

**“A Methodology for the Development
of Regional Network Strategies to
Influence International Trade between
Small and Medium sized Companies
operating in
Fresh Food Wholesale Markets”**

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WUWM Goal:

- One of the WUWM's goals is the development of "new business" for the Small and Medium sized companies that operate on the Fresh Food Wholesale Markets.
- Over the last few years, the WUWM membership has defined "new business" to mean international business involving the importing and exporting of fresh food products.

WUWM Response:

- . In response to this request, the WUWM membership was initially divided into the following regional working groups:
 - 1) Asia-Pacific;
 - 2) Europe;
 - 3) The Americas; and
 - 4) Africa.
- Recently there has been an effort to develop an Eastern Europe working group.

WUWM Chairman observations:

- One of the WUWM Chairman's responsibilities is to observe the progress of each regional working group meeting. These observations have resulted in the conclusion that only one of the five regional working groups, the Europe regional working group, has made any measurable progress towards adopting an effective strategy for the internationalization of its region.

Presentation Purpose:

- The purpose of this presentation is to suggest a methodology for the development of regional network strategies intending to promote international trade between companies operating in different regional Fresh Food Wholesale Markets and provide you with a framework that may enhance the efforts of the WUWM's regional work groups.

Global Fresh Food Supply Chain

- The fresh food supply chain actually consists of many different links, each serving a role in the delivery of fresh food to the end consumer.
- The goal of the fresh food supply chain is to transport fresh food products from the point of harvest/production to the consumer in the shortest time possible while preserving the freshness, quality, and shelf-life of the product.

Fresh Food Wholesale Markets- *A Global Link*

- One of the links in the fresh food supply chain is the region's Fresh Food Wholesale Markets which are strategically located throughout various regions of the world.
- Fresh Food Wholesale Markets are multi-tenanted warehouse facilities comprising of multiple wholesale food companies, engaged in the storage, distribution, value-adding, buying and selling of fresh food products at the wholesale level.

Fresh Food Wholesale Market- Strengths

- The economic strength of Fresh Food Wholesale Markets resides in the diversity, quality, quantity, and cost of the supply of fresh food products they provide to their customers

Fresh Food Wholesale Market- Emerging Challenge

- One of the challenges facing Fresh Food Wholesale Markets is the fact that many of the customers they serve such as the regional/local retailers and regional/local restaurants are losing market share due to consolidation resulting in the growth of major multinational retailers that do not use Fresh Food Wholesale Markets as a primary link in their supply chain.
- This consolidation in the retail and food service sector is increasing on a worldwide basis, and the negative effect of this concentration on the world's regional/local socio-economics, such as the progressive exclusion of small local farmers/producers, and the elimination of local retailers/restaurant owners

Fresh Food Wholesale Market- Current Opportunity

- Because of globalization and the diversification of regions and cultures, companies operating at Fresh Food Wholesale Markets have in recent years experienced an increase in demand for ethnic food products from around the world
- The increasing efficiency of global communication, global transportation and the emergence of technologies such as those that slow the ripening processes of fresh food products, and/or packaging that otherwise extends shelf-life or offers a value-added product are enhancing the ability for market companies to acquire ethnic fresh foods from regions around the world, all year round.

Engaging in International Trade- Potential Result

- The internationalization of Fresh Food Market companies may lead to an increase in the diversity, quality, and quantity of the supply of fresh food products that they provide to their customers.
- This may provide Fresh Food Wholesale Market regional retailer and food service customers niche opportunities to better position themselves against the continuous growth of multinational retailers within their region by being more effective and efficient at satisfying the increasing local need for ethnic fresh food products.
- Together this effort may result in the preservation of regional/local socio-economics such as small local farmers/producers, and local retailers/restaurant owners

A methodology for the development of regional network strategies intending to promote international trade

- **Dr. John h. Dunning's OLI Paradigm**

- Emeritus Foundation Professor of Economics and Esme Fairbairn-Professor of International Business-University of Reading, UK
- Emeritus State of New Jersey-Professor of International Business- Rutgers University, USA
- Introduced OLI Paradigm in 1977

The OLI Paradigm

- The OLI Paradigm suggests that a company should strive to have competitive advantages in its domestic market that are unique to the company.
- And if a Fresh Food Wholesale Market company intends to participate in international trade these unique domestic competitive advantages should be of the nature that allows the company to transfer these competitive advantages to a foreign market.

