the specifics of the targeted niche market, as well as resources issues, which influence supply chain structure.

The environment also strongly influences the strategy of the channel coordinators. The channel coordinators adapt their product offering to suit their target market, for example, in case 4 the channel coordinator switched from sourcing steers to bull beef when it was discovered that consumers actually preferred a higher fat content in the product to improve its flavour, even though they had stated to the contrary during market research. The product characteristics can also play a role in strategy, such as the channel coordinator in case 1 going to great lengths not to stress his pigs before slaughter to maintain their pH at an optimum level. All of the channel coordinators face the challenges of the perishability of meat and the associated government regulations, creating the need to ensure that the product they sell is of a consistent high quality, healthy and safe to eat.

The level of competition in a market greatly influences the strategy of the channel coordinators as well. This can be seen in the contrast between case 1 and cases 3 and 4. The channel coordinator of case 1 does not face any direct competitors, which lowers the effort he puts into his supply chain. In contrast, in cases 3 and 4 the channel coordinators are constantly competing with companies that have similar product offerings to maintain existing retailers and gain new ones. However, in all three cases the channel coordinators have created robust relationships with key retailers in order to make it far more difficult for competitors to replace them as
suppliers to these retailers. Due to the newness of the supply chain in case 2, the channel coordinator has not yet had the opportunity to develop similar robust relationships with retailers, making him vulnerable to competitors with similar product offerings. As such, part of his strategy is to remain ‘below the radar’ of potential competitors.

As a result of the need for branding, all of the channel coordinators, with the exception of that in case 2 (due to the newness of his brand consumer recognition is still in the early stages of development), have created strong brands that they feel create competitive advantage. The channel coordinators use the strength of their brands to market directly to consumers. This is important, as each is targeting a niche market and their brand is used to communicate the product’s attributes to their target consumers. This concentration on a specific niche creates further competitive advantage as the channel coordinator gets to know his target niche intimately, allowing him to better respond to these consumers than his competitors can.

In all cases the channel coordinators feel that their product is unique in some way. The channel coordinator in case 5, however, was the only one who could not name direct current and potential competitors capable of producing a very similar product. In other words, the brand in the other four cases was important to distinguish the product and reassure consumers of its attributes. Branding was especially important in cases 3 and 4 where they identified several competitors that could easily imitate their product, emphasising the need to create a robust brand image that will be difficult to imitate.

6.4.5 Resources

The resources available to the channel coordinators, both directly controlled by them and controlled by other actors in their supply chains, affects each channel coordinators vision, motivation and strategy. In all of the cases part of the channel coordinator’s strategy has been to overcome his lack of knowledge in certain areas by partnering with an actor knowledgeable in a required area. For example, the wholesaler in cases 1 and 2, the customs broker in cases 3 and 4, and the merchandising company in case 5. This has been particularly important when the
supply chains are in their development phase. Many of the channel coordinators admitted that they could now perform functions that another actor performs as they have accumulated the knowledge since their supply chain’s creation (the contrast between developing and mature stages in the lifecycle of their supply chains), but choose to keep the actor due to the simplification of the process. For example, the import broker in cases 3 and 4.

Resource issues create a source of motivation for the channel coordinators to act as channel coordinators. This is mainly due to their seeing a market opportunity in the environment (vision) that they could match the resources they had access to when their companies were created, either directly or through other actors. This includes factors such as knowledge and the feeling that they could gain a better return than existing meat processors and exporters. An example of this is the proprietary manufacturing process that the channel coordinator in case 5 controls, allowing him to create product appealing to a couple of niche markets, motivating him to create his supply chain, based on a vision he developed for marketing this product.

Although resource issues only have a minor influence on a channel coordinator’s vision and motivation, they have a strong influence on the strategy of channel coordinators. The environment has a much stronger influence over the vision and motivation of a channel coordinator – in most cases the channel coordinator will be able to locate an actor that controls resources that he doesn’t in order to meet opportunities in the environment. If no suitable actors or resources are available an alternative might be found or else the channel coordinator will have to identify another opportunity in the environment.

6.5 The Resulting Supply Chain Structures

The case studies and analysis have revealed the importance of the channel coordinator in the success of niche agribusiness supply chains. From the analysis it was determined that in the five case studies the channel coordinator created a small firm in response to identifying a potentially profitable market niche. In order to fulfil the needs of the market niche the channel coordinator created and structured a supply chain by internalising some functions and creating relationships with organisations to
perform other functions. The channel coordinator is the actor that has the over-arching vision for the supply chain and, as such, is able to coordinate the supply chain in order to create a product offering featuring the product attributes demanded by the target market. This is necessary to create a cohesive product offering – the organisations that are part of the supply chain and perform critical functions are unable to contribute to this vision in isolation – they need direction.

All of the channel coordinators implement and adapt the supply chain structure based on their strategy to consistently deliver a product with the attributes demanded by their target markets. In order to consistently fulfil this strategy the channel coordinators will control the ‘critical functions’ necessary to create these target attributes. This is particularly important to channel coordinators when these ‘critical functions’ are capable of creating a source of competitive advantage. These functions were controlled either by internalising or ‘owning’ the function, or else through a relationship with an actor able to perform the function for the channel coordinator. The level of relationship varied depending on the importance of the function and what motivating factors the channel coordinator could provide the actor. All of the channel coordinators are willing to implement and adapt to the most effective and efficient structure, as necessary, to achieve their aims.

These strategies developed in order to be the most efficient and effective method to build towards the long-term vision of the channel coordinators. The channel coordinators often appear to react in a similar manner to influencing factors. For example, the critical nature of the meat processing function in cases 1, 2, 3 and 4 has meant that it is closely monitored, while in case 5 meat is purchased from the spot market due to its ready availability with the correct product attributes. As such, it can be inferred that the different range of influencing factors in each case is the cause for the considerable differences observed in supply chain structure. In other words, the differences in environment and resources, and hence vision, motivation and strategy, has created five different supply chain structures.

In case 1 the channel coordinator is using a decentralised supply chain structure to successfully implement his strategy of managing a supply chain that requires only minimal inputs directly by him, while creating a suitable profitability level. This is
the result of the channel coordinator’s strategy of maintaining the status quo, rather than focusing on future expansion. In case 2 the channel coordinator adapted his supply chain structure when his original customers became unprofitable. His strategy has been to make up for shortcomings in his financial, knowledge and other resources by partnering with a distributor in his target market.

The opportunity to internalise some critical functions, such as the U.S. importing and/or distribution functions, are available to the channel coordinators of both cases 3 and case 4 as they are externally funded. This external funding gives them a much larger financial base than the channel coordinators of the other three cases. Although in a very similar situation, the supply chain structure of case 3 is different to that of case 4. In case 3 the channel coordinator’s strategy has created competitive advantage by investing heavily in internalising his distribution function in the United States. In case 4 the channel coordinator’s strategy has been to retain as much control as possible over the product while minimising cost. He has done so by partnering with firms with excess capacity so that both partners benefit from the relationship, rather than emphasise vertical integration like the channel coordinator of case 3. However, the channel coordinator in case 4 comparatively has a much larger investment in other levels of his supply chain than in cases 1, 2 and 5. In case 5 the channel coordinator’s strategy has resulted in a very basic structure as the product he requires can be purchased from the spot market and he only needs to communicate with four head offices for the supermarkets and a merchandising company.

6.6 Conclusion

This chapter compared and analysed the five case studies in order to answer the research questions posed in chapter 1, the ‘Introduction’. From the analysis a number of insights have been developed and discussed that answer the research questions. This information was tied together at the end of this chapter in order to develop an understanding of how all these factors have influenced the very different supply chain structures observed in the five case studies. In the next chapter, ‘Discussion and Conclusion’, the findings of this analysis will be integrated with the literature and some concluding comments will be made.
7. Discussion and Conclusion

7.1 Introduction

This chapter is a summary of this research. It begins by summarising the findings of this research, which were discussed in detail in the Analysis chapter. This is followed by a discussion of those findings in relation to the literature review. Limitations and future research, as well as the contributions of this research, are discussed at the end of this chapter.

7.2 Summary

The aim of this research is to understand how niche chains in the New Zealand meat industry structure themselves, the reasons why they implement particular structures, and what the role of the channel coordinator is in these chain structures. There were four specific research questions investigated. Firstly, what co-ordination structures are used by niche agribusiness chains in the New Zealand meat industry? Then, what is the role of the channel co-ordinator in niche agribusiness chain structures in the New Zealand meat industry? Finally, what strategies does the channel co-ordinator employ with respect to the co-ordination of niche agribusiness chains in the New Zealand meat industry; and what factors influence the strategies that the channel co-ordinator employs with respect of the management of niche agribusiness chains, and hence their structures?

The research found that the supply chain structures of all five case studies are different. This was surprising, given that they share many similarities, such as the broad strategy of all channel coordinators to consistently deliver a product with the attributes demanded by their target niche markets and the need to tightly control critical functions in order to achieve this goal. It was concluded that these differing supply chain structures resulted from differences in the vision, motivation and strategy of the channel coordinator, which in turn were influenced by the environment, such as the specific product attributes demanded by the target market, and resource issues, such as the extent of the financial resources available to the channel coordinator. The key to the structure of a supply chain is the role played by
the channel coordinator, as he is the actor that brings all of these influencing factors together.

The channel coordinator manages the supply chain in order to ensure that he creates the product attributes required of his target market and that these product attributes reach these consumers intact. This is done through the supply chain structure, which is developed by the channel coordinator as part of the strategy he implements to meet the demands of his environment as efficiently and effectively as possible, given the resource issues of the supply chain and channel coordinator.

The various strategies analysed in this research are described in the case studies and analysis. They differ widely as a result of the varying forces acting on the channel coordinators that influence their strategies: their vision and motivation, while working within the constraints set by the resource issues and the opportunities and threats that occurred in their environment. The various strategies resulted in differing supply chain structures and relationships, based on differing levels of communication, trust, profit and risk sharing and partner autonomy. For example, in case 1 the channel coordinator has a strategy of using other organisations to monitor and manage functions critical to the success of the supply chain (decentralisation of control), while in case 2, part of the channel coordinator’s strategy is to personally communicate with, and coordinate, every actor in the supply chain and closely monitor all of the functions that he is able to.

The environment of the channel coordinator influences his strategy. In the case of the targeting a market niche, the channel coordinators adapt their product offering to suit. For example, in case 4 the channel coordinator switched from sourcing steers to bull beef when it was discovered that consumers actually preferred a higher fat content in the product to improve its flavour, even though they had stated to the contrary during market research. The product characteristics can also play a role in strategy, such as the channel coordinator in case 1 going to great lengths not to stress his pigs before slaughter to maintain their pH at an optimum level. All of the channel coordinators face the challenges of the perishability of meat and the associated government regulations, creating the need to ensure that the product they sell is of a consistent high quality, healthy and safe to eat.
Although resource issues only have a minor influence on a channel coordinator’s vision and motivation, they have a strong influence on the strategy of channel coordinators. On the other hand, the environment has a much stronger influence over the vision and motivation of a channel coordinator – in most cases the channel coordinator will be able to locate an actor that controls resources that he doesn’t in order to meet opportunities in the environment. If no suitable actors or resources are available an alternative might be found or else the channel coordinator will have to identify another opportunity in the environment.

In the case studies there were a variety of resource issues that affected the strategy of the channel coordinators. In all of the cases part of the channel coordinator’s strategy has been to overcome his lack of knowledge in certain areas by partnering with an actor knowledgeable in a required area. For example, the wholesaler in cases 1 and 2, the customs broker in cases 3 and 4, and the merchandising company in case 5. This has been particularly important when the supply chains are in their development phase. Many of the channel coordinators admitted that they could now perform functions that another actor performs as they have accumulated the knowledge since their supply chain’s creation (the contrast between developing and mature stages in the lifecycle of their supply chains), but choose to keep the actor due to the simplification of the process. An example is the import broker in cases 3 and 4.

All the channel coordinators ensured that they controlled the necessary functions in the supply chain to retain control of their brand and maintain the consistency of the product marketed under it. In other words, whenever possible, they ensured that they had control of resources that acted as sources of competitive advantage. This control is either directly through ownership of the function or indirectly through a relationship with another actor. Each channel coordinator places differing importance on different parts of their supply chain and have differing resource availability for internalising functions (finance, knowledge, and so on), resulting in unique supply chain structures in all five cases. Regardless of the channel coordinators emphasising the need for control, in all cases they often use actors to simplify a function for them, even if they feel certain that they could perform it themselves. Examples include the distribution
function in cases 2 and 4, and the importing/"clearing customs" function in cases 3 and 4.

In all cases the channel coordinator directly communicates with the majority, if not all, of the actors in the supply chain. This is important to ensure that each actor performs as required, to maintain control of the product and brand, and ensure that information flows freely too and from the channel coordinator. Information flow is important as it allows the channel coordinator to rapidly react to problems that occur anywhere along the supply chain, ensure that actors get feedback on their performance and adapt the product offering as necessary.

Despite the differences in overarching strategies, in the analysis it was found that all the channel coordinators strategies involve the use of incentives to motivate the other actors in the supply chain to perform their required functions. This is usually in the form of a profit incentive. In some cases this has gone a step further, with the channel coordinator employing a strategy utilising persuasiveness to motivate some actors by creating reciprocal dependency with them. This can be observed in case 1 where the channel coordinator has made it more profitable for the wholesaler to sell the channel coordinator’s branded product in place of his own branded product to customers, both new and existing.

7.3 Discussion

There was very little literature on the research topic, namely how niche chains in the New Zealand meat industry structure themselves, why they implement particular structures, and what the role of the channel coordinator is in these chain structures. In particular, there was very little literature on the channel coordinator that could be drawn on to guide the research. As a result, a wide range of literature was canvassed and synthesised into a framework to guide the research. In the following section, the main points to emerge from the study are discussed in the context of these disparate strands of literature.

From the research it was found that niche chains had many benefits in comparison to larger chains, such as innovation and flexibility, an observation that is supported by
Barringer (1997). However, it was also found that there were a number of challenges facing niche chains. The largest challenge is resource limitations. In order to overcome scarce resources and limited experience the channel coordinators of niche chains partnered with organisations that had the needed resources and experience. This supported the motivation for partnering and the creation of networks, as outlined by BarNir and Smith (2002) and Barringer (1997).

As organisations don’t control all the resources that they need it was found in the case studies that they are forced to either interact with other organisations and/or internalise the required resources. This supports the Resource Dependency Approach (RDA), which theorises the need for organisations to acquire resources through relationships or internalising them, as discussed in the literature by Pfeffer and Salancik (1978) and Ulrich and Barney (1984). It was also found that the more critical a function to the success of the supply chain, the more actively the channel coordinator will go about either vertically integrating that function or monitoring it. Once again, this supports the RDA approach (Smeltzer & Sifred, 1998).

Analysis of the case studies found that the channel coordinator’s strategy is based on matching the resources of his organisation to the best fitting market segment that he has identified. This strategy was also identified by Hunt and Morgan (1995), Lynch et al (2000) and Peteraf (1993). It was also found in this study that the channel coordinator who targets a niche market will focus specifically on a market segment, customising his product to suit the demands of his target niche. In doing so, he differentiates it from competing products and builds an in-depth understanding of that market niche. This is recognised in the literature as a focus strategy combined with differentiation – in other words, focusing on a specific market niche in order to offer a customised product offering (Barney, 2002; Penrose, 1966; Porter, 1980, 1985). However, it should be noted that there is a lack of empirical research in the area of strategies used by channel coordinators to manage a supply chain and, as a result, a broad understanding of supply chain strategy was developed based on literature discussing the strategies of individual organisations. Such an approach assumes that a managed supply chain will act as a ‘virtual organisation’.
From the analysis of the case studies the channel coordinators were found to be important in ensuring that the supply chain was coordinated correctly in order to create a coherent product offering and ensure that needed resources are identified, accessed and utilised fully. This supports Lambert and Cooper (2000) and Bowersox and Closs (1996), who discuss the importance of the channel coordinator in managing the supply chain so that its actors work together.

The analysis of the case studies also revealed that in order to create sustainable competitive advantage for an organisation a resource needs to be valuable, rare, difficult to imitate and exist in an organisation capable of adequately utilising it. In the case studies, such resources were often limited to the expertise and entrepreneurial spirit of the channel coordinator’s. This supports Resource Based View of the firm outlined by Barney (1991) and Barney and Griffin (1992), who state that all four of these attributes are required for a resource to become a source of competitive advantage.

The analysis of the case studies suggests that there are an unlimited number of relationship structures that can be created, and that channel coordinators will implement the one that best fits the situation. These included the use of the spot market, the use of contracts and vertical integration. This existence of a multiplicity of relationships supports research by Peterson and Wysocki (1998), Lambert et al (1996) and Spekman et al (1998), who present a number of models that describe a continuum of relationship structures.

From the research it was also found that in relationships the objectives of both organisations don’t need to be the same, just compatible enough to ensure that both sets of objectives can be achieved simultaneously. The research pointed to the importance of critical organisations having both resource fit and strategic fit. This supports Das and Teng (1999), who explained resource fit as organisations having the resources required by their partner, while strategic fit refers to the requirement that the partner organisations have compatible strategies.

It was also found in the analysis of the case studies that organisations assess the variety of events that occur in their environment and adjust their strategy accordingly.
This supports Pels et al (2000), who state that organisations react according to the information they receive and Porter’s five forces (1979), which describes environmental forces that influence an organisation’s strategy.

From the analysis of the case studies it was also found that without the channel coordinators the supply chains would not exist at all. It was found that the channel coordinator elected to become channel coordinator as a result of identifying a potentially profitable market niche and created the supply chain from nothing. Although alluded to, this was not explicitly identified in the literature. Instead, the impression developed from the literature (Little, 1970; Norek, 1997) was that a number of firms in a supply chain may wish to act as the channel coordinator, but that this position would be taken by the most powerful or most suitable actor. However, the emphasis on this literature was more on generic markets and larger firms, rather than niche supply chains targeting specific market niches, as is the case in this research.

In the literature several other sources of motivation for an organisation to become channel coordinator were discussed, many of which emerged as motivating factors for the channel coordinators in the case studies. These include factors such as the control of resources that create competitive advantage (Das & Teng, 2000) and the relative burden of risk carried by each actor in the supply chain (Bowersox et al., 2002).

The channel coordinators in the cases studies mentioned some sources of risk in the supply chain, including the selection of partners, resources at risk, risk sharing among actors in the supply chain, the probability of the partnership ending and the risk of carrying excess inventory. These same risks are also outlined in the literature by researchers such as Das and Teng (1999) and Bucklin (1965). However, in the research it was found that the majority of these risks only occurred during supply chain creation and restructuring so weren’t part of the everyday management of the supply chain. This distinction was not made in the literature.

In summary, this research supported many of the findings from various strands of literature, such as some of the attributes of niche chains, the continuum of relationship structures, RDA and RBV, and the matching of resources to a targeted market niche.
The empirical qualitative approach used in this research allowed these various findings to be integrated and related to each other, creating new insights and a much greater depth of understanding.

7.4 Limitations and Future Research

Because of the exploratory nature of this research, a qualitative case study method was used to answer the research questions. This allows depth of insight to be gained and for theoretical generalisations. However, it cannot be considered representative of the population of niche supply chains in the New Zealand meat industry, and the research results should not be used for that purpose, but rather to understand the role of the channel coordinator in a range of situations, and the resulting supply chain structures that he implements and manages.

The major limitation of the research is the fact that only the channel coordinator of each supply chain was interviewed due to time and resource reasons. This could conceivably give a distorted view of the supply chain as a large proportion of the data collected was based on the channel coordinator’s opinion, which may differ to reality. Interviewing more, if not all, of the other actors in the supply chain would greatly reduce this problem, as well as give a variety of perspectives on the supply chain and the channel coordinator’s role.

An attempt was made to control for some factors when undertaking this research. That is, only supply chains selling a ‘high-end’ meat product and targeting a specific market niche were researched. While this would have eliminated factors that were product specific and allow the subtleties associated with the role of the channel coordinator to be explored, the similarity of sample supply chains researched, in turn, creates a limitation. The role of the channel coordinator in niche chains selling other products might have yielded some more insights.

Because of the exploratory nature of this research, there is ample opportunity to further develop it, particularly along the lines of what has been identified as its limitations. This research deliberately targeted niche chains; however, if the role of the channel coordinator is to be explored more, further research might include
contrasting the supply chains and channel coordinators of supply chains targeting niche markets versus those that supply a large volume of generic or commodity product. Research could also focus on contrasting supply chains and channel coordinators marketing different products, such as meat, fruit, vegetables, or something unrelated to agriculture, either to niche markets and/or commodity markets.

Further research specifically focusing on the channel coordinator could also be undertaken. Although this research attempted to develop an understanding of the underlying motivating factors of a channel coordinator and the factors that influence his actions, it was not in-depth, with more of a focus on developing a complete picture. As such, each component of the model developed in this research could be developed in further detail.

7.5 Contributions of the Research
The main contribution of this research is its focus on the role of the channel coordinator in a supply chain. Although the definition of a channel coordinator is well developed and often referred to in the literature, there has been very little literature to date that has specifically focused on the channel coordinator. This research, although limited in scope, has helped develop knowledge regarding the role of a channel coordinator in his supply chain, how and why he implements a chosen supply chain structure, the strategy implemented within that structure and the forces that influence the channel coordinator within the context of his function.

In addition to this, there is limited research regarding the supply chain structures of niche agribusiness supply chains in New Zealand and even less that specifically look at the role of the channel coordinator in these supply chains. Although a specialist area, this is surprising given the importance of both agriculture and entrepreneurial activity of New Zealand’s economy. This research has attempted to start the process of filling this gap in the literature.
8. References


Ertek, G., & Griffin, P. M. (2002). Supplier- and Buyer-driven Channels in a Two-stage Supply Chain. IIE Transactions, 34, 691-700.


Appendix A. Sample Interview Prompts

This is a sample of the prompts used by the interviewer to help guide the in-depth interviews used for data collection in this research. All five interviews followed this same format, with small changes to allow customisation for each individual interview. To assist the interviewer, headings are used to group questions and key questions are highlighted in bold.

Introduction
Introduce self, background of research, length of interview, confidentiality, etc. Explain meaning of ‘channel coordinator’, etc.

Tell me about your firm (age, size, etc – keep brief).

Your Product and your Customers (End and Intermediary Customers)

Can you describe the lamb that you sell?
- Perishability
- Quality
- Most demanding characteristics
- Other factors

Tell me about your customers
- Final consumer or another step in the supply chain, i.e. restaurants
  - Only applicable if customer is not the end consumer: What influence do the demands of the final consumer have over decisions about your product or supply chain?
- Type of customer
- Size of market
- Product specifications demanded
- Tightness of product specifications
- Other factors

How does your lamb differ from mainstream lamb (Probe for how narrow the niche market is)?
Can you describe what changes you will make to your product in the future to meet your customers’ needs (probe for how narrow the target market is - try to create broader appeal or an even higher degree of customisation)?

How important is your brand to your customers and how strong would you consider it to be (value)?

What information do you get back from your customers?
- Feedback on product
- Product attributes demanded
- Others
What quality assurances are in place along your chain (probe: to ensure that your product reaches the final consumer retaining the product attributes that are demanded)?

- Freshness
- Tenderness
- Others

Can you think of any improvements in technology that you have used to improve your lamb (probe how it does so)?

- More efficient production
- Keeps fresher longer
- More attractive on the shelf
- Better customisation of your product for your customers
- Other examples

**Your Competition**

Who are your main competitors (probe: are they focused specifically on the same target market as you or cross over from other target markets)?

What product attributes do you emphasise when compared to competitors?

- Cost
- Quality
- Type of cuts
- Special attributes
- Other

What difficulties would firms wishing to enter your target market face?

**Your Industry**

What are the issues surrounding regulation in the pork industry?

- Quality assurance and traceability programs
- Regulations becoming more stringent – future demands
- Impact on organisation, supply chain and target market

**Your Supply Chain**

Tell me about the Murrellen pork supply chain.

(Draw a picture as interviewee talks; get him to contribute to the diagram as you draw—who are the other players, what are their roles, what functions do they provide, flows of information, etc).

**Evolution of the SC**

How did your current supply chain evolve, or come to be?

- Amount of change over time
• Contribution of other organisations to the supply chain
• How do they ‘fit’ with your organisation (compatibility of each organisation’s goals with your own and your supply chain)?

If the organisation owns more than one level of the supply chain:
What were the reasons for deciding to control more than one level of the supply chain?
• Always done it
• Easy to do
• No external company could meet our demands
• Frustration with other companies
• Importance of that step in the supply chain

How did you go about this vertical integration (probe: reasons for using this method)?
• Purchase existing organisation
• Developed the process ‘in-house’

If a new process, etc, needs to be added to a part of the supply chain, what factors influence whether you take on the process yourself or use another organisation?
• Position in the chain of the process relative to channel coordinator
• Ease with which the process could be implemented by the channel coordinator or another firm in the chain, versus bringing a new organisation into the chain
• Importance of the process to the channel coordinator and the supply chain

Management of the SC
Why did you decide to create your own supply chain?
• Most powerful organisation in the chain
• Largest value contribution
• Largest share of risk
• Other

If not channel coordinator: Can you explain why your organisation isn’t the channel coordinator (if not already covered)?

