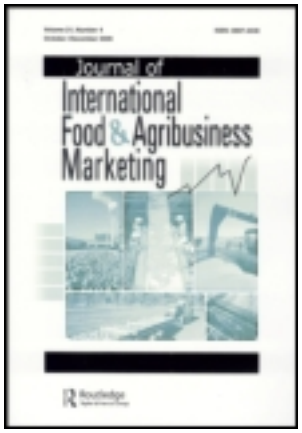

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Export Marketing Arrangements in Four New Zealand Agriculture Industries: An Institutional Perspective

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The article examines the effectiveness of export marketing arrangements in 4 of New Zealand's agricultural industries within an institutional perspective. The coordination tasks and economic return from the export were investigated in each industry. Safeguarding problems within a deregulated marketing arrangement might explain reluctance to engage in joint marketing efforts. The gain from setting up new arrangements that foster profitability must be perceived as larger than the setup costs and perceived future costs of mounting down existing arrangements. A framework for design of export marketing arrangements in agriculture industries is proposed. Suggestions for future research are outlined.

KEYWORDS agriculture industries, export marketing arrangements, institutional analysis, New Zealand

INTRODUCTION

The variety of export marketing arrangements within a national agribusiness sector includes arrangements ranging from deregulated market to single-desk. A deregulated market implies the absence of regulations, both voluntary and compulsory, on how agribusinesses can organize its exports. Single-desk arrangements can be organized by statutory marketing boards that act as compulsory agents, controlling or performing one or more of the functions of export marketing on behalf of the producers of particular agricultural

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commodities. In the agribusiness sector, cooperatively owned export companies are also commonly found as voluntary export marketing arrangements. For example, Fonterra, which is owned by 11,000 New Zealand farmer shareholders, is the world's largest dairy exporter. Other examples of regulated export marketing arrangement through cooperatively owned exporters include Arla, the Swedish/Danish cooperative dairy company, and Danish Crown, one of the world's top three meat exporters. However, the international food and agribusiness marketing literature has shown limited interest in the effectiveness of different marketing arrangements between local food production regimes and global food commodity markets.

This article examines the effectiveness of four different marketing arrangements ranging from market to single-desk arrangements in New Zealand's agricultural industries. The aim of the article is to identify the institutional environment's impact on the export marketing arrangements within these industries. New Zealand's agricultural industries are particularly good examples for studying the institutional environment's impact on export marketing arrangements for several reasons. First, we find a range of arrangements and recent changes in New Zealand. Second, the topic of regulation versus deregulation is of high practical importance for both the industry actors and the political establishment. Third, both the national and regional economies are highly dependent on profitable primary producers (Anell & Bonnedahl, 2003; Chadee, 2002; Chen & Duan, 2000; Olsen, Thach, & McCampbell, 2007). The effect of market arrangements on the success and prosperity of primary producers is therefore of vital importance.

Within the international food and agribusiness marketing literature field, the effect of the institutional environment has attracted little attention. However, both external and internal environments affect food exporters' behaviors and decisions (Huang & Sternquist, 2007). Their foreign market entry choices can be analyzed by applying institutional theory. This article includes external environment factors in the development of a model of export marketing arrangements within agriculture industries by introducing institutional theory as a potential theoretical framework. An examination of the institutional environment's impact on export marketing arrangements investigates the linkages between the environment of primary food producers, export channel strategies, and economic outcome. Also examined is how the strategies employed by the local food producers may mediate the impact of the institutional environment on the economic outcome. Third, we suggest an empirical-based framework for design of export marketing arrangements in the agriculture industries.

TOWARD A CONCEPTUAL FRAMEWORK

From an institutional perspective, social and economic interrelations among firms and common dependencies on a whole range of external actors (i.e.,

the institutional environment) are sources of pressure for isomorphism or conformity that give rise to firm homogeneity (i.e., institutional arrangements). Institutional environments (IE) are exogenous to institutional arrangements (IA). IE refers to macrolevel aspects of society such as the political and regulatory system, cognitive beliefs and knowledge, and cultural norms (Carson, Devinney, Dowling, & John, 1999).

Isomorphism pressures refer to influences for conformity exerted on firms by the institutional environment that define or prescribe socially acceptable economic behavior (DiMaggio & Powell, 1983; Scott, 1995). These pressures cause firms to tend toward homogeneous structures and strategies. The macrolevel forces within the IE may pressure the local food producers to retain inefficient export marketing arrangements or to develop new arrangements. Export marketing arrangements can therefore be viewed as institutional responses to pressures and conditions from the IE (Grewal & Dharwadkar, 2002).

