

Exports of Greek Fresh Produce to UK: An Analysis of the Barriers to and the Conditions for Successful Export Performance

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Abstract

Greek fresh produce face increasing competition in European markets which pose a threat to successful export performance. UK market is characterised by intense competition, stringent quality standards, and value for money. In this market, two products of great importance to Greek economy, namely oranges and grapes, have shown diametric performance. Using case research, this study identified and assessed the barriers to and the conditions for successful export performance in UK market for Greek fresh produce. Five UK importing organisations and Seven Greek exporting organisations of fresh produce participated in the study. Findings are discussed under five major categories: the geographical distance; infrastructure; farming practices; exporter's strategies, and competitive advantage. Results indicate that successful performance requires the formulation of strong alliances among exporters to pursue export marketing management, seek support from the Greek government, foster long-term relationships with foreign trading partners, and establish recognisable Greek brand names as a means to customer loyalty.

Keywords: *Fresh Produce Exports, UK market, Case Research, Greek Grapes, Greek Oranges, International Marketing Management*

Introduction

The exporting of fruit and vegetables, which has a significant contribution to Greek economy, has witnessed a number of important changes over the past two decades. Food markets undergo structural changes which are characterised by the intensified competition, the growing power of retailers, the widespread diffusion of information and communication technologies, and the increasing consumer awareness of health and food safety (White, 2000; Wilson and Lavelle, 1996). Fresh products require efficient food supply chains, as they are highly perishable and fragile items that impose stringent requirements for protective packaging, rapid and temperature-controlled transportation,

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and health and safety in general (Folkerts and Koehorst 1998; Vlachos and Patsis, 1998).

The purpose of this paper is to examine the critical success factors (CSFs) which are relevant to fresh produce exports. The methodology followed was an in-depth, multiple-case research of Greek exporters and UK importers. The comparison of those two groups raises significant findings as to how exports are perceived and actually performed. The study focused on two fresh products, namely grapes and oranges, which exhibit contrasting performance in UK markets.

The UK fresh produce market

The UK markets for consumer goods are considered as very competitive and sophisticated. Fruit and vegetables is one of the few product categories for which shoppers will switch stores. The intense competition has driven the transformation of the UK fresh produce markets in recent years towards a phenomenal growth in the retail market share of the multiple grocers (retailers), which are the major national and regional grocery supermarkets and superstores of more than ten store outlets (Fearne and Hughes, 2000; White, 2000). Retailers have increased their power considerably over the last decade by rationalising their supply base, seeking to deal with fewer, larger, and technically efficient suppliers (Hughes and Merton, 1996).

Greek table grapes appear to be a competitive product in UK market in comparison to oranges that sell less. Table 1 presents export data of Greek exports of fresh produce by destination, showing that Greek grapes travel mostly to EU countries in which they gain a premium price that is threefold or higher than the price paid by Extra-EU countries. Exports of Greek grapes to UK are constantly increasing in volume and value. Grapes value has increased more rapidly than volume, thus prices have lifted to 2.55 Euro/Kg in 1999 compared to 0.75 in 1988 and 0.97 in 1994, respectively. The premium value paid to Greek grapes can be exclusively attributed to table grapes and particularly Greek Thompson seedless grapes.

Exports of Greek oranges find their way mainly to Extra-EU destinations. Greek oranges are sold in EU in only slightly higher prices than in non-EU states. With higher quality standards in EU countries, the bulk of Greek oranges follow traditional routes to third countries. UK is not exclusion in this pattern, since it absorbs a decreasing portion of Greek oranges. Significant volumes of oranges imported to UK come mainly from non-EU countries i.e. South Africa, Israel, and Morocco (Table 2). Although UK importers pay a premium price for Greek grapes, they obtain Greek oranges at a bargain. UK importing organisations sell fresh produce at about 40% margin and only a small fraction of the retail price goes to growers (Figure 1).