What does your role in coordinating the supply chain entail?

What is your long-term vision for your target market, product, and supply chain?
• Level of effort placed in communication of vision
• Amount of input from other organisations in SC in developing vision
• Importance of getting other firms ‘on board’ with vision
• Extent that strategy is based on this vision

How much influence do you have over which organisation performs which tasks (different levels of the supply chain)? How easy is it to:
• Replace organisations in the supply chain
• Change the flow of product
• Make other changes
How do you influence other organisations in your chain?
- Coercion
- Incentives
- Persuasiveness

How does this vary due to the attributes of each organisation (probe: the relative amount of centralisation versus decentralisation)?
- The relative size and power of the firm
- Its importance to the chain
- Position in the chain
- Other

How willing are the other organisations in your supply chain to work together to benefit the supply chain (probe: supply chain orientation, variance across each organisation)?

Is the management of any parts of the supply chain delegated to other organisations (in other words, a sub-channel coordinator). If so, why?

**SC Relationships**
Can you describe the type of relationship that you have with each of the key organisation in your supply chain (probe: level of SC fragmentation, why different levels of relationships with different organisations)?
- Discrete or relational
- Importance of the relationship – resources and process performed
- Level of relationship – length of relationship and frequency of interaction
- Use of the spot market – why
- Use of contracts – flexibility, enforcement, and other methods
- Openness of relationship/information shared and sensitivity of that information
- Position in chain
- Lack of similar organisations/difficulty to replace

How important is it for the other organisations in the chain to have closer relationships with each other?

What attributes do you look for when selecting organisations to be part of your supply chain?
- Access to markets
- Size of the firm
- Facilities available
- Reputation
- Others

**SC Performance**
How do you ensure that organisations in your supply chain perform to expectations (probe: how challenging is this process)?
- Performance measurement
• Modification of out-of-spec behaviour and methods used – both coercion and assistance
• Reliance of organisation on the performance of others in the chain

What factors do you take into account when looking at the risks and returns for parties across the chain?
• Benefit own organisation versus benefiting some/all organisations in the supply chain
• Sharing of profit and risks among the organisations of your supply chain (fairly, most powerful organisations get best deal, or other)?
• Perception of risks that your organisation and your partner organisations face in the supply chain?

Creating Competitive Advantage
What do you see as your competitive advantage?
What is it that gives you this competitive advantage?
• Tangible – land and capital
• Intangible – organisational culture, knowledge and competencies

What is it about these things that create competitive advantage?
• Value
• Rareness
• Imitability
• Organisation

What about competitive advantage at the supply chain level?

How do you coordinate the supply chain to realise the full potential of your organisation and your supply chain partners?

How are sources of competitive advantage, such as intellectual property, shared across organisations in the chain while minimising the chances of competitors acquiring them?

Looking Forward
How dynamic is your target market (how much change occurs each year and how often is the strategy and supply chain structure adapted to meet these changes)?

What sources of information make you aware of this change (i.e. consumers, retailers, etc)?

Are any other changes forcing you to adapt your strategy?
• Technology
• Government regulations
• Others
What future threats do you see for your market (what adaptations do you think will have to be made to your supply chain in the future to address these issues)?

What differences/changes would you like to see in your supply chain (probe: structure, profit and risk, other, and why)?

How are you working towards these changes?
Appendix B. Case Studies

Case Study 1

Introduction
This case study is the pilot case study for this research. It was chosen as the first case mainly because de Moura (2002) used the same supply chain as part of his own research, writing it up as the ‘Vital Pork’ case study. By using the same supply chain to write a case study on, de Moura’s work could be referred to in order to identify gaps in both the interview and the case study. Additional information could also be extracted from de Moura’s case, and due to the known friendly nature of the interviewee, it was felt that he would continue providing additional information if asked. It also exhibited the features that were predicted would be found in most of the case studies of this research. Both supervisors of this thesis are also very familiar with this supply chain, therefore they were in a position to comment on the quality of the interview process and case study, without having to closely monitor the researcher perform these functions.

A two-hour face-to-face interview was undertaken. This was supported with a follow up interview by telephone to clarify some issues from the main interview, as well as some secondary material prepared by the channel coordinator and de Moura (2002). This case study is described in greater detail in Appendix B.

Case Description
The channel coordinator\(^4\) initiated this supply chain after he saw a market opportunity in the early 1990’s. He found that most restaurants did not have a pork dish on their menu. When he asked the restaurants why this was, they told him that the quality of pork was unreliable, making it impossible to consistently produce a meal of good quality. Rather than run the risk of returned meals, restaurants found it easier to not include pork on their menus. The channel coordinator decided that if he could overcome these issues there was potentially a profitable marketing opportunity.

The product produced by this supply chain is pork meat of a consistently high quality. The market targeted by the channel coordinator is consumers willing to pay for a premium product that they know will always be high quality. The market is restricted to New Zealand. The Channel coordinator created a brand around this product to reassure consumers that each piece of meat would feature the desired product attributes. The channel coordinator’s product is sold to premium butchers that he creates a relationship with, who then sell to a combination of both restaurants and direct to consumers. All members of the supply chain are part of the Pork Quality Improvement Process (PQIP) program, whose aim is an ‘enjoyable eating experience every time.’ This not only helps ensure that quality of the product is maximised as it progresses through the supply chain, but also helps strengthen the qualities of the brand in the eyes of consumers.

\(^4\) It should be noted that the channel coordinator of these cases is often referred to as ‘him’, regardless of the sex of the channel coordinator and whether there is more than one person in partnership performing this function.
The above diagram is an outline of this supply chain. The channel coordinator is the farmer (written and boxed in bold). He has a very strong relationship with the Wholesaler (written in bold), who also owns the Meat Processor and the Weaner Supplier. The Farmer chooses the Weaners (piglets weaned from their sow) from the Weaner Supplier. He then grows these to killing weight, before sending them via Live Transport to the Meat Processor. The Wholesaler coordinates the Live Transport and the Meat Processor as they perform their functions in this supply chain. The Wholesaler then uses another transport company to ship carcasses to the Butchers (written in bold) that the Channel Coordinator has created relationships with. It is the Wholesaler, however, who sells the carcasses to the Butchers, even though the Channel Coordinator is the one who takes orders from them each week. The Butchers then cut up the product and sell it to Restaurants, as well as directly to Consumers.

**Vision**
The channel coordinator’s over-arching vision is to produce pig carcasses that are of consistently high quality. His target market is high-quality butchers who are willing
to pay a higher price for premium high quality pig meat. These butchers take pride in their work and are generally located in the more affluent areas of New Zealand’s main cities, for example, Merrivale in Christchurch. On the whole, these butchers supply a mix of both restaurants and the public.

The channel coordinator initiated the supply chain after he saw a market opportunity in the early 1990’s. He found that most restaurants did not have a pork dish on their menu. When he asked the restaurants why this was, they told him that the quality of pork was unreliable, making it impossible to consistently produce a meal of good quality. Rather than run the risk of returned meals, restaurants found it easier to not include pork on their menus.

*Over a period of a year I just quizzed each one as I went round and said, “Well, what’s the matter with pork? Why don’t you want it?” And the result that I got 99 percent of the time was, “It’s not a reliable meat. We can’t guarantee to get good quality meat every time. And we don’t like getting meals heaved back at us, which we’re getting if we go for pork, so it’s simpler to keep it out.”*

The channel coordinator decided to develop an understanding of what caused this inconsistency of quality. He worked with a consultant who had the technical expertise the channel coordinator lacked, following his role as a chief meat inspector in New Zealand. They found that although a pig’s genetics and what it was fed played a small part, the largest factor affecting meat quality was determined by the pH level of the pig at slaughter. Working with others the channel coordinator found that the quality of pig meat was acceptable when it fell between pH 5.8 and 6.8.

*Now, we went down the track of studying what makes pork good or bad. And basically it is not how you feed how your pigs, its not the genetics of the pigs mainly, it has a very very small factor in it. It’s basically how you treat them the last month or so that they’re on your property and carting to the works.*

The channel coordinator also focused on producing pigs with optimum fat levels. He decided that approximately 10 millimetres was best, as this gave the best combination of intramuscular fat to improve the eating characteristics of the meat, while still appearing lean enough to appeal to health conscious consumers.

The channel coordinator’s aim is to get the vast majority of his pigs to consistently fall within the optimum pH and fat content ranges at slaughter. He also decided to sell a cross section of light and heavy carcasses to appeal to different types of customers. The channel coordinator realised that his whole operation would have to be cleanly run so that at a later date detractors would be unable to accuse him of not consciously attempting to produce the highest quality product possible. An example of this is ensuring that there are no drug residues in the meat of the pig carcasses.

The channel coordinator has not had to modify his vision since the creation of his supply chain as the environment has changed very little during this time. The supply chain functions with minimal effort on the channel coordinators part and the butchers have not substantially altered their demanded bundle of benefits. No direct competitors have entered the market either, making it difficult to assess how rapidly
the channel coordinator could adapt to changes in the supply chain’s environment. However, the channel coordinator has a well-established brand and strong loyalty from the critical channel participants, which would probably make adaptation much easier for him.

**Motivation**
The channel coordinator identifies financial gain as the main motivating factor behind the creation of this supply chain. The channel coordinator’s piggery, although economic, needs to be much larger to provide a good return on investment. The prohibitive cost of implementing this change motivated the channel coordinator to find another way to increase his profitability. The channel coordinator now receives a constant mark up on the carcasses sold under his brand, regardless of the level of the schedule. The channel coordinator sees this mark up as important not so much for the extra money he receives, but as a way to continue to prosper in low income years.

There are several other factors beyond this added profitability that can be identified as motivating the farmer to perform the role of channel coordinator. Firstly, the success of this supply chain is critical to the farmer. He bears the most risk as he has the most to lose if it fails. The farmer’s whole business is focused on meeting the demands of the supply chain. In contrast, the supply chain only contributes a small amount to the success of the other organisations that are involved in it. Secondly, the vision for this supply chain is the farmer’s. He is the one that created the concept and he owns the brand. This gives the farmer a sense of ‘ownership’ of the chain. Finally, the farmer’s position is supported by the critical nature of many of the functions that he performs at the farm level. Although other farmers could perform these same functions, the farmer would be difficult to replace due to the effort he puts into his role and the knowledge that he has built up over the life of the supply chain.

**Strategy**
The channel coordinator does not have to expend much effort in his role now that the supply chain has been running for nearly ten years and its main problems have been rectified, leaving little room to further improve its efficiency and effectiveness. The channel coordinator’s core strategy is based on his vision to deliver a consistently high quality carcass to his butchers, which is currently performed by the supply chain with ease. The low frequency of problems arising in the supply chain and the channel participants knowing what functions they must perform has greatly reduced the channel coordinator’s need to regularly expend energy on implementing his strategy. The environment that the supply chain operates in has changed very little since the supply chain’s creation, which has meant that the channel coordinator’s strategy has not needed to be modified since the supply chain began running smoothly.

**Product and Target Market**
The channel coordinator’s target niche market is butchers who are willing to pay a premium for pig carcasses that are of a consistent high quality. These butchers are mainly located in the affluent areas of New Zealand’s three largest cities. They generally sell to both restaurants and members of the public who are willing to pay a premium for a high quality product. The butchers sell this pig meat under the channel coordinator’s brand. This brand is recognised by many consumers, with the channel coordinator relying on word of mouth as his main promotional tool. The butchers are
an important source of information about the end consumers for the channel coordinator, especially considering the channel coordinator’s distance from them.

Although the channel coordinator’s target market is the butchers’ in the supply chain, he works with them to a limited extent to promote his product to their customers as this benefits the whole chain. When the channel coordinator first created the supply chain he undertook some print advertising, but felt that it failed to expand consumer demand for his product. The channel coordinator is also willing to pay for half of any advertising a butcher undertakes, as long as it is focused on his product. The channel coordinator refuses to contribute to advertising undertaken by a butcher that covers many of the butcher’s products. The channel coordinator mainly relies on word of mouth to slowly increase demand for his product.

The channel coordinator also sponsors two New Zealand food shows and gives prizes to winning chefs in both. This promotion is focused on the long-term, with some chefs coming back several years later and asking the channel coordinator to supply cuts to the restaurants that they later work at. The channel coordinator will also informally encourage restaurants where he dines to begin purchasing his pork from a suitable butcher, however this isn’t a proactive effort on his part.

The product created differs to pork meat on the generic market where very little care is taken to minimise pig stress before the pigs are slaughtered. This makes the quality of pig meat in the generic market inconsistent. The generic market has in recent years attempted to solve some of its shortcomings. It has introduced the PQIP program in an attempt to improve quality, as well as undertaking active branding and promotion of its products.

The product specifications of the pig meat produced can be defined as:

1. Consistent high quality endorsed by PQIP accreditation
2. Fresh (chilled) product
3. Free of drug residues
4. Longer shelf life
5. Traceability
6. Positive animal welfare

Creating this bundle of benefits is reliant on the technical knowledge of the supply chain’s actors and their supply chain orientation, rather than advances in technology. The supply chain orientation of the actors critical to the supply chain is important to ensure that the actors are all aiming to produce the same bundle of benefits. This ensures that value is not destroyed or unnecessary costs added at any stage in the supply chain.

A good example of this quality creation is one of the processes added at the meat processor:

“We worked it out that from the time it left the dirty area and went into the clean area to the time it went into the chiller, there were fifty sets of hands handling it all the way through. So we asked them, would they mind putting a propane bottle and a big wide gas torch at the point after the grader had handled it. So on the way into chiller...would they re flame it there and do it again? And they said, yes, they would. “It’s a hassle, but yeah, we’ll do it.”
Now, since they did that, it was only our pigs being done, no one else’s, the
difference between our pig and the normal pig was about, last check we did,
was 950 bugs per square centimetre difference. Just on a thousand on the
normal ones, and we were down to 50. That’s where you get the keeping
quality.

Due to the premium they pay, the butchers in this supply chain expect the product to
not only always be high quality, but also to meet the specifications they order. The
need to deliver a customised bundle of benefits to the supply chain’s customers makes
it more challenging than selling generic product in the main market. This bundle of
benefits can include the weight and fat measurements of the carcass. Although the
channel coordinator attempts to provide butchers with the exact carcass specifications
that they order, this is not consistently achievable. For example, if a butcher orders a
63 kg carcass, the channel coordinator will guarantee a pig within the weight range of
60 to 65 kg’s. He will endeavour to deliver a 63 kg pig, however this is not always
practical due to the small selection of pigs shipped by the farmer to the meat
processor each week.

We wanted to sell a cross section, light and heavy pigs, so that we could
bridge the city butcher that just wanted light little pork chops or the wholesale
butcher who wanted big chops. Restaurants so they could cut them round. So,
they were some of the things we had to pose to ourselves and say, “Right, this
is what we’ve got to do.”

The pig meat produced by this supply chain has a robust traceability system in place
due to its limited size. There is only one farmer, one meat processor and a limited
number of butchers. Only a small number of pigs are shipped from the farmer once
per week, creating little difficulty in tracing back a cut of meat to a specific group
carted from the farmer. This eliminates the need for advanced traceability technology
to support food safety issues in this supply chain.

Competitors
This supply chain currently has no direct competitors – there is no other high quality
pig meat marketed in New Zealand. New competitors could potentially enter the
market, as the supply chain has not maximised the potential expansion of its customer
base within its target market. However, the channel coordinator feels secure in the
target market due to his well-established brand. He feels that he will have time to
react to a competitor entering his market. Currently the main competitors to this
supply chain are organisations able to supply consistently high quality meat from
other animals, which expands the choice of suitable meat products that the supply
chain’s customers and potential customers can choose from.

...we’ve gone into the market far enough that if anybody else now in New
Zealand attempted to do it, they’re going to have to fight for six, bloody near
seven years, before they get anywhere. Because we are recognised now – if
you want top quality pork, this is where you go to get it. Someone else coming
into the market now...three years ago I would have been very vulnerable, but
don’t think that I’m that vulnerable now. I would have time to make counter-
moves if I had to. I’ve got no idea what it would be, till it all happens. And I
Minimising outside attention to the supply chain is important to the channel coordinator. Rather than working hard to maximise the profitability and exposure of the supply chain, the channel coordinator focuses on making a comfortable earning from it. He feels that if too much attention was drawn to it, other people might try to imitate his supply chain and compete against him for market share.

Industry and Government Regulations
The industry has very strong regulations regarding chemical residues in pork meat. Farmers that use restricted drugs must correctly observe the stated withholding period. Farmers that don’t observe these regulations are put on a list without notification the first time they breach these regulations. The second time they breach these regulations they are penalised. The reason farmers are not notified of their first breach is so that the farmer can’t deny use of the specified drug. If the drug turns up twice the farmer can’t blame inaccurate testing. Depending on what the drug is, the farmer can be prevented from slaughtering stock anywhere in New Zealand for a period of one to three months and fined approximately ten thousand dollars. This would create significant hardship for most pig farmers.

Government regulations can also be challenging, with farmers often facing difficulties in gaining resource consents to modify their farms, such as expanding capacity. However, the channel coordinator feels that if a farmer who has a good track record, keeps a tidy farm and meets all his obligations shouldn’t have much difficulty in securing resource consents.

Supply Chain Structure
Once an animal has been slaughtered it is not possible to improve the quality of the meat, only maintain or reduce it. Therefore the critical section of the supply chain for ensuring product quality is from the farmer to the meat processor. Actors further down the chain are required to handle the meat in such a way that maximises the product attributes created by the farmer and meat processor.

The actors in the supply chain can therefore be classified into two categories:

Critical participants: This category includes the farmer (the channel coordinator) and the meat processor/wholesaler. The chain would be unable to function without these participants, they would be extremely difficult to replace, and between them they hold most of the knowledge that gives the chain a sustained competitive advantage.

Important participants: This category includes the transport companies and the butchers. The company that transports the pigs live (farmer to meat processor) has critical functions to perform, however it could be replaced if this company left the chain. The transport company that carts the carcasses does not perform special functions specific for the chain, however it would be difficult to replace as it is the only transport company that will ship a chilled product via rail between the South and North Islands. The butchers are important to the chain as their performance will affect the channel coordinators brand, however they can be replaced due to the availability of other butchers that
would be suitable for the supply chain, and multiple butchers means that the supply chain won’t be forced to stop completely if one leaves.

Farmer
The channel coordinator is the farmer in this supply chain. As the farmer, he is required to rear healthy pigs in a way that meets animal welfare needs and the PQIP regulations. The farmer ensures that animal stress is minimized and rears the animals in such a way to ensure that they will be at their optimum during slaughter with no chemical residues. The farmer does this through ensuring that animal welfare requirements are met and implementing special management methods.

Wholesaler/Meat Processor
The most critical actor in the supply chain for the channel coordinator is the wholesaler. The wholesaler has worked with the channel coordinator since the supply chain’s creation and their relationship is one of the closest in the supply chain. It is important to note the decentralisation of control in this supply chain, with the wholesaler managing coordination of the transport companies and the meat processor. The wholesaler has a large ownership stake in the meat processor, and manages it for the channel coordinator in order to ensure that it fulfils its obligations to the supply chain.

This makes the relationship with the wholesaler critical for the channel coordinator due to the importance of ensuring that the various functions that need to be performed by the meat processor, such as the double flaming. Although the channel coordinator does not have a direct relationship with the meat processor, the wholesaler has given him the right to go on site at any time without warning. If there are any problems with the meat processor the channel coordinator is able go directly to it, rather than through the wholesaler.

Correct management of the live transport is also crucial to ensure the quality of the carcasses after slaughter. Although it is the channel coordinator that interacts with the butchers and takes their orders, it is the wholesaler that sells them the pig carcasses and collects their payment. However, the channel coordinator does interact with the live transporter and the meat processor as necessary, even though these parties are the wholesaler’s responsibility. The wholesaler also supplies the farmer with his choice of weaners (young pigs).

The wholesaler would be impractical to replace. The channel coordinator was unable to think of another meat processor/wholesaler that he would be able to establish a similar close relationship with. When asked if he would be able to replace the wholesaler, the channel coordinator stated:

*Possibly wouldn’t be able to. But then with [the wholesaler] it’s a well-established company, it’s a family owned company, and I’ve known the father all my life and his life, and I’ve known the son since he arrived on the scene. And I guess I’ll get to know his sons as they arrive, I think. And my son will get to know them all. He already knows...has known [the manager and part owner] for a long time. So I don’t think there’ll ever be a problem with them, because they’re not a company that is prone to selling. They’re a company that is prone to buying.*
The channel coordinator felt that all the other meat processors with a suitable resource fit would not have a suitable strategic fit within the supply chain as they would only want an arms length relationship with the channel coordinator. They would also probably refuse to perform any special functions, even for added profitability. Loss of the wholesaler may allow potential competitors to learn knowledge (intangible resource) that is currently only held by the supply chain. This is important, as the wholesaler and meat processor are the main actors in the supply chain along with the channel coordinator who possess the majority of the knowledge that gives the supply chain its sustained competitive advantage.

These factors give the wholesaler a large share of the power in this supply chain. The wholesaler, however, does not abuse this power as the channel coordinator and his family have a strong personal relationship with the people (and their families) that manage and own the wholesalers. The channel coordinator trusts the wholesaler to continue functioning as he currently does for the long-term, which is crucial to the ongoing success of this supply chain.

The extra profitability that the wholesaler receives for each carcass sold in the supply chain justifies the extra processes that both he and the meat processor have to undertake. This is important, as not only does the wholesaler benefit from contributing to the success of the supply chain, but he also doesn’t mind if some of his own customers start purchasing from this supply chain instead of his generic chain. Therefore, rather than losing customers, the wholesaler can make more profit off existing customers as well as attract new ones.

I had to do a hell of a lot of dealing when I started the thing off. It had never been heard of before, and I said to [the wholesaler], “Well, you play my game with me and I’ll give you ten cents a kilo for doing it.” So, I didn’t do it from the point of view of getting help from them...I did it from the point of view that if I didn’t pinch their customers off them they wouldn’t be going crook at me. I mean, I pinch [the wholesaler’s] customers quite regularly, and...[the director of [the wholesaler], rubs his hands together. “Take another one!” Quite simply, that’s how it works, you know. “Yeah, we had him last week, but we get ten cents more if you have him this week. You have him. That’s why we gave them ten cents initially. To be able to help us put a bit of pressure where necessary and generally direct us in the right direction.

The wholesaler uses a similar system of product ownership with the channel coordinator as with his other farmer suppliers. The wholesaler takes ownership of the farmer’s pigs once they reach the meat processor. He then sells the pigs to butchers/retailers and collects money from them. Where the process differs, however, is that butchers that are a part of the channel coordinator’s supply chain are given selected carcasses from the farmer’s pigs (only about half of the pigs the farmer supplies stay in his supply chain, the rest go into the generic chain) according to the attributes they have ordered. The wholesaler then pays the farmer the set rate above the schedule for carcasses sold to the butchers in the supply chain. With the supply chain structured in this way the wholesaler not only receives a share of the profits from the supply chain, but also the risk. Both of these factors help ensure his commitment to the supply chain.
Due to the established nature of the supply chain the channel coordinator only communicates with the wholesaler approximately once a month. The wholesaler and channel coordinator will contact each other if there are any problems in between these informal discussions. The channel coordinator knows all of the people that manage the wholesale organisation, and will talk to the most suitable candidate at the time of communication.

This is in contrast to how the relationship functioned during the creation and early stages of running the supply chain when the channel coordinator would communicate with the wholesaler almost every day. The general manager of the wholesaler was the main point of contact for this. This person believed in the channel coordinator’s vision for the chain, driving his own organisation to help create the supply chain to meet this vision. The head meat inspector at the meat processor was also important during this process, offering suggestions of how to practically implement some of the ideas needed to reach the channel coordinator’s vision.

Transport companies
The relationship between the channel coordinator and the transport company that moves the live pigs from the farmer to the meat processor is of a more discrete nature. The wholesaler manages the transport company, reducing the channel coordinator’s communication with its management to a minimum. The transport company uses the same driver every week for this supply chain, so the channel coordinator can discuss issues with him when he comes to collect the pigs each week. There may be some difficulty in replacing this actor due to the extra processes that must be undertaken, however there are many other transport companies that could be approached. This actor is motivated by extra payment per head for cartage. These processes include arriving at both the farmer and the meat processor at a set time every week with the same driver. The driver must take a specific route between the farmer and the meat processor that was found to minimise stress to the pigs, and either slow down or speed up to ensure that he arrives at the meat processor at the designated time. If there are any problems the meat processor and farmer need to be contacted to find an immediate solution to minimise the stress of the pigs being carted.

The channel coordinator does not have a direct relationship with the company that transports the carcasses from the meat processor – the wholesaler manages this too. This means that the channel coordinator has very little communication with this transport company. In fact, the channel coordinator dislikes this transport company, as he is not happy with their performance. However, they have to be used, as they are the only organisation that provides the particular services that are needed by this supply chain.