The Institutional Environment

Scott (2001) distinguishes three dimensions within the institutional environment. Those are regulatory, normative, and cultural-cognitive dimensions.

The regulatory dimension of the IE refers to the laws and other requirements of the government and other regulatory bodies. The regulatory dimension is influencing export marketing arrangements through imposition and incentive mechanisms (Grewal & Dharwadkar, 2002). Coercive powers of institutions are imposed directly through laws and regulations. Incentives such as subsidies, tax, tariff, or other concessions may also influence institutional arrangements.

The normative dimension of the IE refers to values and norms in the society that effect behavior (Scott, 2001). Mechanisms of normative elements that influence the behaviors of the channel members include adopting socially appropriate codes of conduct and mimicking the behaviors of other firms (Grewal & Dharwadkar, 2002). The local food producers adopt certain modes of conduct and mimic structures and processes from other producers and industries they consider justifiable.

The cultural-cognitive dimension of the IE refers to the "prefabricated organising models and scripts" in order to conform to cultural-cognitive institutions (Scott, 2001, p. 58). Certain mechanisms are used to habitualize and yield programmed actions with the cultural dimension of IE. These include organizational inertia, in which past practices become untouchable, and bypassing, where actors become highly socialized into their role expectations, to the extent that habitualized responses bypass formal organizational controls (Grewal & Dharwadkar, 2002).

Institutional Arrangements

Institutional frameworks for modeling firms' behavior claim that organizations attempt to incorporate norms from the institutional environment for

their "formal and informal micro-level rules of exchange devised by specific parties to a specific exchange" (Carson et al., 1999, p. 115). The "specific exchange" studied in this article is the export of agriculture products. The export marketing arrangements within an agriculture industry refer to the rules of exchange in exporting. Two dimensions of this institutional arrangement are of importance for the primary producers: coordinating tasks and appropriate returns (Gulati & Singh, 1998).

Coordination deals with the interdependent nature of the activity sets and investments both horizontally (i.e., between the primary producers) and vertically (i.e., between primary producers, secondary processors, and exporters) that are needed to realize the goals of a profitable export. Appropriate returns refer to the ability of the primary producers to capture their fair share of the economic value generated from the agricultural export.

These problems occur in any interfirm relationship, but the nature of the primary producers (i.e., small in size and many in numbers) makes the coordination and appropriation concerns of significant importance to them. Based on a review of a broad range of marketing literature and inspired by Frazier (1999), four groups of coordination tasks are investigated in this article in addition to the primary producer's profitability (i.e., appropriate returns).

Channel leadership activities: Partners' asymmetries in the distribution channel can create an unequal balance of power (Harrigan, 1988). A dominant partner often emerges as a channel leader or captain with substantial influence on the distribution channel's effectiveness and long-run survival (Bucklin, 1973). A dominant channel member can impose its strategies on the rest of the chain (Price, 1991). It is therefore of interest to investigate how the primary producers' coordination through channel ownership and downstream integration is influenced by the institutional environment.

Internationalization activities: Considerable research attention has been drawn to the relationship between a firm's degree of internationalization and its performance (e.g., Kobrin, 1991). Empirical evidence about the relationship has been rather mixed (Sullivan, 1994). Mostly positive relationships have been found for small and medium-size enterprises (SMEs; Autio, Sapienza, & Almeida, 2000; Zahra, Ireland, & Hitt, 2000). For large, established multinational companies (MNCs), positive, negative, and insignificant relationships have been found (Tallman & Li, 1996). This leads us to study how the coordination of internationalization activities is influenced by the institutional environment.

Innovation activities: Rodríguez and Rodríguez (2005) show that a firm's ability to sell products in international markets requires an important degree of competitiveness, which essentially exists in the firm's intangible resources. In the academic literature on exporting, a key issue has been to explore how products are developed and brought to markets as part of the internationalization process (Andersen, 1993; Li, Nicholls, & Roslow, 1999). There is thus reason to explore the effect of the institutional environment on the ability to coordinate innovation activities successfully (i.e., develop and bring products to markets).

