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THE CARIBBEAN BANANA INDUSTRY: AN INTERNATIONAL MARKETING PERSPECTIVE

by

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RATIONALE

Marketing, in the context of developing countries, is widely recognized as a needed area of study, in the light of an ever-increasing climate of international competitiveness, global recession, trade blocs' supremacy, protectionism and political instability throughout many countries of the world. However, for many it still seems shrouded in some mystery, in the face of the diversity of cultural practices that impinge on consumers' buying behaviour in developing countries.

Of course, it is clear that with international competition intensifying, trade with developing countries continues to be a very attractive option for many companies and countries on the whole. However, the success of such an option depends on the precision in understanding the market - cultures, buying patterns and buying behaviour; and in assessing the effects of environmental forces impacting on such markets. The converse is also true - that in the light of growing competitive threat, there is the need to understand more clearly the needs and behavioural patterns of the markets served by developing countries. For example, past research may have suggested a range of possible routes for agricultural diversification from a mono-crop strategy (banana in this case study). However,

answers to some questions still remain elusive, such as: what are the perceived needs of the market as opposed to their actual needs? Do consumers buy on the basis of taste, quality? How do they determine 'good' taste and 'high' quality? When do they buy? How much do they buy? From whom do they buy? Why do they buy? In what quantities or packages do they buy? Are they sensitive to buyer outlets? ...price changes? ...promotional campaigns... branding?

Another needed area of intelligence is that related to the strategies and activities of competitors. This is especially significant in the case of the Windward Islands Banana Industry, where a comparative disadvantage is suffered in terms of production scale, efficiency levels, resource base, to name a few. Having therefore a clear focus for securing a competitive advantage and making the market aware and appreciative of that difference is of particular significance to the present and future viability of the Caribbean Banana Industry.

This paper seeks to address the following general aims:

- 1) *to establish the need for a new strategic marketing focus for the Windward Banana Industry*

- *changing consumer preferences*
- *increase in international competition*
- *price-based competition and differentiation*
- *threat of extinction*

2) *to outline the methodology to be employed in designing the strategy*

- *consumer research studies to identify consumer profiles, buying preferences and behavior*
- *competitive studies to determine brand positioning in the market*
- *four (4) stage research process: formulation, analysis, monitoring, control.*

3) *to identify the likely results/outcomes*

- *product-market strategies*
- *impact analyses*
- *UK consumer perception analyses*
- *UK market segment studies*
- *UK distributor database for Caribbean products*

Specific Aims of the Investigation:

- i) to evaluate the existing international marketing strategy of the Windward Islands as it relates to the trading of bananas with European countries.
- ii) to assess the impact of the loss of EU trade preferences (duty-free access) after 2002 - the expiry date for the EU's regulations on the Single Market banana arrangements.

- iii) to create a framework for the development of International Marketing strategies for the Caribbean banana industry.

Critical Success Factors/Possible-Outcomes:

- (i) *Comparative ...*
- (ii) *Competitive...*
- (iii) *Impact.. and*
- (iv) *Consumer sensitivity studies.*

Methodology

A preliminary investigation was done in Tesco, Sainsbury, Asda, Safeway, Petticoat Market and West Green Road market in London, in order to glean consumer-buying behaviour in respect to bananas. The findings from this investigation have been integrated throughout this paper, as its function has been primarily to raise the relevant issues for further research. An overview of the methodology for the more detailed study follows.

Research Methodology

(i) Primary Research: *Fieldwork*

Objective: To Forecast & Assess the Impact of Liberalization

Policies on the Competitiveness of The Caribbean Banana Industry

The Fieldwork will involve:

Personal-Interviews (using judgemental samples) - face to face discussions/interviews with appropriate

officials from Caribbean governments and trade related Pan-Caribbean organisations.

Personal observation: regular first-hand attendance at relevant trade meetings, conferences, trade fairs, both national and international, for both primary and secondary data gathering.

Research Secondment/Placement: It is anticipated that this methodology will serve to facilitate an in-depth knowledge and understanding of the issues and possible solutions from the vantage point of being intimately involved with the subject matter on a more formalised basis, thereby helping to create a framework for the development of relevant international marketing strategies.

Analysis:

- 1) The data gathered from the Secondary Research will be analysed in order to set the background and establish the need for the study. [Aim (1)]
- 2) Data obtained from the interviews and other Primary Research techniques will be analysed for their relevance to present and future international competitiveness using existing comparative analysis models. [Aim (2)]
- 3) All data will be used to create an analytical framework as a proposed model/approach to this International Marketing problem and will be tested against a set of established indices. [Aim (3)]

(ii) Secondary Research: *Literature Review*

Objective: To Identify Existing Data/Research Findings on All Areas of the Proposed Investigation.