Butchers
The butchers are less critical to the supply chain than the farmer and meat processor as it is not possible for them to improve the quality of the product. However, the role of the butchers is important, as it is up to the butchers to handle the meat in such a way that maximises the bundle of benefits created by the supply chain. The quality of the butchers therefore becomes important as an inadequate butcher could destroy the product attributes created by the supply chain along with the channel coordinator’s brand. The channel coordinator’s focus is on delivering a high quality carcass to the butchers in the supply chain, and not beyond this point, as he feels that he does not
possess the expertise to cut up and market pig carcasses as successfully as these butchers. The specialisation of these butchers mean that they are up to date with the latest cuts demanded by the target market and are also adept at finding markets for each component of the carcass, not just the premium cuts.

There will always be fancy new cuts of meat coming onto the market, but that’s not really our headache. That’s the butcher that has got to handle that. As supplying...and this is why we do not touch supplying cuts, carcasses only, end of story. Once you start supplying cuts you’ll be cutting pig after pig after pig popping the cuts out of it, and slowly the heap of shoulders will get bigger and bigger and bigger. Half the value of the pig you’ve sold and the other half you’ve got in the freezer. So we decided to stretch around that area, and butchers are far more adept at finding a new place to get rid of surplus stuff like that. We’ve left the whole of the marketing, other than the actual animal, we’ve left the rest to them to sort out.

The channel coordinator has varying levels of relationship with the butchers in his supply chain, with new butchers gradually added since the supply chain’s creation. At one end of the scale the channel coordinator has a very close relationship with the main butcher that he works with. This butcher takes the largest order of pigs from the channel coordinator each week. The two also work together on some promotion, with the two sharing the cost of some advertising and sharing the cost of sponsoring food shows. As a result, this butcher is preferred by the channel coordinator to supply new restaurants in regions that the supply chain has no butchers. At the other end of the scale, some of the butchers are only interested in receiving a regular supply of the high quality carcasses. They work very little with the channel coordinator, and this is reflected in the level of communication he has with them.

The level of communication between the channel coordinator and each butcher generally reflects the depth of each relationship. At one end of the scale some of the butchers have a set order each week, minimising communication to either when there is a problem or when the channel coordinator chooses to visit them (usually when in the region on other business). At the other end of the scale, most of the butchers in the supply chain communicate every Friday with the channel coordinator when he contacts them to take their orders. This gives the channel coordinator and these butchers the chance to have a general discussion. However, if a butcher has a problem at any other time he will immediately contact the channel coordinator.

In spite of the channel coordinator’s focus ending at the butchers level, having a close working relationship with key butchers is important to the channel coordinator’s successful management of this supply chain. The butchers’ proximity to the end customers/consumers of the supply chain gives them the greatest knowledge of consumer expectations and reactions to the supply chain’s product. The regular communication and close relationships that the channel coordinator has with many of the butchers gives them the opportunity to pass on this feedback, minimising the disadvantage created by the channel coordinator’s ‘distance’ from consumers resulting from his position at the ‘other end’ of the supply chain. The channel coordinator will occasionally talk directly to chefs about the supply chain’s product, however most feedback comes from the butchers.
The channel coordinator offers a money-back guarantee on the pig carcasses. If a butcher claims that there is something wrong with a carcass he can keep it free of charge. The channel coordinator argues that this is important, as the supply chain is targeting the top end of the market he has to be flexible in meeting the demands and expectations of the butchers. However, the channel coordinator states that there are very few problems with the butchers as they were each carefully selected before the channel coordinator agreed to supply them.

Although the butchers weren’t part of the initial creation of the chain they are listened to when offering suggestions for improvement. An example of this was the mutton bags that the channel coordinator initially made the meat processor wrap the carcasses in to set his branded product apart from others. However, within six months of introducing this initiative the butchers demanded that the bags be removed as the carcasses were sweating in them. The channel coordinator was happy to do so as this reduced his costs at the same time. The channel coordinator expects all his butchers to be in the supply chain on a long-term basis. However, he has had a couple leave for various reasons since its creation.

**Analysis**
**Introduction**
This section analyses the underlying factors that contribute to the success of this supply chain. It also assesses what action the channel coordinator took to ensure that these factors were successfully implemented, both consciously and unconsciously.

**Communication and Supply Chain Orientation**
The channel coordinator clearly communicates his vision for the supply chain and the target market to the organisations and individuals who were important during the creation, and now, during the running of the supply chain. This communication is important, as without it the other key individuals would have not understood what the channel coordinator was trying to achieve and would not have worked with him towards these goals. The channel participants initially joined the chain when they understood and were motivated by the channel coordinator’s vision. Some of these individuals also provided expertise in areas that the channel coordinator lacked, improving the processes of the supply chain.

Communication of this vision is important as it ties the other channel participants together to create the desired bundle of benefits. To support this, the channel coordinator also communicates his strategy to channel participants. The strategy has a shorter term focus aligned to meeting the channel coordinator’s vision. If the other organisations that are critical to the supply chain did not understand the channel coordinator’s vision and strategy, it is likely that they would be focused on maximising their own profitability at the expense of the supply chain. Therefore it can be argued that the channel coordinator’s communication of this vision and strategy creates and maintains a supply chain orientation by the firms that are critical to the chain’s success.

The supply chain orientation of the critical participants ensures that problems that arise will be rapidly worked through, with the focus on solving the problem rather than finding someone to blame. It has also been important to ensure that all of the
channel participants focus on the same end goal – producing the specific bundle of benefits demanded by the supply chain’s market niche. This also eliminates resources being wasted on adding unnecessary attributes to the final products’ bundle of benefits.

The channel coordinator states that the supply chain is successful due to the cooperation of the actors in the supply chain. Every actor involved in the supply chain contributes to creating the consistent bundle of benefits that makes up the final product, within the guidelines of the PQIP program and the channel coordinator’s strategy. Reciprocal dependency, also known as interdependence, is created in the supply chain, as its success is reliant on each actor fulfilling his obligations to the supply chain. The actors are motivated to work together to benefit the supply chain as a result of the larger profit margins they make.

As soon as you have someone who’s not winning you have a fall out and go. That buggers your chain up. So you’ve got to be very careful that everybody gets a cut out of it.

Combined with good communication, this cooperation helps to create the trust and commitment required to allow the supply chain to function successfully in the long-term. This is important as every actor contributes to the supply chain, therefore all the actors rely on each other to create the final consumers desired bundle of product benefits and success of the supply chain. These factors make it easier for the channel coordinator to modify the behaviour of channel participants out of specification with his vision. The strong communication between the participants in the supply chain also contributes to the channel participants being aware of their obligations to the supply chain, further ensuring that they perform to expectations. This system is used regardless of which actor in the supply chain the channel coordinator is dealing with, even those managed by the wholesaler.

This behaviour reveals that the channel coordinator relies on incentives (through increased profits) and persuasiveness (‘buy in’ of his vision) to motivate channel participants to perform within his expectations for the supply chain. Coercion (threatening) would be difficult for the channel coordinator to successfully implement due to his small size and lack of power. The only time that coercion may become applicable is if remaining a participant in the supply chain were crucial to the actor, for example, a butcher’s business would suffer if he were no longer able to sell the supply chain’s product.

There’s a certain amount of bending with it all. I mean, you can’t be, you know, you’re running a niche market with you trying to supply quality and you’ve got to be realistic about it. I think if someone said, “That’s it. Bloody christ, we’re going to do this to you and do that, you wouldn’t get very far with it in a niche market. You’re dealing with the top echelon of whatever you’re marketing and you’ve got to be prepared to bend a wee bit. That’s why you’re getting fifty cents a kg more, because you’re going to supply them with quality, and that’s it.

The channel coordinator works with all the channel participants as necessary to ensure the success of the supply chain. The channel coordinator tries to keep his
relationships with the wholesaler and the butchers personal and expects everyone to be honest and tell him if there is a problem. If a problem occurs in the chain, such as the pH levels of a particular shipment not falling within the suitable range, the channel coordinator works with the other actors to discover and rectify the problem. In the case of incorrect pH levels, the channel coordinator will first look at his part of the supply chain to try and find any events that occurred before the pigs shipped that may have caused a problem. If none are forthcoming, he then discusses the problem with the transport company and the meat processor. The channel coordinator approaches this in a positive manner and is more interested in fixing the problem rather than finding a party to blame. The channel coordinator has the opinion that often it will be a human element that causes the mistake, and once found, has the attitude that, “…hard luck, just try and make sure that it doesn’t happen again.”

Another example of this attitude is the method used by the channel coordinator to deal with a butcher that is late in making payment. Although the wholesaler is supposed to collect money from the butchers, the channel coordinator may be the one who has to collect this money if a butcher has missed his payment. This is probably due to the fact that the channel coordinator, rather than the wholesaler, has the strongest relationship with the butchers. The channel coordinator states that he ‘quietly attacks’ the problem and talks the butcher round, while communicating that if payment isn’t received by Friday there will be no carcasses delivered the following week.

**Competitive Advantage**

The main resources that create a sustained competitive advantage for this supply chain are intangible. The supply chain does not rely on technological advances or other tangible assets to create value. The largest source of competitive advantage for the supply chain is the supply chain orientation of the channel participants. Without this culture, which is difficult to imitate, the supply chain’s valuable resources would not be mobilised effectively.

The supply chain’s success has been reliant on the commitment of influential people in the key organisations involved in the chain. The supply chain orientation of these individuals came as a result of their belief in the channel coordinator’s vision. The channel coordinator, through communication and shared profitability and risk, developed this orientation. In particular, the wholesaler (and therefore the meat processor as well), and some of the main butchers involved in the supply chain have a strong commitment to the success of the supply chain. Without this commitment the supply chain would not be successful in the long-term.

Value is created through improved management processes at each stage of the supply chain, often with knowledge that is not commonly available. Therefore, not only is this knowledge valuable, but its rareness and difficulty to imitate helps it to create a sustained competitive advantage for the supply chain. The knowledge shared between the channel coordinator and key organisations in the supply chain has been gradually built up since the supply chain’s creation. Only key people in these organisations know much of this knowledge, and it would take many years for a rival supply chain to accumulate this knowledge through its own experiences. This not only makes this knowledge valuable, rare and difficult to imitate, but the culture of the supply chain means that it is shared and fully implemented where and when needed.
Structure
The channel coordinator has structured the supply chain in order to implement his strategy, aimed at fulfilling his vision. The main component of this structuring was including firms that have both a strategic and resource fit. In other words, their goals are compatible with, and they create value for, the supply chain.

The channel coordinator’s lack of resources, in particular capital, make it very difficult for him put in place the infrastructure to perform functions at other levels (beyond his piggery) in the supply chain (vertical integration). Vertical integration is unnecessary as the channel coordinator was able to find suitable organisations at each level of the supply chain capable of carrying out functions necessary to produce the required bundle of benefits in the final product, with low risk of the critical organisations leaving the supply chain or demanding a larger share of its profits. The channel coordinator also benefits from the knowledge and specialisation of the other actors in the supply chain. For example, the butchers that are part of the chain are generally at the premium end of butchers – therefore they already have a suitable established customer base, as well as the skills, care and knowledge required to maximise the use of the high quality pig carcasses, and be constantly at the forefront of knowledge in the latest cuts and demands of their customers (both consumers and restaurants).

A benefit of creating relationships rather than using vertical integration has been the spread of risk around the supply chain. The wholesaler is the organisation that sells the carcasses to the butchers and collects payment, not the channel coordinator. Therefore the channel coordinator does not face the risk of non-payment. As the butchers have to purchase a whole carcass from the wholesaler they face responsibility for finding channels for each part of the carcass. Therefore the butchers face the risk of not profitably disposing of the less desirable parts of the carcasses.

Strategic and Resource ‘Fit’
The channel coordinator is careful in his selection of organisations to become part of the supply chain. This reduces the risk of partner organisations not performing to expectations in the supply chain. Organisations need to have a strategic fit with the supply chain. In other words, they need to have goals that are compatible with those of the channel coordinator. This also makes it more likely that the new organisation will strongly support the channel coordinator’s vision, decreasing the likelihood of it leaving the chain and taking some of the supply chains resources that contribute to its sustained competitive advantage (such as knowledge) with it. The only organisations that the channel coordinator has needed to add to the supply chain following its creation have been butchers.

The channel coordinator does not actively look for new butchers to become part of the supply chain. The channel coordinator may approach a butcher if someone recommends him. This recommendation usually comes from other butchers who know that adding the new butcher to the supply chain will not adversely affect their own business. Before the channel coordinator agrees to the butcher becoming part of the supply chain he carefully checks the butcher and his shop in an attempt to ensure his strategic fit with the supply chain. The channel coordinator first carefully assesses the butcher’s window display and throughput of customers. If these are satisfactory,
the channel coordinator will then approach the butcher. The butcher must be in an affluent area, have a respectable shop, and the butcher himself must be well dressed and presentable – in other words, take pride in his work. This careful assessment of the butcher by the channel coordinator increases the likelihood that only butchers who will develop a strong supply chain orientation and protect the channel coordinator’s brand image will be selected.

There are butchers and meat hackers as I refer to them. You’ve got two totally different... they all stand behind the butchers counter with an apron on, but one certainly shouldn’t... just hack up meat, couldn’t give a damn about it. The other section take a pride in what they produce. They are the guys that you’ve got to deal with and they are the guys that I’m dealing with. I will never go to a butcher and... if he says, “Oh yeah, I’ll take your meat,” I want to have a look around the back of his shop first. Have a bloody good look. Get some of his product and see how he’s heading before I commit myself... we don’t seem to have a hell of a lot of problems. But, I think we’ve picked our customers pretty well. They got a pretty bloody good screening before we said, “Yes, we’ll supply you,” and we don’t get much problem.

Organisations that are added to the supply chain must also have a resource fit. A resource fit refers to the value of the resources that an organisation brings to the supply chain, for example, facilities and geographic location. In the case of the wholesaler, not only does he have knowledgeable individuals that were critical to the successful creation of the supply chain, but he also controls the meat processor who has to perform some critical functions when processing the carcasses.

**Conclusion**

There is no noticeable gap between the channel coordinator’s vision for the supply chain and its reality. He has successfully fulfilled his vision and the supply chain now runs very smoothly, fulfilling his expectations. There are areas for improvement, however the channel coordinator feels that most of these are not worth the investment of considerable effort necessary to achieve them. The only area that the channel coordinator hoped for improvement was to sell more pigs:

Not really, except more customers. That’s about the only one. Yeah. You know, what’s happening is happening very well and its what we set out to do. Totally. And it’s working. But, more quantity would be that only thing much use to us.
Case Study 2

Introduction
This case study is based on the second interview for this research. It was chosen to provide both literal and theoretical replication of the first case study. In both cases the channel coordinator is the farmer, who was looking for a way to increase the profitability of his farming operation. As well as this, only the original farming operation is used to supply the supply chain in both cases. But there are also several key differences. Firstly, this channel coordinator markets lamb rather than pork. He also sells his product to the United States, while the first case is restricted to the domestic market. The second supply chain is also newer than that of case 1, which has resulted in additional differences.

This case study is primarily based on a two hour face-to-face interview. This was supported with a follow up interview by telephone to clarify some issues from the main interview. A more detailed version of the case study is available in Appendix B.

Case Description
The channel coordinator was created after the two partners decided that it was possible to earn better returns on lamb by marketing it themselves. As there were no toll processors (to slaughter lambs by contract) that had EU export licences close to the farm they decided to export to the U.S.

The channel coordinator is the exporting company, made up of two partners (the channel coordinator). The partner interviewed owns and runs the feedlot, managing the production side of the operation (the farmer). The other partner is responsible for marketing and the relationship with the exporting company’s customers overseas (the marketer). When the farmer was interviewed they had exported 22 full containers, or just under 17,000 lambs, to the U.S. during the previous year. However, a new supply arrangement in the U.S. that began six months before the interview reduced the number of lambs from 800 to 670 a container, which is shipped once a fortnight. This is due to the demand for more bone-in cuts, which requires less lambs to fill a container. The new arrangement has replaced the old one, which was in a different geographical area of the United States.

The product sold by the channel coordinator is New Zealand lamb that has been finished on grain. The channel coordinator supplies this lamb continuously all year. The method employed is similar to feedlot systems in the United States, though less intensive. The lambs remain on the feedlot for an average of ten weeks and once they reach idea weight are processed in New Zealand before being shipped to the United States. The channel coordinator produces grain-fed lamb, as this is demanded by his target market. The market wants large cuts with more intramuscular fat and a milder taste, which cannot be achieved with grass-fed lamb production.

The channel coordinator’s target niche market for product under his own brand is niche upmarket supermarkets. These are usually local supermarket chains in large, affluent cities that consist of between five and fifteen stores. The supermarkets are more upmarket than mainstream supermarkets, with a focus on presentation and
stocking higher quality (and generally more expensive) product. This market currently only accounts for a small portion of the supply chain’s total volume due to the newness of the chain, but is the focus of the channel coordinator’s market development due to its additional profit potential. The channel coordinator is hoping that as consumer recognition of their brand develops he will be able to increase store numbers, product volume and his margins.

The majority of product is sold to the U.S. meat processor. This product is not distinguished from the meat processor’s U.S. produced lamb. It is sold as standard grain-fed lamb, with emphasis on its carcass weight. The meat processor uses the channel coordinator’s product to fill his own supply shortages. The meat processor sells to multiple supermarkets within a fairly large area of the United States. One of the largest benefits to the channel coordinator is the ability of the distributor to sell all of the cuts of lamb sent to the United States, regardless of how difficult they are to find markets for.

The diagram below is an outline of this supply chain. The channel coordinator is the Exporting Company (written and boxed in bold). One of the partners in the Exporting Company is also the Finisher (also written and boxed in bold). The channel coordinator has a solid relationship with the New Zealand Meat Processor (written in bold), who he interacts with regularly. The channel coordinator organises all transport to and from the meat processor (although the live transport is organised by the Finisher, rather than directly by the Export Company). The channel coordinator has a strong relationship with the U.S. Meat Processor/Distributor (written in bold), who he relies on to distribute his product in the United States. The Distributor takes ownership of the product while in transit to the U.S. He sells most of this product to his own customers, but a small amount is sold to customers of the channel Coordinator.
The channel coordinator’s vision for this supply chain is to create a strong business that remains profitable regardless of the New Zealand/U.S. exchange rate. The channel coordinator was created after the two partners decided that it was possible to earn better returns on lamb by marketing it themselves. As there were no toll processors (to slaughter lambs by contract) that had EU export licences close to the farm they decided to export to the U.S.

So we got together, not specifically the idea of grain fed lamb, but the idea of exporting lamb. We did a business plan, and the start of the process was a bit of market research to identify targets and so forth. The main barrier to entry
in the South Island was having access to a Toll processor. So, somebody who could kill our lamb in a plant we could export from. And there were no EU certified Toll processors in the South Island who would kill specifically for us. So, that left the rest of the world, of which America was the highest paying market left.

Following their market research of the U.S. the partners realised that they would have to produce what the market wanted – grain fed lamb. Although opportunities existed to sell grass-fed lamb the low margins would make it difficult to achieve sustainable profitability. The margins on grain-fed lambs are much higher, more than offsetting the extra costs of the feedlot system. The perception of customers in the U.S. is that the closer imported lamb is to the product specifications of domestically produced lamb the higher its quality. New Zealand’s low cost to purchase lamb for finishing more than offsets the cost of shipping product to the U.S. market.

The vision has been planned for the next five years to meet the channel coordinator’s needs of creating a robust business. The aim is to increase lamb export numbers four times over and to supply at least three or four customers in the U.S. The channel coordinator feels that 100,000 lambs per year is sustainable due to the large size of the potential market in the United States. The increase in supply would allow containers to be shipped on a weekly basis, rather than the current fortnightly, smoothing supply and effectively lengthening product shelf life. This not only spreads risk, but the targeting of customers in different regions with different product demands also allows the more efficient sale of different cuts of lamb, reducing the amount of surplus cuts per carcass.

We feel that at the moment our volume, a container a fortnight, is...we need to be growing to minimise business risk really, and we need more customers to minimise business risk. So we need more production and more people buying it off us. So it’s been a battle to get established. We feel now that we are established you’re never comfortable, especially with the exchange rate going up and down. But we’re now in good shape and we’re looking to take it to the next level. That could actually be establishing another grain feeding operation on another property somewhere, but there is scope for me to perhaps increase the scope of production here to a container a week. So the next logical step is a container a week from here.

Increasing production will also spread risk, with the aim of doubling production on the existing farm and then purchasing another one or two farms in a different part of New Zealand to reduce the impact of negative geographically related events. The channel coordinator states that by increasing their volume they will still be able to improve their profitability, even if their margins decrease, which they feel is a strong possibility. The channel coordinator also feels that they will be able to gradually increase their margins as their customers realise how good their product is. Although the channel coordinator argues that even targeting a niche market their business will need to develop into a high volume, low margin business to ensure long-term profitability.

We’ve got a written plan with written goals. For a start we know where we have to be. We have to be selling to three, maybe four, customers within the
next three to five years just to minimise risk. We can’t rely on one customer. We also have to probably quadruple our volume to get efficiencies to make the model work. So at the moment we’re getting good pricing, but there’s no guarantee that that will keep going. Perhaps our price premium will decline. The way to combat that is to have greater volume. So if we’re getting a smaller percentage on sales its not going to matter as much if our sales are four times. But to get four times sales we need four times production...We’d like to have a strong enough business that if the New Zealand dollar got to one American dollar we could make it work. We couldn’t at the moment. We think that we could make it work.

Due to the newness of this supply chain the channel coordinator’s vision has not changed greatly since the supply chain was first created.

Motivation
Financial gain is the main motivation for the channel coordinator. The partners decided that they could market lambs more profitably than selling them to local meat processors, motivating them to create and manage this supply chain. They have proven that this is possible and look set to rapidly expand over the next five years.

If we were niche marketing to local supermarkets we could probably do it. But then again, what’s the point of running a business for twenty or thirty thousand dollars a year profit. It makes no sense. So you’ve got to have a business that’s generating profitability. Meat, even if its niche marketed, is still a small percentage of sales. We think realistically that we might be able to get 10 percent of sales. We’re probably doing that. The big players are probably getting more like four or five. If you’ve got expectations of having a margin of better than 10 percent of sales you’re dreaming for the long-term. It may work for a short while, but it’s not sustainable. It’s a high volume, low margin business, even at the niche level. Certainly exporting. I can’t think of too many outrageous successes. You may have come across some that are doing it on a small scale.

The fact that these partners created the vision for the supply chain creates ‘ownership’ of the supply chain for them, further motivating them to act as the channel coordinator. Both partners now work full-time managing their respective tasks in the supply chain. Both partners have large amounts of additional capital tied up in the venture, motivating them both to ensure its success. All of the farmer’s farm based income is derived from the success of this supply chain, increasing his individual motivation.

This supply chain only accounts for minor additional business for the other parties in the supply chain. In every case they do not rely on the success of this supply chain to ensure the success of their business. Therefore the channel coordinator is the only organisation with the motivation to manage this supply chain. The channel coordinator motivates the other actors in the supply chain by offering benefits that outweigh the costs of contributing to the supply chain.
Strategy
The partners expend a lot of energy ensuring that the supply chain functions according to their strategy. This is mainly due to the newness of the supply chain—the channel coordinator still has a lot of ‘bugs to iron out’ and also needs to put a lot of effort into developing strong relationships with its supply chain partners.

The channel coordinator has a very ‘hands on’ approach to ensure that the correct product specifications are created and that the lamb arrives at the American wholesaler in optimal condition. Either or both of the partners will often go down to the New Zealand meat processor’s premises and watch their lambs being processed. They feel that not only does this ensure that the lamb is being processed to their specifications, but it also motivates the staff at the meat processor to perform a better job.

...we like to keep a tight eye on quality, so probably more often than once a month either Tom or myself or both of us are down there physically observing in the cutting room...Well, we’re just observing. But its like being there makes them do a better job.

The partner that manages marketing will also often help staff at the cool store load the product into containers ready for shipping to the United States. This is important as the volume of product necessary to fill a container is processed over three days, so the product needs to be ordered in the container according to processing date to maximise the shipment’s shelf life. Again the channel coordinator’s partners are very hands on to ensure that this process is performed correctly. The amount of time that they spend directly supervising these processes in the supply chain may reduce as the chain becomes established and the other supply chain partners become proficient at performing their functions in the supply chain.

Product and Target Market
The product sold by the channel coordinator is New Zealand lamb that has been finished on grain. The channel coordinator supplies this lamb continuously all year. The method employed is similar to feedlot systems in the United States, though less intensive. The lambs remain on the feedlot for an average of ten weeks and once they reach idea weight are processed in New Zealand before being shipped to the United States. The channel coordinator produces grain-fed lamb, as this is demanded by its target market. The market wants large cuts with more intramuscular fat and a milder taste that cannot be achieved with grass-fed lamb production.

...the supermarket customer wanted a larger lamb that was fed grain, rather than the grass-fed lamb. That would help us get in the market and help us command the premiums that we would need because we don’t have the processing or scale efficiencies. So to compete on a grass fed basis, and supply any volume, we just couldn’t do it, having to pay through the nose to get our lambs slaughtered and processed. So toll processing doesn’t come cheap. However, market research identified that there were 30 to 50 percent premiums consistently for grain-fed product over grass-fed product. By capturing a fair proportion of this premium we could generate enough margin to overcome our inefficient processing.
The channel coordinator states that his meat is also gaining excellent marbling scores along with less external fat, giving it a leaner appearance. Therefore it can appeal to health conscious consumers while still providing excellent texture and taste. The marbling increases the juiciness and tenderness of the meat once cooked. These are the product attributes demanded by the supply chains customers.