Critical success factors for fresh produce export

The concept of critical success factors (CSF) was first defined by Rochart (1979) as "*the limited number of areas in which results, if they are satisfactory, will ensure successful competitive performance for the organization*". Rochart indicated that CSF focus attention on areas where "things must go right", thus its usefulness is greater for applied managerial problems with little or none theoretical support. Boynton and Zmud (1984)

Table 1. Greek Exports of fresh produce by destination: Volume (MT), Value (1,000 Euro), Price (Euro/Kg)

Product	Destination	1988	1992	1996	1999
Grapes	EU	45,284	109,764	54,377	59,524
		30,667	54,495	43,985	103,162
		0.68	0.5	0.81	1.73
	Non-EU States	4,542	18,139	22,950	25,636
		2,404	7,058	6,925	9,152
		0.53	0.39	0.3	0.36
UK	6,211	16,892	13,924	17,476	
	4,683	13,927	17,286	44,565	
	0.75	0.82	1.24	2.55	
Oranges	EU	34,151	101,263	16,083	45,749
		8,939	24,255	6,246	17,475
		0.26	0.24	0.39	0.38
	Non-EU States	61,023	279,563	147,851	143,956
		16,638	61,222	37,699	39,041
		0.27	0.22	0.25	0.27
	UK	2,643	18,747	305	2,883
		648	4,448	98	1,008
		0.25	0.24	0.32	0.35

Source: Eurostat – Comext

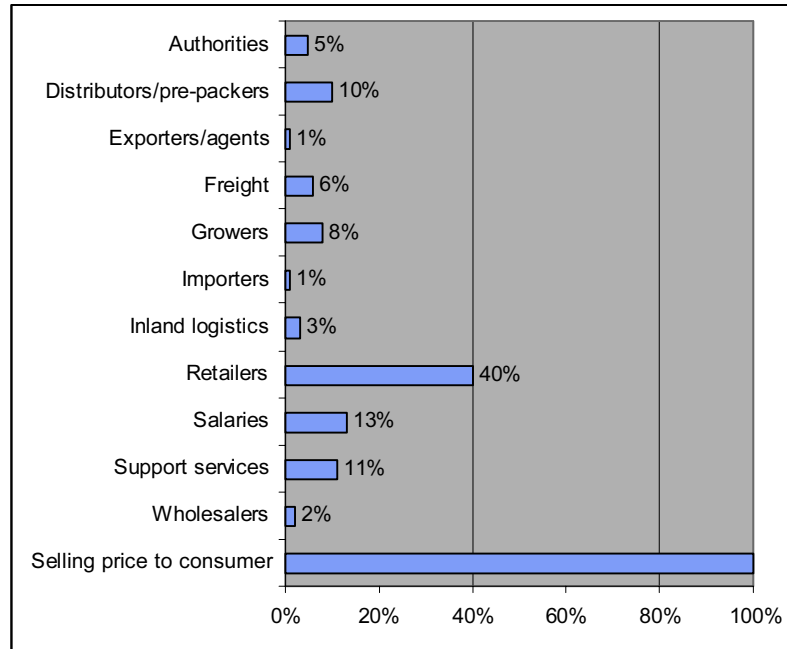
Import values were calculated on CIF (Cost-Insurance-Freight) basis, export values on FOB (Free-On-Board) basis

Table 2. UK Imports of fresh produce: Volume (MT), Value (1,000 Euro), Price (Euro/Kg)

Product	Place of Origin	1988	1992	1996	1999
Grapes	EU	73,493	76,030	47,495	55,864
		72,352	81,992	64,242	79,894
		0.98	1.08	1.35	1.43
	Non-EU States	48,179	59,034	78,916	92,806
		63,418	70,513	111,366	158,781
		1.32	1.19	1.41	1.71
World	121,672	135,064	126,411	148,670	
	135,770	152,505	175,608	238,675	
	1.15	1.14	1.38	1.57	
Oranges	EU	135,984	107,173	74,995	80,553
		56,051	43,132	42,327	51,643
		0.41	0.4	0.56	0.64
	Non-EU States	264,250	264,738	243,813	209,579
		95,386	97,444	106,438	87,873
		0.36	0.37	0.44	0.42
World	400,234	371,911	318,808	290,132	
	151,437	140,576	148,765	139,516	
	0.39	0.39	0.5	0.53	

Source: Eurostat – Comext

also defined CSF as the “few things that must go well to ensure success for a manager or an organization”. They recognized the CSF approach as an appropriate planning instrument.



Source: The Grocer, Nov 1, 1997.