The secondary data involved in this research will be from:

- (i) *published work.*
- (ii) *periodicals*
- (iii) *journals*
- (iv) *previous research done in related areas.*

Library and other research facilities at the following venues have been targeted:

- *The Department of Industry & Trade, London, UK*
- *The European Commission, London, UK*
- *The Commonwealth Secretariat, London, UK*
- *The City Business Library, London, UK*
- *The Caribbean Council for Europe, UK*
- *The Caribbean Development Bank, W.I.*
- *The University of the West Indies, W.I.*

Introduction

The Problem/Threat:

- i) Due to the tightening of international trade liberalization policies, preferential trade agreements, which have been the mainstay of many

Caribbean economies, are slowly being eroded. For example: the reduction of tariffs under the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) has reduced the preferential margin enjoyed by some Caribbean countries.

- ii) The preferential access to the European market for bananas is now under serious threat, as identified in the EU's banana regime for the Caribbean's Lome members, due to expire in 2002.
- iii) Changes in the international trading environment have caused further competitive disadvantages for the Caribbean region; e.g., the end of the 'cold war' has seen a tendency towards a shift in the priorities for development and trade funding in favor of the former Communist states.
- iv) The Caribbean territories are by nature small sized and limited in resources. As such, they are unable to compete effectively in an aggressively competitive open market.

Key Questions

Price

What effect does price elasticity have on the demand for Caribbean bananas? Should pricing strategy be based on cost or competition?

Price means different things to different players along the distribution chain. To the consumer, it is the dollar value at which the

product is available and sold on the store shelves. To the producer, this price has to represent a fair return so as to maintain sufficiently high discount levels and rates of support for the intermediaries along the distribution channel - from importer, to wholesaler and retailer.

Setting the right price for bananas obviously has a great deal to do with market forces, competition and production costs. Nonetheless, there is another type of pricing that is more market driven. It has to do with customer perceptions of quality, consistency, value and reliability. On this basis, the pricing strategy of Caribbean bananas may be thus differentiated from competitive bananas and priced differently from the market (premium).

Some of the bases for differentiation may include organically produced, eco-friendly environment, innovative packaging and benefits differentiation (e.g., sweeter, smaller...). Mature markets, which are dominated by a few large players, may offer considerable opportunities for differentiation. However, critical to the success of a product differentiation strategy is customer research. Sustainable competitive advantage in these markets must be built on benefits perceived as valuable by the customers and then supported by customer care for the highest standards.

Promotion

Examine the effects of branding, positioning and USP on promotional strategy for Caribbean bananas.

M & S claims that over the years, their name has become one of their most valuable company assets. Customers would recognize that if a product bear the M&S name, it

would have been subject to rigorous quality standards. Hence, consumers demonstrate a commitment to quality, service and value when they buy M&S products.

Grocery retailing in the twenty-first century is predicted to usher in an era of unprecedented upheaval, where the slogan will become "differentiate or die". The forces of 'multimedia' and 'networking' are set to revolutionize customer interfacing and buying behaviour. New modes of shopping, such as home shopping, are expected to dominate the market culture and force leading retailers to adjust. Customers' perception of food value, food places are all being influenced in a significant way.

Another interesting trend is in the consumers' shift more towards eating out than eating in. Hence, restaurants, canteens, fast food outlets and home deliveries are becoming more the order of the day. Herein lies another opportunity for niche marketing, as far as the marketing of Caribbean bananas is concerned.

Product

What is the consumer perception of your labeling, packaging and branding of your commodities, as far as quality and design is concerned?

Consumers generally know the language of packaging. For example, white packs and stripes indicate diet products, while purple is associated with richness and intended to convey luxury and indulgence. Several good examples exist today, from which we can derive some lessons for the marketing of bananas. The psychologies of using smell, sound, lighting and association have all been well documented for years. It is, however, the latter strategy that I would like to draw

to your attention. Research has shown that consumer preference layout - the method of grouping products together works well in influencing consumer choice. This concept is also true higher up the distribution chain. Del Monte has successfully employed this strategy in marketing bananas, fruit drinks and fruit flavored snacks.

This is particularly attractive to customers, who of course recognize the brand and are thus more likely to feel well disposed to any new-related products introduced on the market that bears the same label. The attraction is also for retailers who know the value of product grouping, and would thus favour a range of products rather than one product line. Hence fresh bananas, tinned bananas, dried bananas grouped together will prove to be successful, on the basis of experiments carried out by Behavioural Dynamics. This augurs well for the Caribbean agricultural diversification strategy.