The OLI Paradigm competitive advantages are comprised of three major components: Ownership, Location, and Internalization.

- 1) What?-Ownership,
- 2) Where?-Location, and
- 3) How?-Internalization.

Specific examples of “Ownership” or the “WHAT” advantages that may be pursued by Fresh Food Wholesale

Market companies include:

- RFID/bar-coding technology,
- wireless warehouse technology,
- refrigeration,
- irradiation,
- international packaging capabilities,
- quality control,
- trade promotion,
- product handling/storage knowledge,
- competitive pricing,
- grading/sizing technology, and
- knowledge of international logistics.
- Effective and efficient use of the World Wide Web is offering exciting new opportunities for companies to extend their customer base into the global marketplace without vast expense

Specific examples of “Location” or the “WHERE” advantages that may be considered by Fresh Food

Wholesale Market companies include:

Foreign markets that have:

- competitively priced diverse ethnic fresh food resources,
- reduced transportation costs,
- favorable import/export promotion strategies,
- food laws favorable to the international exchanges of fresh food products and
- low import/export tariffs.

Specific examples of “Internalisation” or the “HOW” advantages for Fresh Food Wholesale Market

SME’s to consider:

The modes of entry into the foreign market:

Possible regional joint venture partners.

Joint venturing with foreign Fresh Food Wholesale Market companies.

Foreign Direct Investment-Operating a warehouse in the foreign market.

*While focusing on transactional costs such as those relating to product delivery, ordering, handling, tracking, and price changes.

OLI Advantages

- Having an understanding of the OLI competitive advantages may provide Fresh Food Wholesale Market companies with an initial roadmap and foundational framework for the development of an effective regional network comprehensive strategic plan.
- The remainder of this presentation focuses on the impact regional network strategies may have on the development of these unique OLI competitive advantages leading to the international trade between Fresh Food Wholesale Market companies.

One way for Fresh Food Wholesale Market companies to consider developing these OLI competitive advantages may be through the cooperative efforts of a regional network.

Regional networks can provide access to information on:

- foreign markets,
- financial and governmental resources,
- connections and/or joint venture opportunities with other companies engaged in foreign activities, and
- provide an opportunity for companies and management to form binding value-added relationships that help them deal better with such disadvantages as smallness, and isolation.

Typical problems with developing successful regional networks:

- Fresh Food Wholesale Market companies generally lack the time, motivation, and resources to engage in long-term planning resulting in an inability to represent themselves adequately.
- Without a comprehensive strategy, there often are no coherent avenues through which they can make their needs known;
- while at the same time, large fresh food companies have greater resources and thus better access to policy makers, leading to an ability to influence regulation in their favor.

Success via the “Hard Network”

The Hard Network consists of:

- A professionally trained industry facilitator
- Five or more members
- Financial commitment by network members

Hard Network Success

- The real key to the success of these hard networks appears to be their emphasis on a business analysis which results in a formal agreement between the members of the network and a comprehensive network strategic plan.
- There is evidence which suggests that these hard networks have succeeded in stimulating export growth, improved participant competitiveness by reducing costs and encouraging innovation, while providing members with an alternative strategy to 'going-it-alone'.

The Impact of “Soft Networks” on International Trade- WUWM

- Soft networks such as industry associations, like the WUWM, can provide the following:
 - potential leadership incubators that can provide industry professionals with the opportunity to develop the ability to influence others in a positive way and to see the results of that direction.
 - By actively participating in an organization, the individual gains a deeper understanding of the other members and their areas of expertise.
 - These individuals may also serve as candidates to be further trained as regional network facilitators

Soft Network Opportunities-WUWM

- An opportunity for soft international networks to better serve their membership in the internationalization process:
- Joint venturing with institutions of higher learning such as leading agricultural/ international business universities, to develop industry specific facilitator training programs for the development of qualified group facilitators knowledgeable in the OLI Paradigm framework.
- The soft network, like WUWM, can provide further opportunities for these regional networks to meet with and develop international strategic plans with the other regional networks for the exchange of (fresh food) products.

Conclusion

This proposed methodology for the Development of Regional Network Strategies to Influence International Trade between Small and Medium sized Companies operating in Fresh Food Wholesale Markets contains the following:

- **A comprehensive strategic plan,**
- **Based on a sound foundational framework such as the OLI paradigm**
- **Developed by a Hard Network, and**
- **Supported by a Soft Network**