Figure 1. Breakdown of the cost of fruit imported in the UK

Aksoy and Kaynak (1994) conducted a multiple-case research of overseas suppliers of fresh produce to UK and identified seven critical success factors: (1) Export profits for private firms or returns to growers for co-operatives and marketing boards, (2) Adequate Export sale volumes and market share of the export organisation, (3) Export prices achieved, (4) the proportion of trade with multiple retailers, (5) The overall reputation of the exporter at wholesale and in consumers' eyes (i.e. Brand awareness), (6) the strength of overseas organisational structure, and (7) The extent of product differentiation and innovativeness. Aksoy and Kaynak (1994) identified seven critical success factors of export marketing strategies for fresh produce: product strategies and research and development, quality control, branding, pricing, marketing research, distribution, and promotion. Duke (1998) identified eight factors that influence the nature of a buyer-supplier relationship in the context of a grocery retail industry: power, nature of negotiation, personal factors, organisational factors, retailer objectives, social pressure, political and government pressure, and stance of negotiating partner and inter-firm communications. Of those factors, Harris and Ogbonna (2001) found that power is the most significant factor that impinges upon the competitive advantage that a partner can gain from that kind of relationship.

A considerable body of literature has examined the area for export barriers and conditions for successful export performance. Export markets are more politically, culturally, geographically distant and diverse than domestic markets (Kwon and Hu, 2000). Export obstacles include: limited organisational and managerial resources; restrictive international trade rules and regulations; unfamiliar and/or differing business practices and customer habits abroad; dissimilarities between domestic and foreign task environments; and uncertainty due to geographic and psychological distances separating nations (Leonidou, 2000). Thus, export performance depends on the successful implementation of export marketing strategy and the firm's characteristics (Chadee and Mattsson, 1998; Katsikeas and Piercy, 1993; Piercy et al. 1998). Leonidou et al. (2002) synthesize extant knowledge on export performance using a meta-analysis of marketing strategy. The researchers examined a total of 38 different marketing strategy variables classified into five groups: targeting, product, price, distribution, and promotion. Leonidou et al. (2002) found that although many variables demonstrate positive effects on overall export performance, the relationship is not always significant. This finding indirectly implies that a qualitative study may be more suitable for examining export performance (Matthyssens and Pauwels, 2000).

Methodology

The nature of the research objectives called for an in-depth, qualitative inquiry of export behaviour and case research has extensively used in those types of studies (see Miles and Huberman, 1994 and Yin, 1994 for a detailed account on case research and qualitative data analysis).

Despite the extensive problems faced on field logistics in carrying out the case research, twelve cases were eventually successful: 7 Greek exporting firms and 5 UK importing and retailing firms. UK firms were either a large fresh produce importer or a large retailing chain. Greek exporters operated for the last five years and exported at least one of the selected commodities. Both samples of companies were subject to personnel availability and the willingness of key decision makers to cooperate. The primary source of information was semi-structured interviews with key decision-makers, who in most cases were the managing directors of the exporting/importing organisation. Semi-structured interviews allow covering a specific list of topic areas, with the time allocated to each topic area being left to the discretion of the interviewer and the case setting.

Data from interviews and other sources of data (reports, newsletters, etc) were analysed and coded. The results of data analysis, which are discussed in next section, are presented by Table 3 and Table 4. For confidentiality reasons, companies are referred with Greek letter.

Research findings

The critical success factors regarding export behaviour and performance were classified into five categories: (1) Geographical Distance; (2) Infrastructure; (3) Farming practices; (4) Exporters' strategies, and (5) Competitive advantage.

Geographical distance

Both exporting and importing organisations perceived that the distance of Greece from the UK market was an important factor that affected the freshness of the commodities, the transportation cost, and the ability to deliver quickly and reliably.

Transportation cost, a key factor to both exporters and importers, heavily depends on the modes of transportation. Water carriages can hardly be useful to exporters unless they have established long-term relationships with regular customers and can consolidate huge quantities of fresh produce. Motor carriage requires much longer time-in-transit, which implies a subsequent greater risk of product degradation. Therefore, the use of refrigerated lorries is considered mandatory. In this way, a cool supply chain is achieved that guarantees that fresh produce will reach end-consumers at the highest possible quality. The cost of the refrigerated lorries varies greatly with demand. During the peak period of grapes, prices go up by 50%, reaching £3,000 per shipment. For a shipment of oranges, this would represent more than 12% of the fruits value, while the average is 6% (see Figure 1). Costs of refrigerated lorries run even higher if carriers could not succeed load utilisation of the refrigerated vehicles during the return journey from UK to Greece.

Exporting organisations reported that unrest in the North borders of Greece has made the transportation impossible through that short regular route, so lorries follow alternative but expensive routes. Although EC have compensated some of the added transportation expenses, exporters had still to bear the extra cost. Additionally, exporters could not avert delays in fresh produce deliveries, which cause them to appear unreliable to their trading partners.