Branding activities: The brand of any product has consistently been regarded as an important element of marketing strategies. Differentiating and branding of essentially generic products enables producers to develop consumer loyalty. Thus, branding is an essential element of marketing strategies for capturing a greater share of consumers' spending (Buhr, 2004). However, it is easy for agricultural industries to recognize the value of certification marks and quality labels, but branding of generic products requires a more market-oriented industry willing to invest in branding activities on international markets (Grunert et al., 2005). How the coordination of the industries' branding strategies is affected by the institutional environment is therefore studied.

The primary producers' economic outcome: The institutional arrangements should encourage cooperation and determine how gains from the exports should be divided sufficiently to motivate the primary producers to be involved in their allotted activity sets and investments. A new institutional arrangement often requires a primary producer to acquire significant investments and costly activity sets that lower the cost in other parts of the distribution channel or generate channel-wide benefits. Therefore, a new arrangement must also support a fair reallocation of profit.

Performance assessment in general and export performance assessment in particular are a complex issue (Barney, 2002). Leonidou, Katsikeas, and Samiee (2002) listed several problems; for example, firms do not report the financial data needed, valid archival data are inaccessible, national accounting standards differ, and specification and assessment of exporting costs differ. The strategic management literature has used objective, profit-based performance measures, but recent research also advocates productivity-based performance measures such as sales growth (Bloodgood & Sapienza, 1996; Rasheed, 2005). Because comparable quantitative data on the success and profitability of primary producers is not accessible, judgments are based upon contemporary reviews of industry analysis, annual reports from the marketing boards and some of the largest exporters, Ministry of Agriculture & Forestry (MAF) reports, and key informants. Indicators such as export market prices, export trends, and profitability trends helped us to broadly categorize the primary producers' success and profitability across the export marketing arrangements.

In light of the theoretical considerations in this chapter, this study addresses the question of how the institutional environment is incorporated in the behavior of agribusiness firms in general and agribusiness firms in New Zealand specifically. The study focuses on two research questions:

RQ1: How and to what extent is the export marketing arrangement of agribusiness firms affected by their institutional environment?

RQ2: How effective are the resultant export marketing arrangements for profitable coordination tasks between primary producers and between primary producers and downstream members of the value chain?

RESEARCH METHOD

Multiple-Case Design

A case study approach is employed in this research, including various qualitative approaches (Denzin & Lincoln, 1994). A case study according to Yin, 1989, is "an empirical inquiry that investigated a contemporary phenomenon within its real life context, where the boundaries between the phenomenon and context are not clearly evident, and in which multiple sources of evidence are used" (p. 23). Four different New Zealand agricultural industries were selected in an attempt to maximize variation of the export market arrangements of the industries. The Kiwifruit Case was selected for its single-desk arrangement for exports, the Meat Industry Case represents an industry dominated by a few large exporters, and the Wine Industry Case represents an industry with a large number of exporters (reassembling deregulated exports). These cases were therefore categorized between single-desk and deregulated export arrangements. In addition, the Pipfruit Case was selected because it represents a changing institutional arrangement (i.e., a move from centralized exports (1946–1999) to a deregulated market arrangement for exports (1999–).

Data Collection and Case Analysis

The general analytical strategy is comprised of the theoretical propositions that led to this study and are reflected in the literature review, as well as the research questions, which shaped the data collection plan. For each industry, the purpose of the case study was to show how the export marketing arrangements are affected by their institutional environment and how coordination tasks between primary producers and between primary producers and downstream members of the value chain are organized. The research questions helped organize the case studies and define and examine alternative explanations in addition to guiding the analyses of causal relationships; in other words, answering the "how" and "why" questions. The analyses used a pattern-matching logic that compared empirically based patterns with predicted ones and a time-series analysis that traced changes over time (Yin, 1989).

Within each case, the dimensions of coordinating tasks (i.e., channel leadership, internationalization, industry innovativeness, and branding strategies) and appropriate returns from the institutional arrangements are analyzed. Desk research of accessible literature, documents, and websites was carried out in the same way for all four cases and was based on the dimensions discussed in the Theory section. Based on a field research plan, interviews with key informants in the respective industries, industry analysts, and governmental officials were subsequently carried out. A review of the trustworthiness of the study and the findings is given in Table 1.