The product is chilled, never frozen. It is generally exported via boat, although at the start of the season airfreight is used to reach the market more rapidly. The meat has a different shelf life depending on the cut. Legs and middle cuts last over ten weeks from packing, while forequarters and shanks are eight weeks. The product is vacuum packed and chilled, but gas flushing is not used. It takes approximately three weeks for the product to get from the New Zealand meat processor to the distributor in the United States.

The channel coordinator’s target niche market for product under his own brand is niche upmarket supermarkets. These are usually local supermarket chains in large, affluent cities that consist of between five and fifteen stores. The supermarkets are more upmarket than mainstream supermarkets, with a focus on presentation and stocking higher quality (and generally more expensive) product. This market currently only accounts for a small portion of the supply chain’s total volume due to the newness of the chain, but is the focus of the channel coordinator’s market development due to its additional profit potential. The channel coordinator is hoping that as consumer recognition of their brand develops they will be able to increase store numbers, product volume and their margins.

There seem to be a lot of five to thirty store size chains dotted around the States. So the Krugers and the Safeways and Albertsons and so on and so forth…there’s five or six very big players that dominate. But every city has its entrepreneurial guy with not just one or two supermarkets, but five, ten, fifteen, and they’re the type of people that we thought we could target. And their point of difference generally is that their presentation is immaculate, they’re less generic than the big players, and they are like a high-end type supermarket. Half way between what we’d call a supermarket and a delicatessen type I suppose. Very high levels of presentation and probably slightly higher pricing.

The product that is sold under the channel coordinator’s own brand is sold as a natural product, differentiating it from the main market. The channel coordinator emphasises that the meat is free of hormones and antibiotics, marketing it as a natural product. The product is unable to be marketed as organic, which involves meeting far more stringent conditions to become certified. The channel coordinator’s lamb that is sold by the U.S. meat processor is not distinguished from the meat processor’s U.S. produced lamb. It is sold as standard grain-fed lamb, with emphasis on its carcass weight. The meat processor uses the channel coordinator’s product to fill his own supply shortages. The meat processor sells to multiple supermarkets within a fairly large area of the United States.

The channel coordinator’s branded product is also sold through the U.S. meat processor, giving him a share of the profits. This keeps the meat processor onside and ensures that the channel coordinator can utilise the meat processor’s distribution
network. It also means that the channel coordinator cannot sell his branded product in stores already carrying the meat processor’s product. However, the branded product is more profitable for the channel coordinator, motivating him to focus on expanding its distribution.

Product sold under the channel coordinator’s brand is either placed directly on the supermarket shelf or further cut up by the supermarket. Product sold under the meat processor’s brand is treated the same, however some meat is further processed by the meat processor himself, who dices it up for use as kebab meat. In the future the channel coordinator is aiming to expand into other geographical areas of the United States without the aid of a U.S. distributor as the partners feel that they have now accumulated the knowledge necessary to be successful without a local partner.

The product specifications for the lambs leaving the feedlot are fairly loose. The channel coordinator aims not to have any carcasses under 25 kilograms in a shipment, however, the partners feel that two or three carcasses at this weight in a shipment would go unnoticed. This compares to U.S. domestic lamb production that has large variation, with carcass weights anywhere between 22 and 50 kilograms.

The channel coordinator has alternative buyers for out of specification product that can’t be shipped to the United States. This includes surplus meat that won’t fit into the shipping container and off cuts that aren’t demanded by the target market. He has one main company that purchases this product, but are constantly exploring new options for it.

**Competitors**
The channel coordinator has two main sources of competition – competition domestically for acquiring lambs to finish and competition in the United States for supermarkets to stock their product. Domestically, New Zealand’s meat industry is dominated by three main organisations. The channel coordinator states that it has been proven in the past that these meat companies will aggressively attempt to put each other out of business. At this stage, however, the channel coordinator feels that their business is too small to be a concern to these organisations, even though they are effectively taking some of the lambs from their supply. The partners feel that this will continue as long as they ‘keep below the radar’. They maintain that this attitude is also important to reduce the likelihood of someone attempting to copy their supply chain and compete directly against them in the United States.

There are several competitors in the United States. The main competition is U.S. produced grain fed lamb that is also marketed as natural – hormone and antibiotic free. Organic lamb is another form of direct competition, although generally more expensive than natural lamb. Mainstream grain-fed lamb is also a competitor, mainly due to its lower cost. The channel coordinator is also concerned that the Australian industry is starting to produce more grain fed lamb, which may create more direct competition in the U.S. market.

**Industry and Government Regulations**
The most challenging regulations facing the channel coordinator is meeting USDA protocols for importing lamb into the United States. The USDA demands documentation two days before the lamb leaves its New Zealand port. This does not
pose a problem for the channel coordinator as the container is packed at the cool store
and then takes two days to be shipped to the international port that it is shipped to the
United States from. There are no special regulations in New Zealand governing the
function of a feedlot system.

Supply Chain Structure
The actors in this supply chain can be classified into two main categories:

Critical participants: This category includes the export company (the channel
coordinator), the feedlot (managed by one of the exporting company’s
partners) which is responsible for the main attributes of the meat, the New
Zealand meat processor due to its difficulty to replace and the U.S. meat
processor/distributor who has been vital to the establishment of sales in the
U.S. market. The U.S. distributor could be replaced, although the channel
coordinator does not plan to use an equivalent organisation for future
expansion into other regions.

Important participants: This category includes the livestock agent and lamb breeders,
the three transportation companies, and the U.S. supermarkets. None of
these organisations perform specialised functions and all could be replaced.

The channel coordinator deals personally with every organisation in the supply chain.
Organisation to organisation interaction not directly controlled by the channel
coordinator is limited. This includes the coordination by the farmer (one of the
partners) of trucking stock to the processing plant, although the exporting company
pays this cost. The channel coordinator also does not deal with the supermarkets that
are the U.S. distributor’s customers, however, the product is effectively out of the
supply chain once sold to the distributor for mixing with its own product. The U.S.
distributor also interacts with supermarkets retailing the channel coordinator’s
branded product, handling logistical issues while the channel coordinator deals with
strategic communication and relationship building.

Exporting Company
The exporting company is the channel coordinator. It is owned by two partners. One
partner focuses on marketing and maintaining relationships with their customers in
the United States and shipping the product, while the other owns the feedlot and
manages supply. The exporting company is very ‘hands on’ and carefully manages
each step in the supply chain. This is partly influenced by the ‘newness’ of the chain.
However, the channel coordinator is also intent on ensuring that the lamb arrives at
their customers in the best condition possible. They feel that being hands on ensures
that the other actors in the chain do a better job.

The export company has product ownership for most of the length of the supply
chain. The company purchases the lambs from farmers and then pays the feedlot to
finish them. The export company exchanges ownership of the lambs with the U.S.
distributor/meat processor when the lamb is in transit between New Zealand and the
United States. This reduces risk for the channel coordinator - if the meat processor
refuses to pay, the channel coordinator still possesses the ownership papers and can
sell the meat himself.

Finisher (Feedlot)
This part of the supply chain is critical as it creates the product attributes demanded by the supply chain’s customers. It is not possible to source grain-fed lambs from another farm as a feedlot type system is only used in New Zealand by specialists marketing their own product to specific international markets. The supply chain is the only outlet for the farm’s production, making its success critical to the profitability of the farming operations. The finisher is also one of the partners in the exporting company, which means that there isn’t the need to maintain a relationship between the finisher and the export company. Store lambs are purchased from farmers (mainly through a Livestock agent) and then finished on grain for an average of ten weeks at the feedlot. The breed of lamb does not affect the taste or texture of the meat - the grain feeding has a larger impact than this. However, some breeds will grow more rapidly than others.

Livestock Agent and Lamb Breeder
Neither the livestock agent nor the lamb breeder farmers are critical to the supply chain. Both parties could easily be replaced. A large number of lamb breeders supply the supply chain, mainly through the livestock agent. The feedlot farmer has a relationship with some lamb breeders, buying lambs directly off them, however this is not necessary.

The main relationship is with the livestock agent who knows what types of lambs the feedlot farmer is looking for. Approximately 95 percent of the lambs are sourced through the livestock agent, although the channel coordinator is developing more relationships directly with neighbouring farmers. It would not be difficult to replace this livestock agent for whatever reason. The sole motivation for these actors to supply this chain is the profitability over supplying a competitor.

New Zealand Meat Processor
This actor is critical to the supply chain due to its necessity. There are no alternative meat processors available to the supply chain. This is the most vulnerable part of the supply chain for the channel coordinator. The meat processor is aware of this and the channel coordinator feels that they are overcharged. The success of the supply chain is not critical to the meat processor, however its does benefit from its participation. The channel coordinator feels that the meat processor is not only motivated by the additional profitability of processing for the channel coordinator, but also the year round nature of the chain’s supply, allowing it to retain workers during the off-season.

Also, we’re a very small part of their business. Not so much in the winter, but in fact we’re probably more than half of what they do lamb wise for four or five months of the year. But if you take what they do for the whole year we’re a small percentage because they do most of the lamb business in the first six months and they’re flat out. They fit us in and the rest of the year they’re quiet and we give them an opportunity to keep staff on I suppose. So that’s the way it works. Our appeal to [the meat processor] is that we process right through the year.

The meat processor’s function would be improved for the channel coordinator if it installed more chilled storage space. This would allow it to process all of the farmer’s production in one day instead of over three. The meat processor has informed the
channel coordinator that it is planning to expand its chilled storage space in the near future. Due to the limited supply of processing work in the off-season, however, the current situation of having to spread work over three days, rather than concentrated into one, is probably beneficial to the meat processor by smoothing its production demands.

Processing all of the channel coordinator’s production in one day would create several advantages for the channel coordinator. Firstly, a complete truckload of lambs could be sent from the farm. This would mean that the lambs would not be stressed on a truck for several hours while the truck picks up lambs from other farms. It would also mean that the lambs could arrive at the meat processor early in the morning. This would give the lambs time to dry properly after washing before they are processed, reducing the number of lambs wet lambs which get rejected from the chain.

*We want to get the lambs down there as soon as we can during the day to give [the meat processor] more time to wash the lambs. So if they’re dry, less lambs are likely to go through the detain rail during slaughter. Now, that’s because dry lambs don’t drip. Wet lambs drip. That drip of water can also contain a bit of contamination of wool that is seen by the meat inspectors. Those lambs are detained and the contamination is cut off. Detained means more handling. More handling increases the chance of high bacteria counts, which can reduce shelf life. So, if we can get the lambs to move to our processor here earlier, more chance that the lambs will be drier and less will go to detainment.*

It would also allow the container to be packed on site, reducing the amount of handling that occurs and the extra cost of storage at the shipper’s that is currently necessary to accumulate three days production. This would also allow the more rapid shipping of the product to the United States, effectively increasing its shelf life.

The channel coordinator communicates with the meat processor more than once a week. There are four individuals within the organisation that the partners in the exporting company communicate with on various issues. Also, either or both of the partners physically observe the boning room at least once a month. The partners feel that this helps motivate the staff to maintain a high level of quality. The partners also meet with the managers to discuss long-term plans and strategies every couple of months.

Transport Companies
There are three transport companies utilised by this supply chain. This is shipping livestock from the farm to the New Zealand meat processor, shipping from the processor to a cool store for consolidation and shipping from the cool store to the port before being shipped to the United States. None of these shipping companies provide any special services for the channel coordinator and alternatives could be found if these companies could no longer be part of the chain. Therefore they don’t share in any of the risk or profits in the chain. It is worth noting that the actor providing the international shipping also provides an important service of storing and consolidating product from the New Zealand meat processor into a container. This is important to the channel coordinator, as the meat processor does not have adequate chilled storage to store a container of product, so each shipment has to be processed.
over three days. The marketing partner will help load every second or third container
to ensure that the international shipper’s staff are packing them correctly.

U.S. Distributor/Meat Processor
The U.S. distributor/meat processor has been critical in order to distribute and sell the
supply chain’s product into the U.S. market. There are other organisations available
in the market that could perform the distribution function if necessary, making the
distributor replaceable. However, the channel coordinator states that the two
organisations ‘chose each other’ as both could benefit from the situation.

The reason they like us is because the American lamb kill is falling
consistently by about 4 percent every year and it has for the last ten years. So
they’re constantly battling just to supply their existing customers. There is no
way they can grow their business really, except pay more for American lamb,
which is just getting harder and harder. It’s just not sustainable. So they’ve
got this big issue of having customers and having a falling supply base. They
see our product as good enough quality to fit in and fill their supply needs.

One of the largest benefits to the channel coordinator is the ability of the distributor to
sell all of the cuts of lamb sent to the United States, regardless of how difficult they
are to find markets for. Most of the supply chain’s product is currently sold by the
distributor to make up short falls in its own domestic supply. This motivates the
distributor to be part of the supply chain since U.S. domestic lamb supply has been
consistently decreasing for several years. For future expansion in other regions the
channel coordinator plans to perform the functions of this actor as the partners feel
that they have built up the necessary knowledge to do so and will have the current
chain in place to build off.

With this product flow established the channel coordinator is able to focus on
expanding sales under its own brand in supermarkets not supplied by the distributor.
This is beneficial to the distributor as he still takes ownership of this product, giving
him a cut of the profits and effectively expanding his own customer base. The
channel coordinator benefits from having a market for his product while he develops
his own brand. This relationship also gives the channel coordinator access to the
distributor’s distribution network, allowing him to easily move product to his own
customers. The channel coordinator maintains that the current system, selling both
the branded and unbranded product to the distributor, is advantageous as it reduces the
cost of distribution. However, the channel coordinator states that he will use
whichever relationship and ownership system that works most effectively in a given
situation.

As this relationship had existed for less than six months at the time of the interview
the marketing partner of the channel coordinator was communicating by phone with
the wholesaler about three times per week. The channel coordinator expects this to
reduce to at least once a week once the chain is established and running smoothly.
The channel coordinator currently visits the meat processor personally every six
weeks. This is expected to decrease to every three months once the chain is
established and running smoothly.

U.S. Supermarkets
The channel coordinator does not have any contact with supermarkets that are the existing customers of the U.S. meat processor. However, the channel coordinator is gradually expanding sales of its own branded product to other supermarkets. The product still goes through the U.S. meat processor to reach these supermarkets. Both the channel coordinator and the U.S. meat processor have regular contact with these supermarkets. These supermarkets are generally small-sized chains with between three and fifteen stores that are more upmarket than mainstream supermarkets. The supply chain’s product is sold as natural – hormone and antibiotic free.

These supermarkets are important to the supply chain, as they need to be selected based on their fit with the brand image they are attempting to create. Competition to supply these supermarkets is very strong. This strong competition does give the supermarkets additional leverage in negotiations. However, the large population and geographic size of the U.S. means that there are many of these supermarket chains available. Also, the channel coordinator’s ‘natural’ grain-fed lamb and consistency of specifications will motivate these supermarket chains to retail it for them. There is currently limited U.S. supply of ‘natural’ grain-fed lamb, increasing the channel coordinator’s leverage depending on demand for this type of product in a region.

The channel coordinator communicates regularly with these supermarkets. The channel coordinator feels that it is important to identify individuals further down the supply chain that they don’t deal with directly, but need to communicate with regularly to help their marketing efforts. He talks to the supermarket meat buyer on a monthly basis. He also communicates with the meat managers of each store every six weeks. Both of these relationships are important to the channel coordinator. The meat buyer makes the purchasing decisions for the supermarket chain, therefore he is important to keep onside. Although the meat buyer is the most important individual for the channel coordinator to have a solid relationship with, the meat managers at each store are also important as they influence the meat buyer’s decisions. Having a solid relationship with them therefore becomes important also, and regular contact allows the channel coordinator to learn information useful in discussions with the meat buyer. This communication allows the channel coordinator to ensure that the supermarkets are happy with everything and get some customer feedback.

The supermarkets work...generally they have a meat buyer that runs the show, and each store has a meat manager. The meat buyer makes the decisions, he’s the guy that you’ve got to be onside with. But he receives his feedback from the meat managers, and if you can keep onside with the meat managers and say good things about your product to the meat buyer, that just helps. We take that approach where we try to identify people further down the chain that we don’t actually deal directly with, but still communicate with. It helps our marketing effort no end.

The distributor communicates with the channel coordinator’s supermarket customers at least once a week. While the channel coordinator’s communication is of a strategic nature and focused on relationship building, the distributor focuses on the logistics of moving product and ensuring that everything is in order, how sales are performing and to arrange orders for the following week.
Analysis

Introduction
This section analyses the underlying factors that contribute to the success of this supply chain. It also assesses what action the channel coordinator took to ensure that these factors were successfully implemented, both consciously and unconsciously.

Communication and Supply Chain Orientation
The channel coordinator does not invest much effort in communicating his vision to the other supply chain participants. Most of the other actors perform a function only at their level of the chain and have very little communication with the other actors in the chain, limiting the need for them to understand the channel coordinator’s goals and vision for the supply chain. They have a very low supply chain orientation. This is reflected by the large amount of effort that the channel coordinator places in monitoring the various actors performing their functions.

If these actors were more focused on the success of the supply chain and had ‘bought into’ the channel coordinator’s vision they would be more likely to consistently perform to the channel coordinator’s specifications without the need to have the channel coordinator regularly monitor their performance. The channel coordinator is therefore relying solely on incentives in the form of profitability to motivate the other actors in the supply chain to perform their functions. Persuasiveness would be ineffective, as the channel coordinator has not focused on creating ‘buy in’ for his vision. Coercion is also not an option as the supply chain is only a small part of each actor’s respective business, meaning that the opportunity cost of leaving the supply chain is not high for each actor.

The only organisations that the channel coordinator has really focused on creating a strong relationship with are the U.S. distributor/meat processor and the supermarkets selling product under the channel coordinator’s brand. The U.S. distributor/meat processor is the organisation most aware of what the channel coordinator is attempting to achieve and is also the most autonomous due to its geographical distance from the channel coordinator. The channel coordinator relies on the distributor to perform its functions in the absence of the partners. Therefore the distributor is aware of its part in the channel coordinator’s vision, better ensuring that it consistently performs its functions correctly.

_Yup, they will probably be talking to them weekly, making sure that everything is going all right. A good distributor...someone who’s doing their job properly in the distribution part of the chain should be ringing the supermarkets weekly to see how their sales have gone and what stock they need for next week. So orders should be based on what’s in stock, what’s in the chiller. So it’s a communication thing. So rather than wait for an order to come, the proactive guy in distribution will ring the customer, see what he needs._

However, the channel coordinator has not communicated his vision to the distributor that will not directly involve the distributor. In other words, the channel coordinator’s expansion into other geographical areas in the United States. Therefore the distributor still has a low supply chain orientation – it performs the functions required of it by the
supply chain when distributing the channel coordinator’s branded product and benefits from the ongoing success of this product.

In the case of the supermarkets, the focus of the relationships is not creating ‘buy in’ to the channel coordinator’s vision, but on better communication so that the channel coordinator can better react to the demands of the supermarkets and the end consumers. This understanding is beneficial to the channel coordinator to ensure that they have a product offering that meets these demands. The supermarkets benefit from the profitability of stocking a product that appeals to their customers.

**Competitive Advantage**

Most of the competitive advantage of this supply chain is created at the feedlot level. The first advantage comes from the low cost of store lambs that the feedlot purchases in comparison to the price that feedlots in the United States have to pay for lambs.

> Our main competitive advantage with American domestic lamb is that the cost of our lamb into the feeding system is significantly cheaper than the cost of their lamb into their feeding system. So at the moment, it’s a dollar ten a pound for feeder lamb, which is what they call their lamb starting in their feedlots. A dollar ten U.S., which if it’s a 40 kilogram animal, is close to $150 New Zealand dollars that they’re paying just to get that lamb starting in the system. So we’ve got a big advantage there. We have a point of disadvantage in the cost of freight to market.

The other main advantage is the product attributes that are created by the feedlot. Due to the nature of the feedlot no antibiotics or hormones are used, allowing it to be marketed as ‘natural’. The channel coordinator’s product also has good marbling scores and white fat colouring, with a minimum of external fat, giving it a leaner, healthier appearance. It is also more consistent in its size and attributes than competing U.S. product. The supply chain also has a high level of traceability due to its small size. The channel coordinator should be able to trace a product back to a specific processing date, and therefore, a group of lambs. However, the competitive advantage of this supply chain is not sustainable – it would not be difficult for others in New Zealand or Australia to create similar supply chains.

> Australia has the capacity to increase their lamb production, probably more significantly than New Zealand, for export. And they also have the capacity and are starting to get into grain-feeding systems. They’re not marketing them as such yet, but they will wake up to that. They will wake up to being able to market grain-fed lamb and get a premium. So one of the biggest threats would be cheaper product coming in from Australia that has the same product quality attributes that the Americans want. That’s quite a big threat.

The structure of the supply chain and the other actors involved in it do not contribute to its competitive advantage. All of the actors could easily be replaced, with the exception of the New Zealand meat processor, and none perform any specialised functions for the channel coordinator. The channel coordinator has stated that it will use whichever structure is most effective for a given situation and location. In the future the channel coordinator is likely to adapt different structures as it expands into other geographical locations, based on the knowledge it has built up during the
creation and management of the current supply chain and its predecessor. In other words, the channel coordinator is also always attempting to minimise its reliance on other organisations. This is reflected in the hands on approach that it has with every organisation, except the U.S. distributor, whose management functions the channel coordinator is expecting to perform itself when expanding into other geographical locations. The channel coordinator appears to be attempting to internalise all valuable knowledge that is accumulated in the chain, further reducing its reliance on other organisations. Competitive advantage is created to a small extent by this focus on risk reduction.

**Structure**
The channel coordinator has structured this supply chain in order to implement his long-term vision of creating a robust supply chain that gives better returns than selling lamb direct to local meat processors. The channel coordinator’s lack of resources (financial and knowledge) has meant that vertical integration of the supply chain has not been an option. The channel coordinator therefore utilises external organisations at each step of the supply chain to perform various functions. The channel coordinator states that it will use whichever structure is most effective for a given situation.

The channel coordinator uses a very centralised form of management. The hands on approach used by the channel coordinator, suggests that if it were financially and/or strategically advantageous to do so, vertical integration would be utilised. Reliance on external organisations has been kept to a minimum and is only utilised where necessary. The channel coordinator’s motivation for this appears to be its distrust of external organisations (both to do what is in the supply chain’s interests as well as maintaining intellectual property and knowledge developed in the supply chain), which is understandable given the partners awareness of the aggressive nature of New Zealand’s meat industry. The channel coordinator also appears to be motivated by the fact that by assuming a strong management role and most of the risk in the supply chain, the partners will benefit from most of the additional profits as they develop the chain. The channel coordinator states that his is important to ensure that things happen – you can’t rely entirely on other people always performing their function adequately. However, this doesn’t mean that the channel coordinator micromanages the chain. The focus of the channel coordinator is ‘matching the links of the chain together’ rather than focus on the specifics of each actor’s functions.

An example of the channel coordinator’s minimisation of reliance on external organisation is its aim not to use an organisation similar to the U.S. distributor when it expands supply to other areas of the United States, instead internalising its management functions and using contracts to perform its logistical functions. The partners only feel capable of performing these management functions now that they have accumulated the necessary knowledge during the creation and management of the current and previous supply chains.

*We’re also still working on some potential customers in another geographical area in the U.S.] that we will...if we do secure those markets, we will not go through our existing customer because we won’t need to and they’re too far away. We’re familiar enough now with the West coast market now that we feel confident that we can establish contract cold storage and do...*
our own distribution. Not any cheaper, it will cost us, but we can manage that process without relinquishing any control over the product.

Strategic and Resource ‘Fit’
The channel coordinator has focused on incorporating organisations into the supply chain that have a resource fit with it. Due to the channel coordinator’s lack of focus on developing ‘buy in’ to the partner’s vision and development of supply chain orientation among these actors, strategic fit has not been considered in most cases.

Resource fit is important as each of these actors is performing functions in the supply chain that the channel coordinator is unable to. As stated above, the channel coordinator’s ‘hands on’ management strategy implies that if it were possible it would internalise most of these functions.

Strategic fit has been necessary for those organisations that are more autonomous – in other words, the U.S. based organisations that the channel coordinator cannot regularly monitor. In the case of the distributor it was strategically advantageous for both parties that it use the channel coordinator’s production to make up for short falls in its own supply. Product marketed under the channel coordinator’s brand is also advantageous to the distributor as it gets new customers (the channel coordinator’s branded product will never enter a supermarket already supplied by the distributor) and a cut of the additional sales. In the case of the supermarkets selling the channel coordinator’s branded product, the supermarkets need to be carefully selected to ensure that the perceptions of their customers fit with those that the channel coordinator is attempting to create for its brand. This helps ensure that the channel coordinator will be able to develop the future price premium that is part of its vision.

Conclusion
The channel coordinator’s partners are successfully building towards their vision for the supply chain. At the time of the interview the supply chain was only six months old and still being developed. However, its development was on track and the partners were already beginning to develop the next stage of their expansion as outlined in their vision.