Infrastructure

Greek exporting organisations reported that domestic logistics infrastructure does not constitute a service to exporting of fresh produce. The Greek transportation infrastructure was described as poor for fresh produce. Port facilities are not modernized and only a few ports are adequately equipped to load/unload containers onto ships, i.e. as is in the case of piggyback intermodal transportation. Due to the large quantities required for a sea journey, ships are rarely used for the Greece-UK trade of fresh produce.

The application of the rigid UK hygiene standards requires the traceability of the origin of commodities. Greek exporters in their great majority operate small packhouses designed to cover the needs of a specific crop within their surrounding region. There is a large number of farmers producing small quantities of fresh produce, which implies that exporters cannot fully detect the origin of commodities. In general, exporters reported that the methods and training like those required by ISO or HACCP are hard to implement due to the seasonality of business and the unsatisfactory education of part-time employers. Only few of them are fully equipped for product traceability. Although a significant number of modern packhouses have been built throughout Greece during the last decade, still packaging is still a long way behind competing countries such as Spain.

UK packaging requirements do not seem to constitute a problem for Greek exporters. Most of the packaging materials like cartons and labels are manufactured in Greece and only a few materials are imported, e.g. like permeable plastic bags for grape bunches. However, research on fresh produce in Greece was described as insufficient.

Farming practices

UK importers emphasised that the poor physical appearance of Greek oranges is the main problem that makes them difficult to market. Greek exporters admitted that oranges have, in general, a rough surface and are thick peeled which make them less attractive to the average UK consumer. This poor appearance is attributed to the fact that the majority of existing orange trees are old stock, having the double of the maximum recommended age. All exporters agreed that the period that Greek oranges are made available for exporting is too short to establish a brand name and customer loyalty in foreign markets. In order to expand the harvest period, growers often leave fruits on trees longer than they should, or refrigerate them excessively, which degrades their quality. Furthermore, Greek oranges are harvested during the same period as the well-established Spanish oranges, a fact that let UK traders to consider them as spoilers of the Spanish oranges rather than products aiming to establish a niche market.

The great success of the Greek Thompson seedless in Greece is mainly attributed to their top quality in terms of taste and appearance, coupled with the lack of availability of any other grape with similar attributes at the same time of the year. In this respect, Greek grapes are unique, leaving UK market with no alternative choice. Nevertheless, significant research has been undertaken in various countries in order to arrive at competitive varieties. Therefore, new varieties, such as red seedless grapes, need to be researched and developed in order for Greek grapes to retain its market share.

According to Greek exporters' reporting, grape growers actively try to stay informed of new techniques but they abstain from practicing them without an envisaged profit. Pesticide residue is a major issue for grapes. Legal responsibility of undue pesticide usage is transferred by UK retailers to importers, then onto the Greek exporters, ending with the growers. In Greece, the lack of central control of pesticide applications makes the monitoring of traceability a difficult task. Only recently, farmers have begun to keep relevant records, which make traceability applicable.

Exporters' strategy

Greek exporters rallied to agree that the UK market has the reputation of being a demanding market. Exporters can gain significant profits only by supplying directly fruits to supermarket chains but they are repelled by their high quality standards. If retailers reject a commodity, then, it has to be sold in a wholesale market at a loss. As a consequence, small and new exporters, who in most cases cannot afford losses, are reluctant to do business in the UK. Importers revealed that local retailers are not very reliable as well; in some cases, retailers have rejected loads when they could not sell the merchandise eventually. Market conditions and the traditional commercial bonds that Greek exporters have developed with Central and Eastern European Countries (CEECs), including Russia, can justify, to a large extent, the lack of serious attempts to export Greek oranges to UK.

For Greek exporters, the UK supermarkets are the sole marketplaces where grapes can be sold at a profit. However, Greek grape exporters have tenuous negotiating power over UK retailers. Furthermore, only a dearth of Greek growers and exporters has built long-term relationship with UK importers. Grape prices may fluctuate considerably during the trading season which adds a further barrier to Greek exports' success.

Quality

In terms of quality, Greek oranges are reported to have inferior appearance in relation to Spanish or Israeli ones, lacking a unique taste advantage. The Greek Thompson seedless grape is unique in terms of taste, appearance, and time of availability in the year. These characteristics meet the needs of the UK market perfectly and therefore command a higher price. Thompson seedless has built a strong image, but UK consumers have not yet learnt to distinguish them from other grapes. This is mainly attributed to the detrimental lack of advertising from the Greek side. Quality comes at a cost. In Greece, labour costs are lower and transportation costs are higher than other EU countries. The reverse order holds true for non-EU suppliers of fresh produce.