Place

Examine the relationship between Caribbean banana growers and the main supermarket retailers in the UK - *Sainsbury, Tesco, Asda, and Safeway.*

Are there other distribution opportunities with regard to *direct marketing, catalogues, streetmarketers and green grocers?*

The fight for the biggest share of shoppers continues among supermarkets, while the consumers become more demanding in their choices. Major grocery multiples in the UK have cut prices and extended opening hours, thus providing more competition for convenience stores, as well as discount stores. Some discount

retailers have extended their ranges in order to compete with supermarkets while petrol filling stations are remodeling to sell food and grocery items.

The UK market share of the main supermarkets is presented in this paper. However, it is important to point out the differences in their target markets. Tesco is particularly strong among the 20-34 year olds and the C1's. Sainsbury's customer profile, on the other hand, is mainly 55-64 year olds, Asda's clientele is mainly families who buy in bulk and are looking to save on a basket of goods. Safeway's customer profile is 25-34 year olds and AB's. Kwik Save, with its 9% of the market attracts mainly Es and those who are seeking cheap grocery items and essentials with no frills attached.

Importantly, research done by the research giants Mintel has shown that the main tangible influencing factors for supermarket patronage are location, prices and product range. As far as intangible factors are concerned, the main ones are longer opening hours and queue reducing measures at the check-out counter.

Segmentation

Explore Niche Marketing Strategies, paying particular attention to possible market segments such as *health food, children old age and sports segments.*

The strategy of market segmentation and specific targeting is one that is rife in the UK high streets. Last Christmas, Tesco handed out special gift vouchers to its loyal customers. For all the vegetarians on their books, they offered vouchers for fruit and vegetables. Diabetics had their targeted offerings and others were offered turkey vouchers. Mothercare designed a number of

packages for different age groups, in order to win the mothers' loyalty in the first few months, and beyond.

As such, banana marketers could secure strategic alliances with a store such as Mothercare, where for a period of time, a promotional scheme could be carried out to raise mothers' awareness of the value of 'small, sweet, exotic Caribbean bananas', as a source rich in energy. If this is successful, it could have implications for schools, nurseries, day centers, hospitals, and nursing homes, in the UK. Segmentation strategies do work.

Legislation

How would the following influence the international marketing strategies for bananas in Europe: *Anti-Cartel Laws, International Trade Regulations, Protectionist Policies, Tariffs, and Import quotas?*

Over the past decade, US economic assistance to the Caribbean has fallen by 90 percent - from US \$226 million in 1985 to \$22 million in 1995. Phasing out tax breaks for companies wishing to set up and operate in the Caribbean are another blow to the region - particularly Puerto Rico. The single most damaging blow for the Caribbean, however, has come from NAFTA. By opening up the US market to Mexico, CBI has been thus severely marginalised in terms of its effectiveness. In the textile industry, more than one hundred and fifty plants were closed between 1995 and 1996, leading to the loss of almost 123,000 jobs.

On the European front, Mr. Franz Fischler, the EU Commissioner for Agriculture, proposed and implemented an allowance of 90,000 tonnes of non-traditional ACP

bananas from countries such as Belize, Ivory Coast and Cameroon, to be imported under the same preferential terms as traditional ACP bananas. This has heightened the competitive arena for banana in Europe.

Consumer Behaviour

What is the customer perception of your brand? Can they tell the difference?

Research has indicated that most consumers and some retailers in London were totally unfamiliar with the Windward Island banana brand: Five Islands. However, further research showed that branding was not a significant factor in the purchasing decision of consumers of banana. Nonetheless, when given a choice, consumers would more readily buy a food item with the Del Monte brand than one with a Dole or Chiquita or Five Islands brand. For most of the consumers, Del Monte was a brand name with which they were familiar and which to them meant quality.

Research

Who buys bananas? How? When? Where? How much? And why?

What is other competition doing in the market?

Report on Pilot Study executed in London

Research figures indicate that bananas account for nearly 60 percent of the total export earnings of the Windward Islands, and nearly all of the agricultural export earnings of Dominica and St. Lucia. In Jamaica, more than 140,000 persons are involved in the trading of bananas, which contributes to job creation, income distribution and government and social stability. In Honduras and Costa Rica, bananas account for up to 40 percent of

exports. In terms of production and distribution companies, the 'big three' [Chiquita, Dole and Del Monte], control about two thirds of the world market, compared with just three (3) percent for the Caribbean growers. The latter, with the help of EU preference have held an 8 percent share of the European market.