The only area for future improvement of the current supply chain that the channel coordinator identified was in relation to the New Zealand meat processor. The expansion of the New Zealand meat processor’s facilities to allow processing of a container load of product in one day is of primary concern to the channel coordinator. This would have several benefits as outlined above. The channel coordinator also feels that they are being charged too much for the toll processing, however they are unable to combat this due to the lack of suitable alternative processor’s.
Case Study 3

Introduction
This case study is based on the third interview for this research. It was chosen to provide both theoretical and literal replication of the first two case studies. Like the first two case studies, the supply chain in this one is marketing high quality cuts of meat to a specific market niche. Like case study 2, the channel coordinator is marketing high quality cuts of lamb in the United States, however the lamb in this case is grass-fed. This case is also quite different to the first two in many ways. The main difference is that the channel coordinator company is much larger, funded by multiple shareholders. This increases resource availability for the channel coordinator. The supply chain also markets a much higher quantity of product, which is sourced from a number of farmers. This has resulted in a supply chain structure quite different to the first two cases.

This case study is primarily based on a two hour face-to-face interview. This was supported with a follow up interview by telephone to clarify some issues from the main interview. Third party written material was also utilised. A more detailed version of the case study is available in Appendix B.

Case Description
The supply chain was created in the late 1980’s when the two founding partners (the channel coordinator) faced poor profitability and an uncertain future with their respective farming operations’. They decided that they could improve their profitability and continue farming by selling the meat they produced themselves. Several other local farmers invested in the company (the channel coordinator company) they created and they have continued to expand their sales in the U.S. market since the supply chain’s creation. The partners sell in the U.S. market, as this was the only profitable market they could gain quota for at the time of the company’s creation. The company now has several employees based both in New Zealand and the United States. The channel coordinator is very focused on creating a strong brand and ensuring that he has a very robust and flexible supply system in place. He has therefore internalised the logistics and further processing functions in the U.S. market due to his perceived importance of these functions and the availability of capital to do so.

...we do distribution, warehousing, importing and sales. So we are taking control of the whole distribution channel, right through... so you go direct to the supermarket.

The supply chain’s product is New Zealand grass fed lamb, sold as a variety of different cuts in order to maximise the value that can be attained from each carcass. Although this is a mainstream product in New Zealand, the channel coordinator is targeting a specific niche of consumers in the United States demanding foods perceived by targeted consumers to have product attributes guaranteeing them to be safe and healthy.
The channel coordinator has created a strong brand for his product. He states that there is very little difference in the quality of the meat supplied by his company and his competitors. Therefore the brand becomes important as this assures consumers that they will get a consistent, high quality product with the attributes outlined on its packaging. The product’s packaging emphasises that it is hormone and antibiotic free, and not grown on a feedlot. The channel coordinator argues that focusing on ‘Product of New Zealand’ alone is pointless. Instead the focus is on creating a strong brand built on the previously mentioned product attributes, and uses a ‘Product of New Zealand’ statement to give it credibility.

The above diagram is an outline of this supply chain. The channel coordinator company (written and boxed in bold) does not directly handle the product in this supply chain. Instead, this company is only used to coordinate the supply chain. A variety of farmers supply lambs that meet the specific criteria of the supply chain. Some of these farmers also own shares in the channel coordinator company. Live transport to the Meat Processor is organised by the Farmers. The channel coordinator has a strong relationship with the Meat Processor (written in bold), who contract kills for him. The Meat Processor owns part of the channel coordinator company and is a board member. The channel coordinator organises a shipping company and contracts with an import broker to have the product clear U.S. customs. Product is sold to the Importing Company (written and boxed in bold), which is owned by the channel coordinator company. The Importing Company also performs the warehousing and
distribution function in the United States. The Importing Company then sells and delivers product to the supermarkets that are customers of the channel coordinator.

Vision
The channel coordinator does not place much emphasis on having a set, long-term vision for his supply chain. Although the channel coordinator will have a vision for the supply chain’s future, little effort is exerted on strategic planning. Instead the channel coordinator’s focus is on identifying opportunities as they arise for selling more New Zealand grass fed lamb. The channel coordinator states that the main areas for potential improvement of his profitability is through gaining new retail customers (mainly supermarkets) that serve the niche of consumers he is targeting and finding more efficient and effective ways of moving product through the supply chain.

...identify an opportunity is more what we do...we don’t do big company strategic planning, ‘We’re going to be here in five years time...how are we going to get there?’ We tend to expand out of tax paid profit...which gives a nice secure base. We control what you get processed, so that’s really your control. So you might want to go and do five big supermarkets...[and] ‘What’s the maximum product I can get through the plant?’ So then it’s, ‘How can I make the most money out of the stuff I’m getting through the plant,’ that’s really what drives you. And so of course you want core business and then you want what I call speculation business. If the prices are good you do it and if they’re not you don’t. You can’t play the game if you are not in the field.

Motivation
The channel coordinator’s original motivation to create the supply chain was the poor profitability facing farmers at the time. The two partners that created the supply chain decided that they faced an uncertain future as farmers and thought that by selling product themselves overseas they could boost their returns in order to keep their farming operations economic. This motivated them to create the supply chain.

If we come back to why we got started, at that stage the New Zealand farmers were getting paid nearly nothing for meat and we know that the local trade in New Zealand was paying a lot better than the export trade. So we decided to investigate it and found that there was a lot of money to be made in the market place if you do it right. So in those days, we are talking 15 years ago, it was pretty much a commodity trade and a large percentage of the meat was traded in carcasses, going to England to be chopped up in the butcher shops.

The channel coordinator is motivated to act as channel coordinator as he created the supply chain, giving him ‘ownership’ of it. He is further motivated to undertake the role of channel coordinator as he, along with the other shareholders, has capital tied up in the company, whose success relies on the success of the supply chain as a whole. There are no other parties that could act as the channel coordinator in the supply chain (the critical levels) are either part of the channel coordinator or have an ownership stake in the channel coordinator company. The owner of the meat processor has a shareholding in the channel coordinator company and farmers also have the opportunity to be shareholders in the company. The meat processor could potentially act as the channel coordinator, however he benefits from the current
structure due to his influence on the channel coordinator company’s board, share of any profits and the ability to focus on his meat processing operation rather than the supply chain as a whole. The other actors involved in the supply chain are not concerned about the success of the supply chain as they provide only standard services to it and are therefore not motivated to act as the channel coordinator.

**Strategy**
The channel coordinator’s strategy is well known to the critical organisations involved in the supply chain. The warehousing and distribution function in the U.S. are owned by the channel coordinator, while the meat processor’s owner is on the board of the channel coordinator company. Communication of the channel coordinator’s strategy, therefore, comes about as part of the natural business process. The remaining organisations provide only standardised services and, as such, do not need to be aware of the channel coordinator’s strategy in order to adequately serve his needs.

**Product and Target Market**
The supply chain’s product is New Zealand grass fed lamb, sold as a variety of different cuts in order to maximise the value that can be attained from each carcass. Although this is a mainstream product in New Zealand, the channel coordinator is targeting a specific niche of consumers in the United States demanding foods perceived by targeted consumers to have product attributes guaranteeing them to be safe and healthy.

Lamb consumption in the United States is very low per capita and has traditionally been seen as a low quality meat in comparison to beef, pork and chicken. New Zealand and Australian exporters are working with their U.S. counterparts to promote lamb as a high quality meat and change consumer perceptions in the general market. When lamb is consumed, Americans generally prefer larger grain fed lamb, which is mainly raised in the United States. Therefore the niche targeted by producers of grass fed product are generally very health conscious as they want a product that is leaner than grain fed lamb, and don’t mind the stronger taste of grass fed lamb. The channel coordinator’s target market is consumers aware of grass fed lamb’s positive eating experience, safe and healthy attributes. As it is targeted at the premium end of the market, almost all the product exported by the channel coordinator to the United States is chilled.

*The average American shopper goes to the supermarket five times a week. So they buy tonight’s meal on the way home, quick, they want to be able to grab it here. So there’s kebabs and there’s stir-fries and there’s small portions, so we’re away from the whole leg of lamb. I would think now that only 25 percent of the legs that we send to America [are the] traditional leg of lamb and they would really only be sold at Easter and Christmas. So in the average mix in a week…10 percent [of our product is] leg roasts, the rest of it is all seamed down into small meal sized portions.*

The channel coordinator has created a strong brand for his product. He states that there is very little difference in the quality of the meat supplied by his company and his competitors. Therefore the brand becomes important as this assures consumers that they will get a consistent, high quality product with the attributes outlined on its
packaging. The product’s packaging emphasises that it is hormone and antibiotic free, and not grown on a feedlot. The channel coordinator argues that focusing on ‘Product of New Zealand’ alone is pointless. Instead the focus is on creating a strong brand built on the previously mentioned product attributes, and uses a ‘Product of New Zealand’ statement to give it credibility.

Now we have a got a new [statement on the packaging], no GMO content. It’s critically important. That’s where New Zealand does come in and that’s why you want New Zealand in the fine print, because it backs up the statement that there’s no feedlots. So if you tell Americans there’s no feedlots they tend not to believe you. But say it comes from New Zealand, “Ah yes, well that’s probably true.”...So you’ve got to get the name association linkages. So we’re putting ‘Product of New Zealand’ and not because it’s a good sales point to say that it came from here. I don’t think I’d give a shit where it came from quite frankly. It’s a good sales trick because it backs up the rest of what you are telling them.

The channel coordinator also emphasised that American consumers demand very tender meat, as this is what they are used to. Therefore, the channel coordinator conducts three-month tenderness trials on a regular basis.

Most farmers wouldn’t know about it, but meat coming out of the meat plants 15 years ago, you could hardly eat the stuff it was that tough. They just wanted the English with big jaws to eat New Zealand lamb. Mind you, the English are used to tough meat but the Americans aren’t. We go over board with tenderness, that’s probably our key thing. We are doing tenderness trials all the time. We’ll do a three-month trial and then nothing for six months and then do another one. We do a lot of trial work.

The channel coordinator funded some market research to find what product attributes his customers were looking for. The most important attributes were the appearance of the product, followed by its quality/grade (USDA choice), then taste followed by no hormones, antibiotics, preservatives and GMO grain. The consumer cannot perceive important attributes such as taste before consuming the product, which, according to the channel coordinator, leads the consumer to rely on brands. Hence the importance the channel coordinator places in developing his brand.

So here’s a 13 point ranking we wanted done...this is on mall intercepts and what the customers wanted. Physical appearance was the most important, well you’d expect that, you want it to look good. Quality/grade is important, that actually ran on down to brand names too when we went through it. So USDA choice is actually important, it’s an assurance that someone has checked the stuff over and its in good shape. Taste was next - as a normal consumer I don’t find any of these surprises. No hormones, no antibiotics, no preservatives, and no GMO grain. This is done in Illinois for Christ’s sake. This is not done in California. I would have expected that in California, but I sure as hell didn’t expect that in Illinois which is in America Mid-West, which is about as conservative as you can get. I would have expected those from the liberals in California. Humanely treated is right up there, look at the scale of what is important. Environmentally friendly, in other words paying attention
to what is in your environment is important...Price comes way the hell down there...so look where organics is. We found that organics slips way down there if you get these ones covered up here. So there are only parts of the organic story that are important to the customer, not the whole package. Product of Illinois was absolutely last, which means the consumers don’t give a shit where it came from.

The product is sold through a variety of supermarkets, with the primary supermarkets targeting more affluent and health conscious consumers. Surplus product is sold anywhere in the world based on the channel coordinator receiving the best price possible for it. This allows the channel coordinator to focus the export of specific cuts to the most profitable markets, while still providing a large enough base in less profitable markets to maintain customers.

The basis is to send as much to the United States as you can. We pretty much...exclusively work with supermarkets. So we are not in the Hotel/Restaurant trade, so it means we are customer driven. We respond to the customer’s orders, so you fill them first. We kind of know what they are because we have been doing them every week for 15 years. So we’ve got a pretty good handle on what its going to be and then the surplus we look at putting it into the best market in the world...we just do the same as the other guys really. We’ll be doing oyster cuts into Europe when that’s the best market. We could be doing chunk meat into England for the mince trade if that’s the best earner, we’re just straight commodity trading the same as everybody else, not doing anything smart there.

The channel coordinator is one of the few New Zealand meat exporters to utilise a particular gas flushing technique on its chilled product. This gives the channel coordinator a small competitive advantage against competitors that have not placed resources in similar techniques. The channel coordinator argues, however, that none of its competitive advantages such as the gas flushing or brand recognition are sustainable, so there is a focus on constantly improving the business.

Competitors
The channel coordinator states that his main direct competitors are marketers of Australian and U.S. lamb. This is because both Australian and U.S. produced lamb is larger than Zealand lamb on average, making a much larger percentage of their production suited for the U.S. market, while New Zealand’s smaller average lamb size is a better fit for the European market. U.S. lamb production continues to decline, while Australian production increases. This makes Australian marketers much stronger competitors than their U.S. counterparts. Other direct competitors market lamb sourced elsewhere in the world, including New Zealand raised lamb.

*The Australians kill heavier lambs than we do. I think their average is 20 kilos. New Zealand is only 17 kilos because New Zealand really is European orientated where you want a smaller lamb. That’s why we don’t push ours far either, because there’s a good chunk of our stuff still goes to Europe, so we don’t want to take a loss on the stuff we put into Europe.*
Although consumers in the American market can at times be patriotic towards locally grown product, the channel coordinator argues that the country of origin of a product is well down the list of desirable product attributes. Therefore, an American consumer will generally only purchase American raised lamb based on its country of origin if it is equal to or better than New Zealand lamb in terms of desirable attributes such as perceived product quality, taste and price. The channel coordinator does not compete against other lamb based on price, but rather uses his brand to assure consumers that it will be high quality, lean product that is antibiotic and hormone free and raised free range.

The key to marketing is know your customer and the absolute most important rule in marketing is avoid perfect competition...as soon as you move into it, do anything you can to move out of it. So that’s the first rule and that should be your mission statement really I suppose. So then if you go away from that your next two key points are know your customer and understand his wants and needs and if you’ve got those three together you’ve pretty much got marketing tied up, except everybody ignores it and does it in the wrong order...

Indirect competitors are other meat types such as beef, chicken and pork, all of which Americans have traditionally eaten a lot more of than lamb. However, consumers in the niche targeted by the channel coordinator view lamb as a premium product, allowing it to actively compete against these other meat products.

The channel coordinator also competes with other New Zealand meat processors to a certain extent when sourcing lamb from farmers. This competition is very minor as there are a large number of suitable farmer suppliers available and the channel coordinator’s throughput is much lower than the three main meat processors. The channel coordinator also prefers a heavily lamb than the main three meat processors as most of their throughput is marketed in Europe, which prefers a lighter lamb than American markets. However, these other processors still purchase heavier lambs as a large share of their lamb is marketed in the United States. The channel coordinator states that he never has any trouble sourcing lambs, as he will always pay at the market rate or slightly higher.

Industry and Government Regulations
The main government regulations faced by the channel coordinator is passing USDA inspection when importing meat into the United States. The channel coordinator is required to have a secure facility for USDA inspectors to inspect a sample from each shipment. If anything is wrong with the shipment, including paperwork, it will be rejected by the USDA and sent back to New Zealand.

So it goes through USDA inspection...so you have got to have a facility...what they call an I House, an Inspection House... It’s the same in New Zealand. If meat comes into New Zealand it goes through the same process. Ag New Zealand goes through all stock and they check it all over...They open up twelve cartons in each shipment up there and inspect the meat, probably once a year we will get a load sent back to us. We got thirty cartons up there that they forgot to put shipping marks on, which is your identifier mark...it’s a huge thing in the United States. So we’ve got $7,000 worth of products sitting
up there and we have to bring them back. It costs about $5,000 for us to bring it back.

Supply Chain Structure
The actors in this supply chain can be classified into two main categories:
Critical participants: The supermarkets are critical as different types are utilised to market different cuts of meat and the channel coordinator is focused on selling to a specific niche of customers that manly shop at ‘natural food’ type stores. The meat processor and importing company/warehouse/distributor are also critical to the supply chain, however they are tied into the channel coordinator through ownership structures.

Important participants: All of the remaining participants provide standardised services to the channel coordinator. Farmers provide their premium lambs to the channel coordinator, however, due to the large number of farmers and the higher-than-schedule price paid for lambs, the channel coordinator never has trouble finding suppliers.

The channel coordinator interacts with every actor involved in the supply chain, coordinating their functions, with the exception of the live transport between the farmer suppliers and the meat processor. He has complete control of the warehousing, further processing and distribution of the majority of his product in the United States. This is a result of the channel coordinator’s philosophy that the key to successful business is not the product but the distribution channel. He argues that the difference between a mediocre product and a great one is very little, reducing the importance of the product in determining the success of an organisation. Instead, he argues that competitive advantage is created by consistently delivering the product in full, on time and to specification. By internalising these functions in the supply chain the channel coordinating is not reliant on an external company.

The channel coordinator was able to vertically integrate the functions in the United States as they began small and the he had a large base of money invested by the group of farmers that originally invested in the channel coordinator company with him. This also means that all of the risk is borne by the channel coordinator company in the supply chain. If the supply chain fails, the shareholders of the channel coordinator company have a lot more money invested in the supply chain than if the channel coordinator outsourced all of the functions performed in the United States.

The channel coordinator does not own any infrastructure in New Zealand. The critical process performed in New Zealand is the meat processor’s function. The channel coordinator has a certain level of control over the meat processor though as the owner of the meat processor holds shares in the channel coordinator company and half of the meat processor’s production is that of the channel coordinator.

... we’ve got a really good brand name in the States and we’re just quietly beavering away at that and we are able to do it because we control each step of the way...the only part we haven’t got control of is the shipping. But we put it in the box at this end and we take it out of the box at the other end, so we’ve got good control. We’re just building a big new Warehouse in California because we’ve just sold the last one we have. So we’re quite different from
other New Zealand companies - we don’t own anything in New Zealand, but we own everything offshore.

The channel coordinator states that the integrated nature of the supply chain originally came about by accident. When the supply chain was first created the channel coordinator found that the meat he was shipping to the United States was not cut up correctly for the American market. Therefore he took the function of further processing the product in the United States. The channel coordinator began mainly supplying restaurants. The difficulty of finding a distributor willing to deliver to restaurants during the specific time periods they demanded meant that the channel coordinator had to undertake this function as well.

Farmers
The channel coordinator effectively sources lambs on the spot market, although he mainly deals with farmers that he knows. Farmers can opt to either receive a pool payment or have the channel coordinator pay for their lambs soon after he takes ownership of them. The pool payment is generally higher, but the farmers have to wait much longer for payment. All profits above the schedule go to the owners of the lambs in the pool. About half of the channel coordinator’s throughput is lambs he purchased; the remainder are put in the pool by farmers. The channel coordinator’s profits are made on the lambs the company owns in the pool along with the farmer suppliers.

This is to let the farmers be involved through to the market place and they do profit. Any profit we make in the market place the farmers take all of it. It all comes back to the guys that supplied the lambs...of which [the channel coordinator company] is part of. So this year probably half the lambs we are going to be putting up there will be the suppliers’ lambs that wanted to go in the pool and the other half are lambs that we purchased but have also gone in the pool. So we will share in the profit of those, assuming we make some. It looks pretty unlikely this year.

Although some farmers supply 100 percent of their stock to the channel coordinator, most also provide rival meat processors with stock as well, after the channel coordinator has selected the most suitable stock. This is beneficial to all parties – the channel coordinator selects only stock within a specified weight band and fat content, the farmer receives a higher payout for these lambs and can still sell the remainder. The other meat processors generally focus on markets that demand lighter lambs than the American market and are therefore unconcerned that the channel coordinator has first choice of lambs from his farmer suppliers.

We have about [a couple of hundred] suppliers on our database and some of them supply us some years and some will supply us the other. What our theory is that instead of just taking all the lambs that the farmers want to kill, we only take the lambs for the Supermarket. So it’s very targeted marketing. We’ve got a [specific weight range] and we want big lambs...our spec is 18-24 kilos and we average about 21 kilos.

The channel coordinator will generally pay at or above the schedule of the major meat companies for lambs when the farmers don’t put them in the pool. The channel
The channel coordinator never has problems sourcing lambs as, according to him, supply is always available if you pay above the schedule.

"We were paying our farmers better than [a rival company’s] farmers were getting paid... I’ve since talked to a couple of the ex [rival company] Directors and he said they had big arguments around their board table about how these couple of start-up farmers...that knew [very little] about the trade could get in there and pay the farmers better than them, a big mainline company."

The channel coordinator does not utilise a stock agent to source lambs as most suppliers are shareholders. These farmers make a commitment to supply lambs to the channel coordinator, but are not under any contractual obligations to do so. The obligation for farmers to supply lambs occurs at various times of the year, providing a year round supply for the channel coordinator. The channel coordinator maintains that contracts are not necessary as his company knows most of the suppliers and is aware of which farmers are more honest than others. Due to the premium nature of the product sold by the channel coordinator he states that knowing the farmer suppliers is important to ensure that he is always supplied with high quality lambs.

"...we’ve already got a good customer base sorted out. I mean, a lot of these guys that we are buying them off [will supply the processor with the highest price]. At the moment the US dollar where it is, I think a moron can work out when they are going to do well. So it’s a pretty candid business when they figure all that out. We’ve got some guys who live with that because they’ve been with us all the way through and say, “Well, I’m in this for the long haul, I’m not going to cherry pick,” because I’ve got a good memory too...the guys that support us at the moment are the guys that are going to be... a couple of years ago we paid $15 a lamb over schedule."

Each farmer’s contribution to the pool of lambs is a very small percentage; therefore the channel coordinator can easily choose not to pursue a particular farmer’s lambs for whatever reason and make up the small short fall by purchasing additional lambs from other farmers. This results in individual farmers having very little negotiating power with the channel coordinator.

Farmers also have the opportunity to become shareholders in the channel coordinator company. Farmers are free to trade shares amongst themselves. Farmers trade shares at a price agreed by the two parties, but need to inform the board so that the board can be certain that the buyer is a currently trading farmer. Regardless of whether a farmer owns shares in the channel coordinator or not, the channel coordinator is not obligated to purchase the farmer’s lambs, nor is the farmer obligated to supply the channel coordinator.

The channel coordinator works on a completely free market arrangement, however those farmers that remain faithful to the channel coordinator during ‘tougher’ years are rewarded when the channel coordinator company is performing well and given first opportunity to supply. Farmers also make up more than half of the elected board members of the channel coordinator company, emphasising the channel coordinator’s focus on creating value for farmers, rather than the company.
Meat Processor
The meat processor contract kills the channel coordinator’s lambs. The owner of the meat processor has an ownership stake in the channel coordinator’s company and is a member of its board, motivating him to ensure that he performs his function in a manner that supports the channel coordinator’s success. Some of the meat is packaged ready to go straight into supermarkets, while the remainder is further cut up and repackaged by the channel coordinator’s warehousing company in the United States. The processor generally cuts the meat up in the most efficient form for shipping, ensuring that inefficiency isn’t created by shipping waste and off-cuts to the United States.

Staff of the channel coordinator’s company are in contact with the meat processor on a daily basis, coordinating the distribution of processing among the meat processor’s plants and meat shipments to the United States. Another staff member physically visits the plants twice weekly on average to monitor the performance of the meat processor’s processing staff. According to the channel coordinator, the boring nature of the work motivates staff to cut corners while processing carcasses. This has the potential to greatly reduce the yield that the channel coordinator extracts from each carcass.

Well its boring work you see, so people cut corners. People do what’s easy and then our yield goes in the toilet. Every cent our yield moves, its eight cents...so that’s $1.60 a lamb...You don’t want to leave 1% of meat on the bones. And that’s the kind of dynamics you are working with. So what we do is when the lambs have been killed, the end of the week you total up...we know what all the carcasses weighed...You’re watching your yield move all the time. You’d go broke if you don’t. It’s like coring an apple, you can core an apple just neatly around the core or you can take half the apple out of the core. These guys would do that, they’ll take half the apple out of the core if that’s easy and you’re not watching them.

The meat processor would be difficult for the channel coordinator to replace. This is because there are only a limited number of processing plants in New Zealand that will kill on a contract basis, especially since the channel coordinator is putting through a reasonably large volume of lambs. This does give the meat processor some leverage in negotiations, however this is unlikely to be taken advantage of due the structure and closeness of the relationship between the channel coordinator and the meat processor.

Charges for processing are negotiated between the channel coordinator and meat processor annually. These charges are not firm and if an incident occurs, for example a plant strike, the channel coordinator and meat processor will renegotiate. Therefore the channel coordinator is often involved in these incidents, for example, the meat processor will have the channel coordinator involved in negotiations during a plant strike as it is the channel coordinator that will carry most of the burden of any cost increases and whose business suffers the most from production interruptions.
International Shipper
The channel coordinator utilises the services of three separate shipping companies when exporting product to the United States. All three companies provide a similar service at similar rates; therefore the decision of which company to use depends on the schedule of individual ships. Utilising all three companies ensures a constant flow of product to the United States. Although an important function, individual shipping companies are easy to replace due to the standard nature of the service they provide the channel coordinator.