Discussion and recommendations

Exporting of fresh produce is considered a complex process in which exporters have to meet the needs of their foreign trading partners and justify the demands of retailers and end-consumers. In UK markets competition is intense, consumers seek quality, and the few large retailing chains have gained the negotiating power to impose their terms of trade to their suppliers. In such a competitive environment, two Greek fresh products have been exported with contrasting results.

Greek grape exports to the UK have become a success mainly due to the naturally gifted Thompson Seedless, which has been successfully exploited. However, competition is rising and new substitutes and alternative products are in the phase of research and development. Profitable exports of Greek grapes have been the best incentive for growers to apply modern management principles. Exporters reported that successful performance requires the formulation of strong alliances among exporters to pursue export marketing management, seek support from the Greek government, foster long-term relationships with foreign trading partners, and establish recognisable Greek brand names as a means to customer loyalty.

Greek oranges have only achieved poor export performance to UK market due to their inferior physical appearance as well as the inconvenience season they are traded. The Central and Eastern European Countries offer a good marketplace for exporting oranges of moderate quality, and, consequently, at a fair retail price. In those countries, exporters do not have to address any major logistics issues as in the case of UK marketplaces.

Comparisons between the grape and orange exports showed that quality is a major factor in product performance that contributes to international competitiveness and receives a premium value. Clearly, the lack of quality, such as in the case of Greek oranges, is a relative disadvantage which explains the poor export performance. However, quality is not the single critical success factors. Evidence indicates that competencies in distribution are vital in superior performance. Those that cannot find their way through demanding channels are shipped in bulk to the nearest destination for a low price. Supply chain skills are a critical success factor that Greek firms are lacking in both grapes and orange exports.

The performance of Greek fresh produce exports can be improved by developing a marketing strategy adjusted to the specific conditions of the target marketplace and seeking to build and maintain long-term alliances with domestic producers and overseas partners. More research is necessary to shed light onto the exports of the whole breadth

of Greek fresh produce. Emphasis should put on the management of export supply chains and on the requirements of foreign end-consumer and retailers.

Table 3. Results from Coding of Greek Exporters' Interviews

	Alpha	Beta	Gamma	Delta	Epsilon	Zeta	Eta
Geographical Distance							
Distance from the UK market	No important problems	No important problems	No important problems	An important issue	An issue but not a critical one	An issue but not a critical one	An issue but not a critical one
Transportation cost	No important problems	No important problems	Costs get too high at the peak of the harvesting period	Important factor. ships need too large quantities to be absorbed by the UK market	An important cost factor. Higher than for other EU suppliers	Represents more than 10% of the total cost, therefore very important	Variable and high at the peak season
Reliability	No important problems	No important problems	No important problems	Consistent deliveries are difficult due to the distance	No important problems		
Infrastructure							
Transportation means	Lorries/ No important problems	No important problems	Lorries and containers	Ships and lorries	Lorries/ No important problems	Lorries and ship	Lorries and ship
Packhouses/ packaging	Large investments are made	Hygiene requirements are a problem. Packaging requirements are easy to meet	A lot of paperwork required from the UK. Hygiene requirements are a problem	UK specifications demand special pack-house investments. Difficulty to train employees because they are temporary.	Still a long way to reach the Spanish technology and standards.		Local material is enough, except from bags of individual grape bunches.
Research institutions					Not enough research on new varieties		Not enough guidance for the producers nor exporters
Public Organizations	Too slow to react. No significant interest	Not much help as they should. Funds should go for advertising and promotion			There are no actions to promote Greek exports		Inflexible and indifferent in informing about market situation

Table 4. Results from Coding of UK Importers' Interviews

	One	Two	Three	Four	Five
Geographical Distance					
Distance from the UK market	Not a problem	Is an issue	Is important for peaches especially because of the short shelf life	Is an issue (freshness)	Is a major issue (freshness and cost)
Transportation cost				Troubles in the Balkans had made transportation difficult and unreliable	Too high because there are not frequent imports of fresh produce from UK to Greece
Time factor reliability of deliveries		Lorries from Greece arrive within 3 days 2 days from Italy	Spain can deliver in 36h if there is an urgency. France is just a few hours away		
Infrastructure					
Transportation means	Ships require markets capable of absorbing large volumes				
Packhouses	Are not as good as they should be. Greece has not kept up with the rest of the world	Small producers make traceability difficult	Are rather big because of the EU funding		They are adequately modern but improvements are always needed
Research institutions		A lot of research need to be done, especially on peaches	No research is carried out comparing with Spain		

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