The UK Market

The UK banana consumer market can be described as in a mature stage of its life cycle. Suppliers are all competing for a slice of the same cake - gains for one mean losses for others. Intense competition exists, so that customers have a wide range of choices and are well positioned to demand goods and services to satisfy their needs. A customer orientation is key to survival in this marketplace.

With this picture in view, why then concentrate on this UK market?

- i) **Stability:** a mature market is stable and relatively risk-free. Banana has been traded in the UK since before the World War, and is considered to be a part of the European diet, especially the Germans. For them bananas represent peace and prosperity; and democracy and freedom - more relevant for the former East Germans.
- ii) **Market value:** the overall value of the market is high even though growth is low. Caribbean countries, as part of the African, Caribbean and Pacific states, export more than US\$1.85 billion per year to the European Union. Bananas continue to be the number one produce seller in the main UK supermarkets - Sainsbury,

Tesco, Asda, Safeway, One relatively small branch of Asda reported annual sales of bananas in the region of two hundred and fifty thousand pounds sterling (approx., US \$400, 000).

- iii) Innovative creativity: In spite of the world banana market being dominated by the top three brands - Chiquita, Dole, Del Monte, there is still the opportunity of winning competitive advantage through innovation and creativity.
- iv) Product Development: Given the maturity of this market, strategic revival is possible through product development. This strategy involves extending the life cycle of bananas through extension into other banana-based products, and/or finding new uses for the fruit, plant or other part thereof.

UK Market Trends

The UK population is aging slowly, with an increasing life expectancy of UK residents. Thus it is expected that the elderly will account for an ever-increasing proportion of the population. Herein lies a market opportunity for the development of a segmentation strategy, aimed at this market segment.

The average UK household size is on the decrease, while the number of households is on the increase. Single person households are predicted to increase to 6.8 million by the year 2001. The elderly and single parents both contribute to this trend.

The implications of this trend lie in the individual sizes and number of fingers per hand of bananas sold. The option for smaller

sizes and fewer fingers per hand is one that is market driven. The price obviously will be another relevant factor, given the fact that limited financial capacity is a feature of this market segment.

The UK's high proportion of 'working women', or rather, 'economically active women', has contributed to a high level of disposable income of households, on average. This phenomenon has also impacted on the time that would normally be devoted to preparing and cooking food; hence the rise in pre-cooked and pre-packaged foods in the UK market.

Convenience shopping has dominated shopping habits. Research indicates that more than 70 percent of shoppers in the UK purchase their fruits and vegetables from the large supermarkets. As such the large 'multiples' have wielded significant power and influence in the market.

This trend indicates that the importance of the supermarkets is now superseding the former importance of municipal markets. Thus banana and other fresh produce exporters from the Caribbean would do well to develop a relationship with supermarket-approved traders in the UK.

Consumer expenditure on food remained static over the five-year period (1990-1995) at around 42 billion pounds sterling. Consumer expenditure patterns reflected lifestyle changes such as: growing demand for convenience, popularity of eating on the move, trend to healthier living. This trend led to an increase in the sales of fruit and vegetables - estimated in 1995 to be in the region of 7.3 billion pounds sterling.

With the wider availability of relevant information relating to health and diet, the

UK has seen an increase in expenditure on health and fitness foods. This has also spilled over into environmental awareness, where manufacturers are obliged to disclose when environmental risks may be relevant. This presents another niche marketing opportunity for 'exotic/healthy fruits' from the Caribbean into the UK.

Conclusion

The details outlined in this paper have sought to show another angle to the Caribbean banana issue. Historically, research and analyses have been centered on the supply-side of the market. This was appropriate because once the bananas were placed on the GEEST boats and bound for England, they were no longer the responsibility of the Caribbean banana growers. Issues relating to the pricing of the commodity in Europe; its promotion and advertising; its competitive positioning; its labelling, packaging and branding; retailer/wholesaler networking were all outside of the control or domain of the very people whose lives depended on the success of these marketing activities.

It can be concluded from this study that there is a viable market opportunity for the trading of banana related products into the UK. This is also true for exotic fruits and even unrelated products that bear the 'eco-friendly Caribbean kitemark'. Quality, consistency and reliability continue to be the salient factors that dominate consumer choice in the fresh produce market. Consumers do display loyalty to certain supermarkets, as well as brand awareness. This is usually translated in their purchase of a range of similarly branded goods.

As this research develops and as further trade liberalization policies take root,

one can anticipate a strengthening of the presence, the role and the competitive expertise and intelligence of those involved in the international marketing of Caribbean bananas, thereby securing thousands of livelihoods and thwarting a potential socioeconomic catastrophe in the process.

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