Import Broker
The channel coordinator could perform this function. However, he sees the cost of utilising an import broker as a very good investment as it smoothes processing through customs and greatly reduces the likelihood of delays, which can potentially be very costly to the channel coordinator’s business. The channel coordinator states that this is because customs prefers to deal with brokers due to the fact that they are known by customs and their arm-lengths relationship with the importing company. The import broker ensures that the transition from the international shipper to the importer functions smoothly, paying the bond and duty on imported product and organising paperwork. The service provided by the import broker is standard, making him easy to replace.

Importer/Warehousing/Distribution
The channel coordinator company owns the import company. It is a registered company in the U.S., which the channel coordinator argues is important to ensure that it gets the same protections (and has the same obligations) as American companies. The import company was created to fulfil a legal function to take ownership of the product once it is imported into the United States. The channel coordinator’s importing company repackages, stores and distributes product to supermarkets.

Now we come to the next step...which is added value. So we are just building a new Warehouse and Factory up there... in the small one we’ve got they are doing this, right, so this is where we are putting the stuff in trays, putting another gas mix in there and sending it out to Supermarkets already priced up.

This company is seen as critical by the channel coordinator as ownership of this function in the supply chain has allowed the channel coordinator to control the logistics of moving product around the United States. However, external distributors are used to move product to supermarkets away from his main area of geographical focus. The channel coordinator has turned this loss of control into a benefit by teaming up with reliable distributors who sometimes employ the channel coordinator to distribute product for them in his geographical area.

We get linkages with those distributors so we can keep those distributors honest because we know [that if] it happens in reverse, it increases your linkage and your network because now [one of the distributors] might have a problem that they want done [in the channel coordinator’s geographical area], so they call us up and say, “Look, can you do this for us?” We’ve got four different distributors in the United States. You can’t manage what you don’t understand and the key is in full, on time to specification. That’s the key and product only gives you the ability to do it. If you haven’t got product
obviously you’ve got nothing. Whether its good or bad isn’t as material as everybody thinks. It’s only 5 percent of the equation really. It’s not 50 percent like the New Zealand companies think it is. I mean if we get short, we’ll sell Australian stuff. If we get short over there, if we have a ship break down or something, we’ll just go and buy Australian stuff and put it in, and they bitch and whine about it. And I say, “Well the Ship broke down, it was this or you weren’t going to get any, how do you want to do it?” Because doing that we can control it.

The channel coordinator’s philosophy is that one of the most critical factors for success when dealing with supermarkets is consistently delivering the product in specification, in full and on time. Ownership of the logistics function has allowed the channel coordinator to ensure that this always happens, rather than having to rely on an external organisation.

Supermarkets
The supermarkets are critical to the supply chain as they allow the channel coordinator to reach his target market. Although there are an extremely large number of supermarkets in the United States, the channel coordinator’s focus are those with affluent clientele who demand the product attributes provided by the channel coordinator’s product. Although this narrows the field of suitable supermarkets considerably, there is still a large number spread across the United States. In order to maximise the channel coordinator’s profitability per lamb, the he also sells a lot of product to supermarkets with less affluent consumers. This allows the channel coordinator to sell the high-end cuts to the supermarkets with affluent consumers, and the less appealing cuts to supermarkets with less affluent consumers, maximising the value of each lamb processed and sold by the channel coordinator. The channel coordinator motivates supermarkets to sell his product due to the profit margin he offers on it, which is larger than most of his competitors, even though his product costs more for the supermarkets to purchase.

Anyway, the big boss...they had a change of boss and he said at the Board Meeting, because this is what our meat buyer told us, he said, “I want to know why the lamb in [one of their stores] in [a rival supermarket chain they had purchased] is a) making more money for us, b) outselling our [other lamb and c)] it looks a hell of a lot better.” He said to one of the other Vice Presidents, “I want you to come back with a report on this for me”. The guy did the report and came back with a recommendation that they switched over to us...the guy said, “It’s costing us more, but we’re making more money off it, I can work with that”.

Although the large number of suitable supermarkets means that they can be replaced, the resources necessary to convince a supermarket to stock the channel coordinator’s product makes it very difficult to gain new supermarkets as customers. This greatly increases the need for the channel coordinator to retain the existing supermarkets he supplies, increasing the leverage of supermarkets in negotiations. The supermarkets also have a large number of potential suppliers willing to supply them product at very short notice. The channel coordinator emphasised this fact, stating that the success of the supply chain is built on its robust and flexible logistics system, rather than product quality. According to the channel coordinator, if he were to miss a week’s supply in a
supermarket he would lose that customer, regardless of the strength and duration of the relationship.

...business is supplying in full, on time to specification. If you are selling to supermarkets, the week you don’t supply is the week you lost it and New Zealanders are actually really good at that. We are good 95% of the time. You can get away with that in the Hotel/Restaurant trade, but with the Supermarkets you can’t. The week you don’t supply it they’ll have someone else in, even as much as they know me.

To simplify this case study the focus will be on the channel coordinators primary customer. This supermarket is the largest supermarket chain supplied by the channel coordinator and one of his original customers. The two organisations began trading together soon after the channel coordinator company’s formation and both have grown together over the years.

A lot of the small supermarkets first secured as clients have grown, and we’ve grown with them.

Although the channel coordinator has a strong relationship with this supermarket, the business relationship is still fairly standard in its function. In other words, if the channel coordinator does not fulfil the supermarket chain’s expectations they will easily replace him with a competitor. Therefore, there is no profit and risk sharing, and the channel coordinator is not in a position to strongly influence the supermarket chain. The supermarket does, however, discuss its long-term strategy with the channel coordinator, mainly to ensure that the channel coordinator will be able to continue to fill the supermarket’s future needs. The supermarket chain explains its vision for the next three-year period. Basic communication to coordinate the deliver of product from the channel coordinator to the supermarket occurs several times weekly. This communication is mainly between the channel coordinator’s staff based in the United States and lower level staff at the supermarket.

The channel coordinator has made his company more valuable to this supermarket due to the efficiency of his supply chain. The supermarket asked the channel coordinator if he would handle all of the supermarket chain’s meat deliveries. The channel coordinator agreed to take on this extra work for several reasons:
- Additional income and better economies of scale through his cool store
- Made himself more indispensable to that supermarket chain
- Gained control over potential competitors wishing to supply the supermarket chain and also created an early warning system
- Allowed the implementation of collective systems with the other meat suppliers

This emphasises the channel coordinator’s argument that logistical effectiveness and efficiency are critical for success when dealing with supermarkets.

There is a mix of communication with the other supermarket chains supplied by the channel coordinator. At one chain of supermarkets the channel coordinator is not allowed to call the stores or manage the product in store. Instead the channel coordinator fulfils the chain’s orders and the various supermarkets in the chain organise their own promotion of the channel coordinator’s product. Communication
with the various buyers for the supermarkets varies depending on the buyers who, according to the channel coordinator, have different wants and needs. A buyer in one chain wants a minimum of communication, mainly via email, while another is in contact with the channel coordinator’s Warehouse operation twice a week and has a very strong relationship with the channel coordinator’s U.S. based staff. The channel coordinator also carefully monitors the health of the supermarkets he supplies, mainly through U.S. business press.

Analysis
Introduction
This section analyses the underlying factors that contribute to the success of this supply chain. It also assesses what action the channel coordinator took to ensure that these factors were successfully implemented, both consciously and unconsciously.

Communication and Supply Chain Orientation
The channel coordinator does not invest any resources in communicating his strategy and vision to the other participants in the supply chain as the critical functions that create value in the chain are controlled using ownership structures. The channel coordinator owns the distribution and warehousing function, while the meat processor has invested in the channel coordinator company and is a member of its board, motivating him to work closely with the channel coordinator. Therefore, all of the companies that undertake functions critical to the success of the supply chain are well aware of the channel coordinator’s vision and strategy, which is communicated as part of regular business practise. This also means that there is no need to develop a supply chain orientation among the critical organisations involved in the supply chain.

The channel coordinator has a variety of different relationships with the supermarkets he supplies depending on how each supermarket chain wishes to interact with him. In the case of the primary supermarket chain he supplies, there is a large volume of communication, both at the functional and strategic levels. The fact that the channel coordinator company and supermarket chain began their relationship when they were both ‘starting out’ and have grown together appears to play a large part in the strong relationship between the two organisations. High-level management at the supermarket chain keeps the channel coordinator informed of their vision for the next three or so years. The main motivation for this, according to the channel coordinator, is to ensure that the channel coordinator can continue to fulfil the supermarket chain’s needs as it continues to rapidly expand.

Non-critical organisations involved in the supply chain perform standard functions, treating the channel coordinator as one of their many customers. Therefore a supply chain orientation among these organisations is unnecessary.

Competitive Advantage
The channel coordinator states that none of his current competitive advantage is sustainable. One source of competitive advantage is his brand, which has good brand recognition among consumers in his target market. It is important that the channel coordinator continues to strengthen his brand, as brand recognition will be one of the motivating factors for supermarkets to stock his product as opposed to a competitor’s.
That’s what the brand is for. The brand is the surety [that] you are going to deliver to and what [consumers] want.

The channel coordinator argues that a strong brand is becoming increasingly important as supermarkets are continuously attempting to increase the proportion of products sold under their own brand (private label). If the channel coordinator were to supply supermarkets with meat sold under a private label, it would be far easier for the supermarket to pick and chose his supplier, or even to use multiple suppliers, as consumer loyalty would be to the supermarket’s brand, not the underlying suppliers. Competition to supply these supermarkets would then be based on price, eroding the channel coordinators profit margin. Currently, the channel coordinator sells his product for a higher price than his competitors, however he offers supermarkets a larger profit margin, making him a more desirable supplier. He argues that with the current strong brand recognition, supermarkets are willing to continue selling his branded product due to its high level of profitability.

Well everything can be gone tomorrow, it’s a case of what are you doing to protect it and see companies like [one of the supermarket chains] giving us immense brand name recognition. But don’t forget the supermarkets don’t want you to have brand name recognition - they want their brand on it. It’s called the battle of the brands in the States. This has been a push-pull contest for twenty years...Private label versus vendor label. It’s a tug of war. They want the customer loyal to their house brand, not to their vendor. Now we are getting away with it I think. I think we are getting good spin off from the [channel coordinator’s brand], I think that’s part of the reason we are rolling at the moment...[one of the supermarket chains] are very big on private label, but they want to leave [the channel coordinator’s brand] on what they are doing because the [consumer] says this is working, why mess with something that’s working.

Another source of competitive advantage identified by the channel coordinator is the small size of his operation in comparison to New Zealand’s main meat companies. This small size and close contact with every level of the supply chain allows him to respond quickly to situations as they arise. This can be particularly important to minimise loses if something goes wrong.

An additional source of competitive advantage for the supply chain is its structure – the channel coordinator has internalised the warehousing and distribution function, giving great control over the logistics of moving lamb in the United States. The channel coordinator emphasised the importance of the ability to consistently deliver the product to supermarkets in full, to specification and on time. The inability to do so will result in the channel coordinator switching to a competitor to fulfil its needs. The channel coordinator was able to do so due to the availability of capital as there were a large number of investors when he originally created the supply chain.

The channel coordinator has developed such a robust supply system that the primary supermarket chain he supplies negotiated for him to take control of the supply of all meat to their supermarkets, which greatly benefited both parties.
I was in France when that last foot and mouth outbreak broke and at that stage the building we had in the States was probably worth a couple of million U.S. It was a medium sized Cool Store and it occurred to me that if we got foot and mouth in New Zealand we would lose our American business because we wouldn’t be able to put the volume of meat through the plant to pay our mortgage, so we went on a deliberate policy to expand our base. So now this major supermarket chain we sell to is the biggest division of North California, they have got like 30 stores. So they approached us at the same time and said, “You guys are the best guys that come in and do deliveries to us, we want to tighten up our whole delivery into the back of the store and it’s a mixture of security and tying up people receiving products coming in.” And they said, “Would you guys contemplate doing all our distribution, so yours are the only trucks that can come up to our docks for the red meat”. Then they got the chicken and turkey guy tied in together and so anybody that wanted to put meat into that Supermarket Chain, and it doesn’t matter what it is, its got to come to our place and then we deliver it.

The channel coordinator also has an advantage over other buyers when sourcing lambs as he only takes lambs with attributes demanded by his target market. In other words, heavier lambs between approximately 18 and 24 kilos. The main New Zealand meat companies, in contrast, will take a much wider selection of lambs. This ‘cherry picking’ of lambs greatly improves the channel coordinator’s profitability as he is not forced to utilise his limited resources placing the huge variety of cuts that would be produced into the large number of markets. Instead, the channel coordinator becomes a specialist as all his resources are focused on his target niche of consumers. His complete focus on this target market ensures that he will know these consumers much better than most other meat marketers, creating competitive advantage in this market for the channel coordinator.

Structure
The channel coordinator has structured the supply chain in order to ensure its long-term success by maximising his control of the supply chain. This is done by personally communicating and coordinating with every level in the supply chain, with the exception of the live transport function. The channel coordinator’s small size and relationship with every level of the chain ensures that he rapidly receives information from every level of the supply chain. This allows him to quickly minimise the cost of problems that occur and rapidly take advantage of opportunities that may arise. He utilises ownership structures for additional control of those functions that are critical to the success of the supply chain.

The channel coordinator owns the importing, warehousing, distribution, and sales functions in the supply chain. Ownership of the warehousing and distribution function in the United States has allowed the channel coordinator to consistently deliver his product in full, to specification and on time, which he argues is critical for success when dealing with supermarkets.

...the key to business actually is the distribution channel. Everybody thinks it’s their product, but it isn’t. Product only gives you the ability to do sales and the difference between mediocre product and very good product actually is f*** all in the market place. You can make much more money by getting it
there on time, getting a really good reputation for service, because the whole world now works on mobile inventory. Nobody wants to be in Warehouses anymore, they want it on trucks or ships getting there and that’s quite a difficult act especially when you are in a country like America where you have got long haulage lines. It takes us six days or five days to get across to the United States. Our motto is “next day anywhere USA” and we do it. So there’s lots of slick linkages you got to do to get all that to work and that’s what we’ve got good at.

Despite this strategy of vertical integration, the channel coordinator has not internalised the meat processing function, instead relying on an external organisation. The channel coordinator does not have the capital available to perform this function himself. He has ensured that the meat processor will work towards the success of the supply chain as the owner of the meat processor owns a share of the channel coordinator company and has a position on its board. Also, a large percentage of the meat processor’s throughput is the channel coordinator’s product. Therefore it is in the meat processor’s interests that the channel coordinator succeeds. Both parties benefit from this relationship as the closeness of the relationship has created a high level of trust, allowing them to focus on their own areas of expertise.

This is important to the channel coordinator as much of his success depends on the meat processor. A lot of profit can easily be created or lost during the performance of this function. Although there is a high level of trust in the relationship, the channel coordinator has one of his employees monitor the performance of the meat processor’s workers twice weekly to ensure that yields per carcass are maximised. The meat processor also creates value for the channel coordinator by cutting up carcasses to specification to ensure that meat is shipped to the United States in the most efficient form possible to minimise shipping costs.

Strategic and Resource ‘Fit’
The external organisations that need to have a strategic fit with the channel coordinator are the meat processor and target supermarket chains. In the case of the meat processor, its owner has an ownership stake in the channel coordinator company and a seat on its board, motivating him to aid in the supply chain’s success. As the owner of the meat processor is a member of the channel coordinator company’s board he is able to influence the channel coordinator’s future direction, as well as adapt the meat processor to meet the requirements of the channel coordinator. This ensures that the two companies continue to have compatible strategies.

In order to reach his target market with his premium cuts the channel coordinator concentrates on supplying supermarkets used by his target market. In other words, to sell the premium cuts at the most profitable prices a strategic fit is needed between the channel coordinator and supermarkets. A strategic fit is not needed for the channel coordinator’s lower quality cuts as they are sold through supermarket chains that have a market for them. This makes selection of suitable supermarkets critical to the success of the supply chain. Although the supermarkets could easily replace the channel coordinator with a competitor supplying similar product, the supermarkets also benefit ‘strategically’ from the relationship as the channel coordinator develops his brand and the product attributes associated with it. These supermarkets need to
sell product with these attributes as both the supermarkets and the channel coordinator are targeting the same group of consumers.

Now in this Chain…we’ve got lamb lifted to 9 percent of the meat turnover, which is quite high. That’s probably not a shit load lower than in a New Zealand Supermarket, because the Americans have so much chicken and pork. They are still their big drivers, because it’s cheap and that’s their big buy and then they will be doing a chunk of beef. We’re probably down to about half the beef sale in that store, but that is a particularly good lamb area because it’s up on the hill. I don’t know if you have ever been to San Francisco but it’s where all the Secretaries live and lamb is a women’s meat, so now we come into the next thing, about who is your customer? Is your customer a Supermarket or is your customer Mary Smith who picks it up. So you are coming back to know your customer. There’s more than one customer you have got to deal with.

All organisations involved in the supply chain need to have a resource fit. This includes organisations less critical to the supply chain that provide a standard function. The resource fit is important to ensure that they can provide the function required by the supply chain, however, strategic fit is not relevant for less critical organisations due to the standard nature of their function, making compatibility of strategies irrelevant outside of the function that they provide.

**Conclusion**

The channel coordinator is managing a successful business that has continued to expand since its creation 15 years ago. The supply chain is structured in a way that varies his control over each function depending on its importance to the success of the channel coordinator company. He has a particular focus on developing the brand of his product and ensuring that he has a robust and flexible warehousing and distribution system in the United States.
Case Study 4

Introduction
This case study is based on the fourth interview for this research. It was chosen as it provides both literal and theoretical replication of the earlier case studies. Like the third case study, the channel coordinator company is not involved directly with the product and instead focuses entirely on coordinating the supply chain. It is also similar to the third case in that it has several shareholders, most of which are farmer/suppliers, giving the channel coordinator access to more resources than in cases 1 and 2. The channel coordinator also markets his product as premium cuts of meat in the United States. Despite the similarities to case 3, there are several differences. The main difference is that the channel coordinator has not invested as many resources internalising functions as in case 3, although he does use more resources to control functions than are available to the channel coordinators of cases 1 and 2. Also, he markets cuts of both natural and organic beef, which none of the other case studies do.

This case study is primarily based on a two hour face-to-face interview. This is supported with a follow up interview by telephone to clarify some issues from the main interview. Written material created by both the channel coordinator and third parties was also utilised. A more detailed version of the case study is available in Appendix B.

Case Description
The channel coordinator company began exports more than 10 years ago. It primarily sells USDA certified ‘natural’ and ‘organic’ beef to affluent, health conscious consumers in the United States. The product is mainly marketed through supermarkets targeting these same consumers. The channel coordinator controls the supply chain from the farmer through to the supermarket as he maintains that this is necessary to create a premium branded product rather than selling it as a commodity on a cost basis.

The channel coordinator markets a mix of USDA certified ‘natural’ and ‘organic’ grass fed New Zealand beef. The channel coordinator sources steers for his beef as this has the preferable balance of leanness to be a ‘healthy’ product and fat for taste. The channel coordinator targets a market niche of health conscious consumers. These consumers are reached by marketing through supermarkets that they shop at. The channel coordinator’s main supermarket chain customer has a focus on selling safe, healthy foods. These supermarkets are generally located in the more affluent areas of larger cities. The channel coordinator states that with his natural and organic product he is targeting niches within this group of consumers that demand the product attributes he provides. The channel coordinator has identified three main types of consumers purchasing his products – high-income individuals interested in their health, ‘hippies’ with high disposable incomes and mothers focused on the health of their children.
The above diagram is an outline of the supply chain. The channel coordinator company (written and boxed in bold) does not interact with the product, instead focusing on coordinating the supply chain. He has a strong relationship with most of his farmer suppliers (written in bold), particularly those that supply him organic beef as it takes them three years to become certified organic. Many of his Farmer suppliers are also shareholders in the channel coordinator company. The Farmers organise the Live Transport to the Meat Processor. The channel coordinator has a strong relationship with the Meat Processor, as he leases space in the Meat Processor’s plant and employs his own butchers to kill and process the cattle. The channel coordinator organises shipping of the product to the United States, where the Importing Company (written in bold) owned by the channel coordinator clears the product. The channel coordinator company retains ownership of the product, until the point at which the Distributor collects the product and takes ownership of it. The Distributor only takes ownership of the product to simplify billing – in reality the channel coordinator retains control of the product right through to the Supermarkets.

**Vision**
The channel coordinator states that the channel coordinator company was created by farmers to benefit farmers. The channel coordinator is currently fulfilling his original vision of maximising returns to farmer shareholders by selling a branded premium, rather than commodity (i.e. lowest cost basis), product to affluent consumers. This
Now just a big criticism of farmers, and I’m one, the major fault the New Zealand industry has is the mindset of farmers and grassland farming. Farmers will not take kindly and do not under any circumstances supply beef out of season if they can avoid it, because the grass doesn’t grow or they like to supply it at the end of the growing season because obviously it is logical. But that provides a huge constraint to the processing sector who find the easiest way out of that option is to flog it off as a commodity as quick as they can through the peak kill period of the season when they can screw the price to farmers and make their profits. There is no co-ordination from demand through to the farm and so we are stuck with this industry, primarily driven by farmers. It’s an impediment when it comes to getting premiums from the market place.

The channel coordinator has not developed his vision for the future. He states that most of his effort goes into ‘putting out fires’ and sourcing enough cattle to supply the rapidly increasing demand for his products. This leaves very little time for strategic planning. With the rapid expansion of the channel coordinator’s primary supermarket chain, developing a future vision for the supply chain is unnecessary as expanding production to fulfil this supermarket chain’s demand in the future will be very profitable. The channel coordinator has in the past attempted to create more value per carcass, but has found that when the company added value to lower value cuts the cost of doing so always exceeded profitability. This is mainly due to New Zealand’s high wage rates. As such, the channel coordinator’s main focus is on continuing to serve his current customers in the future.

Motivation
The channel coordinator is motivated to act in this role as he decided that in order to market a premium product successfully it was necessary to create and retain control of the product and its brand by controlling critical functions in the supply chain. The founders of the channel coordinator company originally created it as a research company only. They felt that, as farmers, they were producing high quality meat products that were being traded as commodities, greatly reducing their value in the market place. They were certain that opportunities existed to sell New Zealand sourced meat as a premium product internationally by moving away from commodity trading.

...we were sick to death of getting commodity prices for otherwise high quality products...giving them to proprietary meat companies and watch them trade them as commodities around the world on a value spec basis or spot basis and pay us in residue. We reckoned there had to be a better way.

The founders researched how New Zealand beef rated in international markets. They were surprised to discover that the product was a very low quality commodity when it reached the market – inappropriate pH levels, badly butchered, badly presented, no country of origin and no brand. This motivated the founders to turn their research company into a marketer of New Zealand grass fed beef aimed at improving returns to
farmers by managing the whole supply chain in order to successfully market a premium product.

The channel coordinator is additionally motivated to act as channel coordinator as he created the supply chain, giving him ‘ownership’ of it. He is further motivated to undertake this role as he, along with the other shareholders, has capital tied up in the company, whose success relies on the success of the supply chain. There are no other parties that could act as the channel coordinator in the supply chain as critical levels are managed by the channel coordinator and third party companies involved in the supply chain are only performing non-critical functions and have no interest in the supply chain as they perform only standardised services for it.

**Strategy**

The channel coordinator’s strategy is related to his vision. By controlling as much of the supply chain as possible he ensures that consumers receive a branded product that they can rely on to be consistently high quality, healthy and safe. This strategy involves focusing on the niche of affluent consumers that demand these product attributes by selling through the supermarkets they shop at.

The founders of the channel coordinator company felt from the beginning that to fulfil their vision it was important to control as much of the supply chain as possible, own the product the length of the supply chain and only use third parties on a contract basis. This strategy ensures that they are not required to share profits with third parties and reduces risk to the channel coordinator in critical areas such as quality management. He states that the aim is to ensure that consumers consistently receive a product with the attributes demanded and his strategy and structure are adapted as necessary to ensure this. As a result, only shareholder funds were invested in creating and developing the supply chain and the brand. Costs were saved whenever possible by partnering with third parties with surplus capacity for a given function, while ensuring that the channel coordinator was able to maintain control of that function. Farmer suppliers are required to supply product year round to ensure a consistent supply of product to the market, as demanded by supermarkets and consumers for a branded product.

> At the end of the day we learned never to trust anybody that said, “Leave it to me, I’ll look after you,” because nobody knew what they are doing and nobody looked after us and it was always mucked up. So we finished up getting our own little process plant, we had our own little team of butchers, highly trained, highly skilled professional people, not just meat cutters that can actually butcher meat. We run a team of 12 butchers working on a five day a week basis doing a quality job.

The channel coordinator does not utilise resources communicating his strategy to any third party organisations involved in the supply chain as he controls all critical functions in the supply chain that need to be aware of his strategy. Communication of the channel coordinator’s strategy, therefore, comes about as part of the natural business process. The remaining organisations provide only standardised services and, as such, do not need to be aware of the channel coordinator’s strategy in order to adequately serve his needs.
Product and Target Market
The channel coordinator markets a mix of USDA certified ‘natural’ and ‘organic’
grass fed New Zealand beef. He began sourcing bulls, as the meat is leaner than
steers and U.S. consumers had stated during initial research that they wanted lean
meat and visually preferred the leaner meat of bulls to that of steers. The channel
coordinator soon found that although consumers had stated that they preferred leaner
meat the taste wasn’t as palatable as that from steers, which have a higher fat
percentage. The channel coordinator now sources steers instead of bulls.

Steers must have a carcass weight between 250 and 320 kilograms and be less than
two years old. The meat cannot have a pH level greater than 5.8 and the channel
coordinator also applies minimum standards for colour and conformation. He also
decided that year round supply was critical to move the product away from being a
commodity and instead market a premium product.

Five years ago we went in with a certified natural product, which is no
steroids, hormones, antibiotics or growth enhancers...because of the obvious
effects that they have on meat quality and meat colour and tenderness. We got
that protocol certified by the USDA so that when we put Natural New Zealand
Beef on our packet that actually meant something and had a protocol to back
it up. It was a claim we made and it had to be substantiated.

The product is not marketed as a lean product. Instead, it is marketed as New Zealand
grass fed beef. Emphasis is placed on the healthy attributes of grass fed beef that
have received positive coverage in the media in recent years – high in omega 3 and
omega 6 and has a low proportion of saturated fat. Product is either USDA certified
‘natural’ or ‘organic’. Natural product is USDA certified as being minimally
processed. The channel coordinator’s product additionally has no steroids, hormones
or antibiotics, doubled drench withholding durations and other attributes demanded by
consumers wanting a safe and healthy product. U.S. producers rapidly switched to
producing certified natural product soon after the channel coordinator began exporting
to the United States, turning natural beef into a commodity product. This eliminated
the premium that the channel coordinator had been earning. Three years ago the
channel coordinator started to source New Zealand grass fed organic beef alongside
natural beef.

We were first on the block, new on the ground [with USDA certified natural
beef]. It took five years for every bit of meat in America that was in our
particular type of market place to suddenly go from being a commodity meat
to a naturally certified meat. The Americans caught us up in five years. It
didn’t take them long to work out how you do no steroids, no antibiotics and
so on and so forth and the next thing you know they are doing it and they are
doing it on the feedlot...the premium that was in natural when we started is no
longer, it’s absolutely gone. So its back to just a couple of cents above
commodity. We saw that coming three years ago and we started to move into
organic.

The channel coordinator is currently paying farmers a 25 percent premium for organic
beef. USDA certified organic beef has the same restrictions as natural, but
additionally farmers are unable to use drenches or weed sprays, among other things,
and it takes three years to become certified following the implementation of organic practices. The channel coordinator states that although it is extremely difficult for U.S. producers to switch to organic production in their feedlot systems, grass fed producers find it relatively easy. This is reflected in the large number of Australian and South American producers changing to organic production.

The channel coordinator targets a market niche of health conscious consumers. These consumers are reached by marketing through supermarkets that they shop at. The channel coordinator’s main supermarket chain customer has a focus on selling safe, healthy foods. These supermarkets are generally located in the more affluent areas of larger cities. The channel coordinator states that with his natural and organic product he is targeting niches within this group of consumers that demand the product attributes he provides. The channel coordinator has identified three main types of consumers purchasing his products – high-income individuals interested in their health, ‘hippies’ with high disposable incomes and mothers focused on the health of their children.

[The target supermarket chains] are in the natural and organic niche and they tend to migrate to the high social economic areas. We are in Brentwood, Beverly Hills, Hollywood, West Hollywood, San Diego - all those highflying areas. We aren’t in downtown LA for example. We are in Santa Monica. There’s two types of niches within that. There is a very high social economic in the new development up market areas and there’s the hippy and jandals, long hair, who actually have quite a bit of money in the likes of Santa Monica and places like that - the alternative, dope smoking, organic thinking people. So there are two different sectors. There is also quite a large affluent [market in] mums with young kids that want to provide something good for the kids. They shop there a lot too. So it’s a fairly good across the board type of market in the right areas and you’re wasting your time going anywhere else, just wasting your time.

The channel coordinator is continually receiving feedback on his product from consumers, allowing him to adjust his product offering accordingly. This mainly comes through the staff he has maintaining his product in the supermarkets talking to consumers on a regular basis. The channel coordinator himself will often talk to consumers when he is in the United States meeting with supermarket management. He also runs small surveys and uses other methods if he feels the need for additional information.

The brochures available with the product emphasise the product attributes demanded by the target market. These consumers want to be assured that they are purchasing a safe and healthy product. Stating that it is from New Zealand supports the claims made by the channel coordinator, as well as having positive connotations among consumers. The channel coordinator has placed contact information in the product brochures as he maintains that having this interface with consumers is very important to support these claims. This allows consumers to communicate with the channel coordinator company either through its American office or by emailing the channel coordinator directly. This reassures consumers that the product is what it claims to be, which is impossible with a commodity product sold to an importer rather than dealing directly with supermarket chains.
They’ve set down the rules and then they have supplier countries that are accepted to be able to produce organically. New Zealand was one of the countries that has applied and was accepted, only by the skin of its teeth. It was one of the last countries to be accepted and nearly missed the boat. Typical New Zealand - we’re a bit sleepy. The protocol and the verification of the protocol was handed down to New Zealand Food Safety who has appointed Bio-grow and Cert NZ, that’s Ag Research, to be the two certifying bodies or agencies on behalf of New Zealand Food Safety, who acts on behalf of New Zealand for the USDA.

The channel coordinator has a robust traceability system implemented in the supply chain. Cuts of meat can be traced back to individual animals, although this is time consuming. The channel coordinator would ultimately like to have this traceability in electronic form so that the barcode could be scanned at the point of sale and the life history of the animal, farmer details and where it came from be instantly displayed. This would further reassure consumers of the safety of the product. It would further benefit the channel coordinator by disciplining farmers to focus on the health of each individual animal and allowing him to instantly trace back and diagnose the source of a problem if an inferior cut of meat is detected at any stage in the supply chain. The cost of such a system has delayed the channel coordinator investing in one.

We are developing a consumer interface where the consumer can feel happy and good and comfortable, and ahead of everybody else in terms of their health and their family compared to everybody else in America. Plus they can get ready access to the information from us directly at source, through the web page or whatever. We are developing that interface so they have got these pamphlets at the point of sale, there are people on the shop floor they can talk to, they can ring the office in America at a moments notice, they can email me in New Zealand at a moments notice, they will always get a reply. That is a comforting thing to know that 1) it is coming from New Zealand and 2) they are at the source of the information and they can get it. They don’t ring the company who happens to be John King the American Beef Company who happens to be importing New Zealand beef and doesn’t care less about it, doesn’t even know anything about it. They can actually get the information they require. All they have to do is pick up the pamphlet, go to their computer and dial a number.

Product that does not meet the specifications required of the U.S. market is either sold domestically or exported to other markets. Only approximately one third of the channel coordinator’s product is premium product that is exported to the U.S. market.

Competitors
The channel coordinator’s main competitors are Australian and South American organic beef. The channel coordinator states that Australian producers are having difficulty creating consistent supply and quality due to climatic conditions. South America has a large supply of organic beef, Uruguay especially, and it is produced for much lower cost than New Zealand beef. However, these countries have a much lower beef quota than New Zealand for the U.S. market and additional product over
this quota has a substantial tariff added to it, reducing the ability to undercut New Zealand sourced product on price.

They are working on it around the world. In America they are working on it, Australia they are working on it. Uruguay, you better believe it they are moving into organics as fast as they can. While it is pretty much impossible for the Americans to do it it’s not that difficult for grassland producers elsewhere to do it.

Less direct competitors include ‘natural’ grain fed beef, mainly from Australia and the United States. According to the channel coordinator it is very difficult to produce an organic product in a grain fed system, making the availability of certified ‘organic’ U.S. grown beef very rare. Additional competitors include other meat types that the target market may purchase, for example, organic or natural pork.

**Industry and Government Regulations**

One of the most challenging government regulations faced by the channel coordinator is gaining USDA certification for his ‘natural’ and ‘organic’ beef. Organic is particularly onerous, with farmers facing a three year period between 100 percent implementation of organic practices and achieving certification. The channel coordinator and his suppliers are regularly audited to ensure ongoing compliance.

The other main government regulation faced by the channel coordinator is passing USDA inspection when importing meat into the United States. The channel coordinator is required to have a secure facility for USDA inspectors to inspect a sample from each shipment. If anything is wrong with the shipment, including paperwork, it will be rejected by the USDA and sent back to New Zealand.

**Supply Chain Structure**

The channel coordinator has structured the supply chain to maximise his control of it while costs are minimised. He argues that there is no point expending resources to duplicate existing capacity if you can maintain a desirable level of control over the function. This is reflected by the fact that he leases space in a meat processor but uses his own butchers, he owns the importing company and negotiates directly with supermarkets, while utilising the services of distributors to move product between the ports and the supermarkets. The channel coordinator emphasised the importance of controlling the supply chain in order to retain control over the product that reaches the market and the associated margin, as well as his lack of confidence in relying on third parties.

Actors in this supply chain can be classified into two main categories:

Critical participants: The supermarkets are critical as the channel coordinator is focused on selling to a specific niche of consumers that mainly shop at ‘natural food’ type stores. The distributor for the supermarket chain primarily supplied by the channel coordinator is critical as he is the main distributor that the supermarket chain deals with, making him difficult to replace. The meat processor is also critical to the supply chain, although the channel coordinator currently controls this function. The channel coordinator’s farmer suppliers are critical to the supply chain as there are only a limited number of certified organic beef farmer suppliers available.
Important participants: The remaining participants provide standardised services to the channel coordinator and can easily be replaced.

Farmers
Farmer suppliers are required to supply the channel coordinator cattle 12 months of the year. Some exceptions do occur as suppliers are located all over New Zealand, which results in some supplying more animals at certain times of the year than others, offsetting lower production at that time from farmers in another part of the country.

*We are not going to let one supplier supply just when he wants to at the expense of some other guy whose gone to all the trouble of supplying in the middle of the winter for example. But at the same time if the guy lives at the bottom of the South Island and a guy lives in Northland we can put the two of those guys together to supply [from] the North during the Winter and the South during the Summer when the north is dry and the South has got plenty of grass. So there is a complimentary factor North and South and that’s helped us quite a bit going to the South Island and setting up down there.*

Some farmers are shareholders in the channel coordinator company. They are the original investors as the shares are currently not tradable, although the shareholders are currently discussing changing the shares to be tradable in the future. Shareholders receive any profits accumulated by the company at the end of the financial year as dividends.

The channel coordinator does not use a stock agent. Instead an employee organises sourcing stock from farmers. He is aware of the stock that each farmer has and sources from them as needed 12 months of the year. He checks all stock before it is shipped to the meat processor, allowing him the opportunity to remove unsuitable stock and at the same time inspect farms to ensure that they are performing as required. Farmers are paid in full on the day that stock is transported to the meat processor.

Due to the loss of profit margins on natural beef over standard beef and strong market demand for organic beef, the channel coordinator is attempting to motivate farmers to switch to organic production. He has a team of consultants that travel New Zealand attempting to persuade farmers to change to organic production. He argues that it is not difficult for New Zealand cattle farmers to switch to an organic system, although certification does take three years and production initially decreases before returning to approximately the same level. He argues that although it can be difficult convincing farmers to change their production methods the premium on offer is a strong incentive. Currently the channel coordinator pays a couple of cents per kilogram above the schedule for natural beef and 25 percent above the schedule for organic beef.

The organic farmer suppliers are critical to the channel coordinator, as there is very limited supply of registered ‘organic’ beef. As such, the channel coordinator would have difficulty replacing these farmers. The channel coordinator’s need for all the supply of organic beef he can acquire reduces his strength in negotiations. This is
offset to some extent, as according to the channel coordinator, it is unlikely that these farmers will receive the same price premiums supplying a competing meat processor.

Transport Organisations
Live transport of cattle between farmers and the meat processor is organised by farmers. As such, a vast range of different companies providing a standardised service is used. Therefore, they have no relationship with the channel coordinator.

The channel coordinator uses only one international shipping company. This is due to the requirement under U.S. law to have a one-year contract with a shipper before product can be shipped to the U.S. and to designate the number of containers that will be sent in a year. The international shipper provides a standardised service and could easily be replaced with a competitor at the end of the contract period if necessary.

Transport between the port and distributor for the main supermarket chain is undertaken by the company that owns the warehouse where the product is ‘staged’ for USDA inspection. This is a standardised service with competitors able to provide a similar service. In the case of the other supermarkets supplied by the channel coordinator, the salesman he employs to deal with these supermarkets organises shipment of the product.

Meat Processor
The channel coordinator controls the meat processing function. He leases a section of a meat processing plant and uses his own butchers to process the beef. Controlling this function is beneficial to the channel coordinator as it reduces his reliance on third parties and he believes that the quality produced by his own workers is higher than that from work done on a contractual basis. Although he originally decided that it was important to control this function in the chain, he didn’t want to invest in processing facilities due to the cost and what he feels is over-capacity in New Zealand. Instead he found a meat processor with excess capacity willing to lease out part of the plant. The meat processor benefits from this arrangement as he was not using this section of the plant and the income from the lease lowers his fixed costs.

...they had excess cold boning facility there and cold boning storage, which was sitting redundant and had never been used. We knew that, we found that out. We entered and said you need to reduce the fixed costs of this plant and the best way to do it is to let us in here. We will set this part of your room up and we will set that chiller alight and we will sit along side you on a day-to-day basis and we will bone our little hearts out cold boning and you can do your hot bone there. And they said that’s a wonderful idea, here’s the price. So basically for the price of the office we get a processing and boning facility.

If it became necessary, the channel coordinator would have little difficulty finding alternate meat processing facilities. Contract killing through another processor would probably be used instead of another leasing arrangement as he argues that this simplifies the process. Although controlling this function is beneficial to the channel coordinator, the difficulties involved in doing so make moving to a contractual basis appealing. However, this is unlikely due to the benefits of the current structure and what he sees as the ‘social good’ of employing local workers to perform this function.
Recently the channel coordinator began utilising the services of a second meat processor for production in another part of New Zealand. This plant processes much less product for the channel coordinator than the main plant he uses. The plant processes product for the channel coordinator on a contract basis and the channel coordinator sends someone to monitor performance on a regular basis. For simplicity this research will focus on the channel coordinator’s primary meat processing plant.

Product is cut up for efficient shipping to the United States. All the excess is trimmed and when it arrives at the supermarket only one cut has to be made by the supermarket before it is placed on display trays. Vacuum packing is used, but it is not gas flushed. The channel coordinator would prefer to use gas flushing technology, but states that his customers don’t like the smell when the package is opened. The vacuum packaging is important to extend the product’s shelf life as the channel coordinator states that if the product is delayed during shipping it can be up to seven weeks old by the time it reaches the supermarket instead of only four.

Importer
The channel coordinator company owns the importer company. It is an importer of record and a U.S. registered company as required under U.S. law to import product. The importer company does not take ownership of the product - the channel coordinator company retains this. The importer company does not have any full time employees, instead employing an importer on a commission basis. The importer has the channel coordinator company’s name on the door, giving the channel coordinator a physical office in the United States, without the costs associated with having to maintain an office and staff. This is necessary for the channel coordinator to meet his U.S. legal obligations as importer, such as having someone with the power of attorney and a physical location in the United States for the IRS. The importer acts on this basis for several companies, so this is not a specialised service just for the channel coordinator.

This importer clears product through customs for the channel coordinator and possesses an in depth knowledge of this process. This is an important function due to difficulty in running the process smoothly. Therefore the channel coordinator does not use a distributor to perform this function, as its importance demands a specialist, although there are other importers available who could perform this function. Although not possible when the relationship first began, the channel coordinator now feels that he has built up enough knowledge to perform the importer’s functions himself if the relationship were to fail. The current structure is preferable though as the channel coordinator has a very high regard for the performance of the importer and would prefer not to increase the complexity of this process by performing it himself.

_He [performs] a very important function – he clears the product. Its just-in-time delivery. So in other words, when our ship hits the port, within the same day its staged for USDA inspection and the next day its shipped to the [distributor]. He knows shipping inside out and back to front. He’s a day man so he makes sure when the ship arrives [the product is] first off, its delivered, its first on the staging floor at 7 am in the morning, its first out to the clearing house door to the distributor, all within a few hours._
Although this process is complex due to U.S. law, the channel coordinator does not wish to simplify it by selling the product to an importer or distributor as he argues that doing so would remove his interaction with the supermarket chain, greatly reducing his margins and product quality assurances.

Distributor
The main supermarket chain supplied by the channel coordinator prefers that he use the distributor they specify. This distributor delivers all meat products to the supermarkets in this chain in the areas supplied by the channel coordinator. Although the channel coordinator deals directly with this supermarket chain and individual supermarkets for all negotiations, specials, discounts and so on, the distributor takes ownership of the product once the channel coordinator has delivered it to his warehouse. This is done in order to simplify the process and does not symbolise loss of control by the channel coordinator at this point in the supply chain.

He actually does take ownership of [the product], but only for convenience of sending invoices and collecting invoices. He is always sending invoices to the store. We don’t individually invoice the store of that particular account, but it’s as good as, because he just simply totals it all up and we receive one invoice. So it’s a cross stop operation basically. He is not my customer - he’s my delivery person. My customer is the supermarket. All negotiations, all specials, all discounts, all deals, all credits come directly to me.

The wholesaler breaks up lots sent by the channel coordinator to fulfil orders and sends invoices to each individual supermarket. Each week the channel coordinator consolidates these invoices and pays a lump sum to the channel coordinator after removing his fee. The channel coordinator states that he could take over the invoicing function if he wished, but the current structure simplifies this function. The channel coordinator could replace this distributor completely if he wishes, but he argues that he does a good job and it would create a lot of complexity and additional problems in this function if he were to do so.

The channel coordinator uses another distributor to deliver product to the other supermarket chains he supplies. This distributor is a full time employee of the channel coordinator and acts as a salesman and manages product in store. He places orders for product with the channel coordinator and organises deliver from the port to the supermarkets.

The channel coordinator emphasised that in all cases distributors are used only for their delivery function. The channel coordinator wants to minimise the loss of control in the supply chain, as he fears that having other actors more heavily involved at the retail end of the chain will:
1. Destroy the identity of the product
2. Destroy the ambition to adequately care for the product
3. Take too larger share of the margin on the product

Although this risk is removed by the channel coordinator controlling as much of the chain as possible, he states that it is very expensive to have the supply chain structured this way. He motivates the distributors to perform by ensuring it is in their best interests. This is done through the margin the distributors receive and by the
channel coordinator keeping the functions simple, as well as diagnosing and fixing problems as they occur.

Supermarkets
The supermarkets are critical to the supply chain as they allow the channel coordinator to reach his target market. Although there are an extremely large number of supermarkets in the United States, the channel coordinator’s focus are those with affluent clientele who demand the product attributes provided by the channel coordinator’s product. Although this narrows the field of suitable supermarkets considerably, there is still a large number spread across the United States.

Although the large number of suitable supermarkets means that they can be replaced, the resources necessary to convince a supermarket to stock the channel coordinator’s product makes it very difficult to gain new supermarkets as customers. This greatly increases the need for the channel coordinator to retain the existing supermarkets he supplies, increasing the leverage of supermarkets in negotiations. The supermarkets also have a large number of potential suppliers willing to supply them product to specification at very short notice, giving supermarkets additional negotiation leverage in their favour.

The channel coordinator prefers to only work with supermarkets that take a share of the gross profit, rather than those who charge for shelf space. The supermarkets specify what percentage of the profits they want from a given product (gross margin) and the channel coordinator sets his price accordingly. It is up to the channel coordinator to ensure that his product sells by having the correct mix of price, in store promotion, advertising and so on. As such, the channel coordinator has employees managing his product in store on a commission basis (based on the number of demonstrations they run). The supermarkets supplied by the channel coordinator are full-service, targeting affluent consumers.

There are two different types of supermarkets. There’s those that sell real estate space and there’s those that…require a [Gross Profit]. The GP varies tremendously depending on the type of service they require, but our type of customer, being higher socio economic, likes to be serviced very thoroughly, so they are prepared to pay more to get the service.

The primary supermarket supplied by the channel coordinator is growing very rapidly. The channel coordinator’s focus is on keeping up with the resulting increasing demand, especially for his organic product. This supermarket chain currently takes one third of his natural beef and 60 percent of his organic production. As a result the channel coordinator is continually debating how much of his future production should be placed with this supermarket chain versus other supermarkets to spread his risk.

Communication with the supermarket chain’s management varies. If there is a problem there may be communication by phone everyday or even more often. The channel coordinator stated that the two parties had recently agreed to run a special programme every week on some cuts and is therefore currently talking to management at least this often. The channel coordinator also travels to the United States every six weeks to personally meet with the supermarket chains – both chain management and some of the meat managers of individual stores.
I talked the guy yesterday, talked to him today - as often as I can. I’ve been meaning to talk to him because we’ve got a problem with shipping at the moment and I have to talk to him. We’ve done a program on the phone now and I’ve just given instructions to the office to do a few things. I mean that goes on, I [would] say it goes on on a daily basis. I visit all the stores. I talk with the managers. I take the managers out for a drink and entertain and make them feel good. The personal relationship - there’s nothing like it. In addition to this particular chain I’m talking about we have all these other supermarket chains we are working with.

The channel coordinator states that the relationships he has with the supermarkets he supplies are very strong and argues that competitors would have great difficulty taking these customers from him. The channel coordinator publicly listing the supermarket chains he supplies and regularly talks with other New Zealand meat exporters reflects this. The channel coordinator feels secure in these relationships due to how strongly he has built them up with individuals in the companies, the robust protocols in place to support USDA registration for ‘natural’ and ‘organic’ beef and the very low cost structures that he has in place.

The channel coordinator and the primary supermarket he supplies appear to have a balanced relationship. The channel coordinator gave an example of product that had been delayed by three weeks due to worker strikes at the wharf in the United States. After shortages trade resumed and then the supermarket chain received the backlogged product alongside the regular shipments, creating a large surplus. The channel coordinator and the supermarket chain negotiated to discount the product. The channel coordinator reduced the value of the invoice so both parties shared the reduced returns that resulted (due to working on a gross margin basis) from having to rapidly sell the excess supply.

**Analysis**

**Introduction**

This section analyses the underlying factors that contribute to the success of this supply chain. It also assesses what action the channel coordinator took to ensure that these factors were successfully implemented, both consciously and unconsciously.

**Communication and Supply Chain Orientation**

The channel coordinator does not invest resources in communicating his strategy and vision to the other participants in the supply chain as he controls the critical functions that create value in the chain. Therefore, all of the actors that undertake functions critical to the success of the supply chain are well aware of the channel coordinator’s vision and strategy, which is communicated as part of regular business practise. This also means that there is no need to develop a supply chain orientation among the critical organisations involved in the supply chain.

The channel coordinator has a high level of communication with the primary supermarket chain he supplies. This varies depending on the needs of the relationship, such as if there is a problem or a weekly special to run. He personally visits management in the United States every six weeks. This appears to be to ensure
that the channel coordinator continues to supply this supermarket chain with the product it wants and to get feedback on improvements that could be made to the product. This is important as the supply chain’s long-term success may rely on the channel coordinator’s capacity to continue supplying this supermarket chain. It is not possible for the channel coordinator to create a supply chain orientation with any supermarket chains as they have many potential alternate suppliers available and are therefore only interested in how the channel coordinator creates value for them rather than vice versa.

Other organisations involved in the supply chain perform standard functions, treating the channel coordinator as one of their many customers. Therefore a supply chain orientation among these organisations is unnecessary.

**Competitive Advantage**

The structure of supply chain is a source of competitive advantage for the channel coordinator. By controlling as much of the chain as possible the channel coordinator reduces his reliance on third parties, is able to create and maintain a robust brand built on a consistent product and receives all of the profit created by the supply chain. This competitive advantage is strengthened by the fact that he has not had to raise capital to fund the infrastructure to perform these critical functions, but instead works with existing organisations that have excess capacity. The channel coordinator states other organisations would find it very difficult to imitate his low cost of reaching the market with product, creating a sustainable competitive advantage.

*The point is that New Zealanders are...trying to duplicate what we are doing, but not doing their homework. They are trying to treat it as a commodity and continue to do it with the least amount of work they can by selling it to an importer. It doesn’t work and we knew it never worked. The drive of this is that we are all farmers who are sick of getting paid commodity prices for a product we believe is better than commodity prices. So the first thing we do is make the product better and develop the story and niche around it and put a brand name to it. We then thought well, if we own that and we’ve done this, now we’ve got to get a premium for it and the only way we are going to get a premium for it if we went into the market place and supported it as a premium brand and set up all the development costs and establishment costs and so on and so forth. That is the only way we are going to get a premium for it and that’s what we have done. So our brand is owned by us and collects a premium for us and we don’t share it with anybody.*

Although risk is increased by having to form a relationship (rather than completely owning the function), the channel coordinator is balancing between minimising reliance on third parties, while at the same time minimising the cost of controlling this function. This low cost structure also gives competitive advantage when sourcing stock as the channel coordinator states that it is very unlikely that competitors will be able to match the 25 percent premium he pays farmers for organically raised cattle. It also increases his competitive advantage against low cost South American producers in the U.S. market.

The channel coordinator states that his strategy is adapted as needed, creating competitive advantage over less flexible competitors. His aim is to ensure that the
product consistently reaches consumers with the demanded product attributes intact. The channel coordinator’s regular communication with customers and the supermarkets he supplies gives him much of the information he needs to identify and respond to changes in the market place. This is important as the market can rapidly change, as emphasised by the loss of premiums for natural beef. The channel coordinator and others are now watching the large supply of organic beef available from South America that is awaiting relaxation of U.S. trade barriers resulting from the policies of both government and commercial entities. This awareness is vital for the channel coordinator to develop new sources of competitive advantage as competitors match older ones.

_We’re not able to be duplicated very easily at this stage and we are moving as fast as the market is going and probably faster than most._

Another source of competitive advantage outlined by the channel coordinator is the ability of New Zealand producers to rapidly grow organic cattle to target kill weight. Although grass fed organic production in other Southern Hemisphere countries is rapidly expanding, they are not able to reach target weight as rapidly, increasing their comparative costs. This is offset by the low cost of production in South American countries.

**Structure**

The channel coordinator has a very strong focus on maintaining as much control of the supply chain as possible while minimising costs. The channel coordinator states that controlling the complete length of the supply chain from the farmer to the supermarket is necessary if he is to sell a premium branded product rather than a commodity. In other words, retaining control of the product from the farmer to the final consumer has been critical to the supply chain’s success. The channel coordinator states that everything he does is aimed at ensuring consistent quality of the product to consumers and he will structure the chain as necessary to best achieve this means.

If the channel coordinator relied on external organisations to perform critical functions in the chain or take ownership of the product, he would be unable to create a brand based on a product that consistently has the product attributes demanded by the target market. This control is implemented by partnering with organisations with surplus capacity so that both organisations are in a win-win, such as his relationships with the meat processor, the distributor and the importer. The channel coordinator even controls functions such as that of the stock agent to ensure that farmers are performing as required and that he has a secure supply of stock.

_I could not see the point of going and spending a lot of hard earned capital buying a distribution facility or renting a distributing facility when there was already one there. All I had to do was to get along side somebody who had excess capacity and I found one easily enough and it was a win-win. We got a processing plant, win-win. We got our own export team. We got our own import team and we got a distributor who’s just a jogger and he’s operating on a win-win. Why would you want to duplicate that? You’ve got to maintain control, but our systems are such that we can link it up and keep control._
The channel coordinator argues that New Zealand meat exporters that sell product to importers rather than direct to supermarkets aim to increase their profitability by reducing costs. Instead they turn their products into commodities and greatly reduce their potential margin, as they aren’t able to brand the product and retain control of its quality and sales program in supermarkets. The channel coordinator states that he and the other company founders were aware of this from the beginning. They refused to share their profits with third parties, so invested in creating and developing their systems and their brand with their own money instead of relying on outside assistance. This has allowed the channel coordinator to retain control of the supply chain and its associated profits. By reducing the risk of relying on third parties the investors in the channel coordinator company bear all other risk associated with the supply chain.

**Strategic and Resource ‘Fit’**

To sell premium cuts at the most profitable prices a strategic fit is needed between the channel coordinator and the supermarkets he supplies. This is because in order to reach his target market with premium cuts the channel coordinator has to concentrate on supplying supermarkets used by his target market. This makes selection of suitable supermarkets critical to the success of the supply chain. Although the supermarkets could easily replace the channel coordinator with a competitor supplying similar product, the supermarkets also benefit ‘strategically’ from the relationship as the channel coordinator develops his brand and the product attributes associated with it in the eyes of the consumer. These supermarkets need to sell product with these attributes as both the supermarkets and the channel coordinator are targeting the same group of consumers.

The meat processor has a strategic fit with the channel coordinator as both parties greatly benefit from the current space leasing arrangement. The meat processor’s fixed costs are greatly reduced while the channel coordinator gets low cost access to processing facilities while retaining control of this function. Therefore it is in the interest of both parties to ensure that this relationship continues.

All organisations involved in the supply chain need to have a resource fit. This includes organisations less critical to the supply chain that provide a standard function. The resource fit is important to ensure that they can provide the function required by the supply chain, however, strategic fit is not relevant for organisations not discussed above due to the standard nature of their function, making compatibility of strategies irrelevant outside of the function that they provide.

**Conclusion**

The channel coordinator is successfully fulfilling his original vision of creating value for farmers by selling a premium product instead of a commodity. The business continues to expand since its creation and fulfilling this increasing demand is his focus for the future. He has achieved this success by structuring the supply chain to maintain as much control as possible, allowing him to ensure that the product consistently reaches the consumer with the product attributes demanded.
Case Study 5

Introduction
This case study is based on the fifth interview for this research. It was chosen to provide both literal and theoretical replication of the previous case studies. This case is noticeably different to the previous four. This is due to the channel coordinator acting as a manufacturer, creating a processed meat product. This has resulted in a much more simplified supply chain structure in comparison to the other supply chains.

This case study is primarily based on a one and a half hour, face-to-face interview. This is supported with a follow up interview by telephone to clarify some issues from the main interview, as well as additional material, both created by the company, such as its website, and profiles created by third parties. A more detailed version of the case study is available in Appendix B.

Case Description
The channel coordinator is a manufacturing company that produces several value-added meat products that are sold through different distribution channels. Two partners, who are husband and wife, own the company. They created it approximately seven years before this case study was created. For the purposes of this case study the focus will be on the channel coordinator’s primary product.

The channel coordinator’s product is a healthy convenience food made from manufacturing grade beef, lamb, or chicken. The channel coordinator uses a unique processing technique when processing the meat, creating a sustainable competitive advantage. The unique product that is created is supported by strong brand and product recognition created through the company’s marketing campaign.

The channel coordinator aims to create a high quality product that tastes good and, unlike the meat in many convenience foods, is tender. The product is mainly meat, and no ‘fillers’ are used to ‘bulk up’ the product. To produce a consistent product the channel coordinator will only purchase meat with the correct product specifications such as chemical lean percentage and Halal certification. The product is in a frozen form before and after manufacturer, allowing it to be stored for a lengthy period of time without fear of deterioration.

Although the channel coordinator’s customers are supermarkets, its target market is household shoppers’ with children. The channel coordinator’s marketing efforts are aimed at this segment, although the product also appeals to single people living alone. Both target markets demand the same main product attributes – a quick and easy to cook meal component that is healthy and creates a positive eating experience.
The above diagram is an outline of the supply chain. The channel coordinator is the Manufacturer (written and boxed in bold). He sources meat which meets his specific product attributes from a number of Brokers, Meat Traders and directly from the Freezing works or Chicken Processors. He does not know the history of the meat before this point. Both the meat the channel coordinator purchases and the finished product he markets may be stored with the Cool Store company. He then sells his product to the central warehousing operation of the two supermarket groups operating in New Zealand, who on-sell and ship the product to individual supermarkets. The channel coordinator uses a merchandising company to manage the product in store, as well as provide feedback and advice.

**Vision**

The channel coordinator’s vision for the supply chain is to create a consistently high quality, value-added convenience food product from manufacturing grade meat. The channel coordinator targets consumers that want a meat food product that is healthy and tender, while still being quick and easy to prepare. This study focuses on a unique product produced by the channel coordinator that exhibits these characteristics.

...our company vision really is to produce quick, healthy and delicious products. And we intend basically to make New Zealand the research and development hub for the rest of the world, and export to the niche markets and
then set up licensing technology agreements into different parts of the world like we’ve done in the UK.

The long-term vision of the channel coordinator is to franchise the intellectual property of their processing technology to firms in other countries. This will allow the channel coordinator to rapidly expand its distribution and collect royalties from these firms without having to expend the large amount of resources necessary if they were to develop these markets themselves. The partners are more interested in developing new ideas, products and technology in New Zealand, rather than expanding the size of their company.

Motivation
Financial gain was the original motivator for the creation of this supply chain. The partners created the manufacturing company once it was decided that further value could be added to the beef and lamb they were producing on their farm at the time. The channel coordinator prides itself on creating a healthy convenience food from beef, lamb, or chicken. This sense of pride in their product motivates the channel coordinator to control the supply chain in order to ensure that the product consistently reaches the market exhibiting the product attributes that they are aiming for.

*We know that there’s a lot of junk out there. There’s a lot of rubbishy old burgers and there’s a lot of things like chicken nuggets that are quick. I mean, people really basically want things that are quick, healthy and delicious and it’s quite hard to find those.*

The channel coordinator’s creation of the chain has also given them a sense of ‘ownership’. The partners are motivated to see the supply chain succeed, as it is all their own capital invested in the manufacturing business, so they are reliant on its success. None of the other actors involved in the supply chain are interested in becoming the channel coordinator as they are not concerned about the success of the supply chain and provide only standardised functions within it.

Strategy
There is no need for the channel coordinator to attempt to create a consistent strategy throughout the supply chain, removing the need for the partners to communicate their vision and strategy. This is because there is no need for any of the other actors to have a supply chain orientation – all of the functions that they perform in the supply chain are standard functions that they also perform for their other client organisations. The channel coordinator implements the strategy for delivering the product in its vision to its target market through the standard service and products provided by the other actors.

Product and Target Market
The channel coordinator’s product is a healthy convenience food made from manufacturing grade beef, lamb, or chicken. The channel coordinator uses a unique processing technique when processing the meat, creating a sustainable competitive advantage. The unique product that is created is supported by strong brand and product recognition created through the company’s marketing campaign.
...what we really wanted to do was take that manufacturing grade meat and make it into a premium product - make it into a product that you knew that you were going to get each time. Because at the moment if you buy cheaper steak or even stewing steak you don’t know how its going to come out do you? It can be as tough as old goats knees. But we take that manufacturing grade meat and make it into a premium product.

The channel coordinator aims to create a high quality product that tastes good and, unlike the meat in many convenience foods, is tender. The product is mainly meat, and no ‘fillers’ are used to ‘bulk up’ the product. To produce a consistent product the channel coordinator will only purchase meat with the correct product specifications such as chemical lean percentage and Halal certification. The product is in a frozen form before and after manufacturer, allowing it to be stored for a lengthy period of time without fear of deterioration.

Although the channel coordinator’s customers are supermarkets, its target market is household shoppers’ with children. The channel coordinator’s marketing efforts are aimed at this segment, although the product also appeals to single people living alone. Both target markets demand the same main product attributes – a quick and easy to cook meal component that is healthy and creates a positive eating experience.

The channel coordinator has undertaken some basic market research on its target market in order to improve the product. From the findings of their latest market research they are adjusting the components of the product and changing its packaging. The market research found that the main attributes that appealed to their target market was the ability to cook the product from frozen, very quick cooking time, the taste and the healthiness of the product. Nil preparation and 97 percent meat ingredients were also cited as important.

This is our latest survey, which was for August or September, and basically what we wanted to find out from our customers was what they really liked about our products. So the interesting thing was, cooked from frozen is way out here, cooked for six minutes, tastes good, had the heart tick – healthy. So basically it was just a simple survey sent out to people on the net. We’ve got a database of customers on email...

Although the surveys undertaken by the channel coordinator are the most informative method used to gain customer feedback, the channel coordinator also uses face-to-face feedback from customers for anecdotal evidence. This happens in a variety of situations, such as when visiting supermarkets or demonstrating the product at food shows.

Competitors
The supply chain’s direct competitors are organisations’ producing convenience foods sold in supermarkets, used as a meal component that is quick and easy to cook. This is a fiercely competitive market. There are no direct competitors utilising the same technology as the channel coordinator as a proprietary production process is utilized, creating a sustainable competitive advantage. The channel coordinator aims to distinguish its product form its competitors by creating a product that is not only quick and easy to prepare, like its competitors, but also consistently high quality and
tender. Less direct competition comes from the ‘heat and eat’ meal category and mainstream meat products that are used as a component of a meal, sold both through supermarkets as well as alternative outlets such as butchers.

_We don’t have any direct competition in the supermarket industry, but really our competition is other meat products or other meat products that are going to form a meal. So you can really say it is chicken, it’s beef, it’s lamb and any form that it comes in really isn’t it? You’ve got it in the freezer department, you’ve got burgers and stuff like that, then you’ve got mince and stuff like that in the butchery, you’ve got corned beef, you’ve got roasts. All those things are our competition really… and in New Zealand supermarkets anyway the market is not big enough, I mean, why would they put another meat product like ours in the supermarket freezers? There’s only limited capacity isn’t there?_

A different form of competition may emerge with the channel coordinator’s expansion overseas. The channel coordinator plans to grow most new markets internationally by licensing its processing technology to local companies. This will make the threat of competitors when marketing the product the problem of the licensee. However, the channel coordinator will be competing for suitable licensees, as there will be other options available to them to make a similar profit.

**Industry and Government Regulations**

The most challenging regulations facing the channel coordinator are the standard food safety guidelines. The channel coordinator finds the implementation of these requirements a positive, however, as they help minimise the risk of food contamination. The channel coordinator feels that this is important not only to uphold a positive brand image but also as a social obligation. The food safety requirements are part of the channel coordinator’s standard practise to ensure that all products are of a high quality.

_...we’ve now got to follow a risk management plan to export. We have to have stuff like that. So it is onerous food safety, but it has to be. I don’t think there is anything wrong with that. And I mean [the other partner], he’s really fussy in that area, you know what I mean. He’s really fanatical and you have to be. I don’t think there is anything that is really onerous but...it does have to be followed and done. But it’s got to be like that because you don’t want to make people sick do you? It’s a social responsibility isn’t it and...it’s also the healthy side of the product...we could fill this product up with breadcrumbs and crap, but that’s just not where we are at._

**Supply Chain Structure**

The actors in this supply chain can be classified into two main categories:

Critical participants: The only critical participant in the supply chain besides the channel coordinator in the role of manufacturer is the merchandising company due to its invaluable expertise and advice. Supermarkets become critical, as there are only two supermarket chains in New Zealand, making it impossible for the channel coordinator to replace them.

Important participants: This category includes all the other organisations involved in the supply chain. These participants all provide important functions,
however, they have multiple competitors that can provide the exact same product or service and are therefore replaceable.

The channel coordinator does not need anything beyond the standard product offering of each organisation in the supply chain, and each can easily be replaced (with the exception of the supermarkets). Therefore an arms length relationship is maintained, except with the merchandising company that provides valuable advice and information to the channel coordinator. As a result, there is no profit and risk sharing among the actors in the supply chain – they just charge a standard rate for services and products provided.

Manufacturer
The Manufacturer is the channel coordinator. The channel coordinator purchases meat on the spot market and retains ownership of the product until it reaches the central warehousing of the supermarkets. The channel coordinator established and maintains the relationships with the various organisations that are part of this supply chain.

Freezing Works/Chicken Processor/Broker/Meat Trader
The channel coordinator purchases meat on the spot market due to the widespread availability of meat with the correct product attributes from a large variety of organisations. Therefore loose relationships are maintained with a variety of organisations at this level. The channel coordinator will generally purchase off the organisation or individual asking the lowest price for meat that meets the required product specifications. Meat is one of the channel coordinator’s most expensive inputs in the production process; therefore keeping its purchase price to a minimum is critical to maintain profitability. The channel coordinator will not deal with any organisations whose product has failed to meet these specifications on more than one occasion.

You don’t want to make an inferior product and there’s a couple of companies who say all the meat we buy has got no bones in it...but we gristle and bone [tested] them twice...[and] it does have little bits of bone and stuff like that in it. There’s one company I know that [the other partner] says, “Oh no, we’re not buying lamb from them any more because every time we get it its full of bone”. Although they say there’s no bone in it...I mean they want the most money that they can get for it and we want it as cheap as we can get it, but the right product. There’s no point us buying stuff that’s really, really cheap and its full of fat and it’s disgusting. Because then we’re not going to make a good product, so it’s always [a balancing act].

This is an important function in the supply chain, as the meat needs to meet the correct product specifications, otherwise the resulting product will fail to meet the channel coordinator’s quality standards. As a result, the channel coordinator builds up basic relationships with the various meat wholesalers as they get to know which ones they can trust to deliver their demanded product specifications. The product delivered by organisations that the channel coordinator has dealt with very little previously is tested to ensure that it meets the demanded product specifications. However, it is impossible to test all the meat that the channel coordinator purchases,
so the channel coordinator relies on trusting the organisations it purchases from regularly to deliver meat that fulfils their required specifications.

Due to the use of the spot market, these organisations have very little power in negotiations with the channel coordinator. There is no sharing of profit and risk and very little communication above what is needed to perform a transaction.

Cool Store Operator
The cool store provides a standard service to the channel coordinator. This service is important to ensure that the channel coordinator can supply the volume of product demanded by the supermarkets year round. Due to the standardised nature of the service provided by the cool store it would be very easy to replace with a competitor. As such, it has very little power in negations and does not share profit and risk with the channel coordinator. In fact, the current cool store operator is the second since the chain’s creation and the channel coordinator is now looking at building its own cool store facilities.

The channel coordinator’s motivation for investing in its own cool store facilities on their manufacturing site is the improved efficiency that would result. Product would remain onsite, eliminating transport costs and the time lag of moving it between sites. The channel coordinator is currently assessing the cost of building a cool store against their current costs of using an external organisation. It has only recently become an option as increasing volume has improved the economics of doing so.

Transport Companies
The transport companies used provide a standard service to the channel coordinator. Due to the standardised nature of the service provided by the transport companies they would be very easy to replace with a competitor. As such, they have very little power in negations and do not share profit and risk with the channel coordinator.

Merchandising Company
The merchandising company plays an important role in the supply chain. Its representatives ensure that the channel coordinator’s product is adequately displayed in supermarkets and also runs product promotions. This gives the channel coordinator the presence it needs in supermarkets that it lacks the resources to provide itself. The merchandising company is also the main communication link between individual supermarkets and the channel coordinator. The channel coordinator lacks the resources to communicate with every supermarket its product is sold in individually, unlike the merchandising company. The merchandising company informs the channel coordinator of any problems or issues. It is also an invaluable source of advice and information for the channel coordinator. Its expertise, developed through experience across multiple products, is a source of knowledge that the channel coordinator could never hope to achieve alone.

Most communication with the merchandising company’s representatives is through regular communication via the phone. The channel coordinator also meets face-to-face once or twice a year with the representatives. They may also meet them at irregular intervals in between.
They communicate with the freezer managers and they do a few deals for you and stuff like that...I talk to their reps on a regular basis...you get quite a bit of feedback from the reps. We have a good relationship with the reps... I talk to the reps quite a lot on the telephone and stuff like that so its sort of an ongoing relationship really. The reps have big team meetings and we’ll go to them once or twice a year...each week we get a report from two or three of those people that do it on a rolling basis which is good, saying what’s happening in their stores, and things we can do better or could you do this...

Although the merchandising company is very valuable to the channel coordinator, it provides a standard service easily replicated by competitors. This makes it easy to replace, reduces its negotiation power and removes the need for profit and risk sharing with the channel coordinator.

Supermarkets
The supermarkets function is critical to the supply chain as they sell its product. Although there are hundreds of supermarkets in New Zealand they all belong to one of two parent organisations. This makes the supermarkets difficult to replace, increasing their power in negotiations. The channel coordinator is one of many suppliers to the supermarkets; therefore no profit or risk sharing is involved. The channel coordinator has some communication with the parent organisations, however communication with individual supermarkets is performed through the merchandising company.

In direct communication with the supermarkets, the channel coordinator deals with five different people from the supermarkets’ two parent organisations called category managers. With one organisation there is only one manager, based in Auckland. The other parent organisation has two managers in Auckland (representing different supermarket brands), one in Wellington and one in Christchurch. Each individual is visited face-to-face three or four times per year, although more often if necessary, such as the launch of a new product. Communication is also maintained via phone and email in between, with the frequency increasing if, for example, there is a new product launch or problems with the product. The channel coordinator’s relationship with the category managers is very important to ensure that the supermarkets keep purchasing the channel coordinator’s product and also to discuss how the product will be marketed and distributed.

So these people here are really, really important to your business because you work out the specials with them. So you visit these people three or four times a year. Sometimes if you’ve got new products and bits and pieces, more often.

The channel coordinator sends its product to the supermarkets’ central warehouses. The freezer managers of individual stores then order product from the central warehouse. Although the channel coordinator feels that they could sell more product by marketing directly to supermarkets, the amount of resources required to do so are far greater than the extra sales that would be created. The use of central warehousing by the supermarkets greatly simplifies the flow of product and its associated costs for the channel coordinator. The channel coordinator argues that the logistics of maintaining frozen product at the correct temperature while moving and storing it is logistically very challenging. Also, ensuring that all billing is correct and that all
supermarkets pay the correct amount for goods received on time creates further complication.

The central warehousing is a good system once you get established. But it’s still not perfect because you’ve got to rely on the supermarket freezer managers to order your products from the central [warehouse]… slowly all the supermarkets are going to the central warehousing, which is good in many ways because going direct to store with a frozen product is fraught with problems. Frozen distribution is really, really difficult…you’ve got temperature control, especially with the supermarkets…We could probably sell more if we weren’t centrally warehoused. Our volumes would be higher, which they were when we weren’t centrally warehoused, but our costs would also be a lot higher. So it’s a matter of weighing up the costs against [the benefits].

Analysis

Introduction

This section analyses the underlying factors that contribute to the success of this supply chain. It also assesses what action the channel coordinator took to ensure that these factors were successfully implemented, both consciously and unconsciously.

Communication and Supply Chain Orientation

The channel coordinator invests no effort in communicating his vision to the other supply chain participants. The other actors perform only a standard function at their level of the chain and, with the exception of the merchandising organisation and the supermarkets, have very little communication with the other actors in the chain. This limits the need for them to understand the channel coordinator’s goals and vision for the supply chain, creating a very low level of supply chain orientation. To the other actors in the supply chain the channel coordinator is just one of many of their typical customers.

Due to the importance of the merchandising company in creating and maintaining the communication link between the channel coordinator and individual supermarkets it does need to have an understanding of the channel coordinator’s aims. The channel coordinator and the merchandising company communicate regularly to ensure that they are ‘on the same page’. The services provided by the merchandising company to the channel coordinator are standard however, reducing the need for the channel coordinator to make the merchandising company aware of its long-term vision.

The critical nature of the information flow between the channel coordinator and supermarkets (category managers at the parent organisations) and the merchandising company drives the large amount of effort placed in communicating with these parties. They provide advice and information to the channel coordinator and the channel coordinator ensures that they are aware of new product releases, promotions, and so on. This communication is also important to ensure the ongoing purchase of the channel coordinator’s product by the supermarkets.
**Competitive Advantage**
The channel coordinator’s proprietary manufacturing process creates a sustainable competitive advantage. With it the channel coordinator has created a unique product that has not been replicated anywhere else in the world as far as the channel coordinator is aware. Although this means that it is unlikely that the channel coordinator will ever have any competitors producing exactly the same product, any convenience meal component food products are direct competitors. The channel coordinator works to maximise this competitive advantage by focusing on ongoing research and development around the technology to further refine it and develop new products.

The structure of the supply chain and the other actors involved in it do not contribute to its competitive advantage. All of the actors could easily be replaced and none, with the exception of the channel coordinator’s role of manufacturer, perform any specialised functions for the supply chain.

**Structure**
The channel coordinator’s focus is on its role as manufacturer. The channel coordinator utilizes the standard services of organisations at every other level of the supply chain in order to get the product to the final consumer. The channel coordinator’s lack of financial resources has meant that vertical integration of the supply chain has not been an option in the past, although they are currently assessing building their own cold store due too stronger financial resources and better economics as a result of a larger volume of product flow.

Due to the standardised nature of the products and services provided by the other actors in the supply chain they can all be easily replaced, with the exception of the supermarkets due to the fact that there are only two parent organisations in New Zealand. At the meat purchasing level of the supply chain the channel coordinator utilises the spot market due to the widespread availability of meat with the demanded product specifications and organisations able to supply it. As the channel coordinator gets to know individual organisations a certain level of trust is created, as it is impossible for the channel coordinator to test every lot of meat purchased. Meat purchased from new suppliers, however, is always tested and those that fail to deliver meat within the promised specifications on more than one occasion are not purchased from in the future.

The channel coordinator’s relationship with the merchandising company is different. Although providing a standardised service easily replicated by competitors, the merchandising company’s representatives provide invaluable feedback and advice to the channel coordinator. This drives regular communication, creating a closer relationship. Although this is different to the other relationships the channel coordinator has, it will be a standard relationship for the merchandising company as the channel coordinator is one of many similar customers.

**Strategic and Resource ‘Fit’**
The channel coordinator has focused on incorporating organisations into the supply chain that have a resource fit with the supply chain. Resource fit is important as each of these actors is performing functions in the supply chain that the channel coordinator is unable to. The standard nature of the products and services provided
by the other actors in the supply chain has eliminated the need for their strategic fit with the chain. Therefore the channel coordinator does not utilise any resources on the development of supply chain orientation among these actors.

**Conclusion**

The channel coordinator is successfully fulfilling the partners’ vision of creating consistently high quality, healthy food products from manufacturing grade meat. They are in the initially stages of expanding their distribution worldwide with the trial licensing of their technology in the United Kingdom. The only area for improvement sited by the channel coordinator was building their own cool store on their manufacturing site, which they are currently weighing up the costs of doing.