In the following section, the cases are presented in a largely descriptive format. Because we do not have comparable quantitative data on the

TABLE 1 The Trustworthiness of the Study and the Findings

Trustworthiness criteria	Methods used in this study
Credibility: The degree to which the results are a credible account of the social reality.	Several methods and sources of data are employed, including multiple observers, respondent validation, multiple sources (such as interviews with key informants and stakeholders), and documentary information (such as memoranda, minutes of meetings, written reports, formal studies, newsletters, board reports, annual reports and news clippings). *Result:* Emergent ideas and questions were altered and expanded.
Transferability: The extent to which findings hold in another context or in the same context at another time.	Theoretical sampling, that is, cases selected to maximize variations of export marketing arrangements. Thick descriptions. *Result:* Provide others with a database for making judgments about the transferability of findings to other milieu.
Dependability: The stability or consistency of explanations—whether the findings are unique to the time or place.	Data covering events across many years and in several industries. *Result:* Consistent findings across data sources.
Confirmability: Interpretations are the results of data and the studied phenomenon, not personal values and researcher biases.	Summary of findings to colleagues and key informants. *Result*: Interpretations were expanded and refined.

dimensions, the descriptions are based on current reviews of qualitative data. Based on the characterizing indicators, the export marketing arrangements are characterized between single-desk arrangements to deregulated export arrangements; the dimensions of channel leadership and control, internationalization, the role of innovation and the overall success and profitability at the primary producers' level are characterized as high, medium or low; and the industries' overall branding strategies are discussed in terms of generic versus private branding strategies. Due to limitation of space, most of the empirical findings are summated in Table 2. Full description of the cases can be obtained from the corresponding author.

RESULTS

The Kiwifruit Case

The history of kiwifruit in New Zealand dates back to 1904 when the first trees were imported from China. Almost 50 years later, in 1952, kiwifruit was exported for the first time to the United Kingdom and Australia. The original name of the kiwifruit was "Chinese Gooseberry," referring to the country

TABLE 2 Key Feature of the Four Agriculture Industry Cases

Institutional arrangements	The kiwifruit case: Single desk export	The meat case: Limited numbers of exporters	The wine case: 150 export-certified wineries	The pipfruit case: From single-desk to deregulated export
Channel leadership	Controlling the distribution channel from the orchard to the retailer.	Controlling the domestic distribution channels. International retailers in control of the overseas channels.	Approximately 1,100 grape growers and 700 wineries. Inherent conflict potential in the industry structure. Both foreign and local ownership among the largest wineries.	Changed from a long-lasting control from orchards to retailers (i.e., single-desk regime) to a fragmented structure controlled primarily by wholesalers and international retailers.
Internationalization	Marketing and promotion services in 8 markets. Contracted growers in the northern hemisphere. Licensed production in Japan, Italy, France, South Korea, California, and Chile.	85% of the production is exported. Exporters have sales reps in important markets. Limited degree of overseas processing and ownership.	>65% export sales. Representatives/partners in United Kingdom, United States, Canada, and Australia.	Alliances with growers in Argentina and Chile terminated due to substantial losses. 5 exporters account for 85% of the export. 70% foreign ownership in NZ largest exporter.
Innovation	The Zespri Gold—a yellow kiwifruit—was patented in 1998. Licensed production at overseas markets. 12 months delivery by means of licensed production and own production at overseas markets and in the northern hemisphere.	Focus on efficiency and engineering issues related to farmers (e.g., health, emissions, productivity, genetics).	Development of varietal styles, regional characteristics, and sustainable production. Industry-wide development programs (i.e., the Sauvignon Blanc Flavour and Aroma Project, the Marlborough Wine Research Centre). >85% from certified sustainable production.	Changed from industry-initiated research (i.e., the development of varieties such as Gala, Royal Gala, Braeburn, Jazz) to small-scale company-driven development projects.

(*Continued*)

TABLE 2 Continued

Institutional arrangements	The kiwifruit case: Single desk export	The meat case: Limited numbers of exporters	The wine case: 150 export-certified wineries	The pipfruit case: From single-desk to deregulated export
	TQM and storage systems for extended shelf life. Logistics: onshore transport by 70 ships to 65 overseas markets.			
Branding	Zespri™-brand, established in 1997, successfully differentiating NZ kiwifruit from its competitors. All kiwifruit products for export are Zespri™-branded (except export to Australia). Four Zespri™-branded products are exported.	Some private brands, but the products mainly perceived as commodities originating from New Zealand. Country of origin (the "Lamb Rosette") promoted by the Meat & Wool NZ, the farmers marketing board.	Generic marketing campaigns in export markets as a platform for individual and regional brand promotion.	Changed from generic country-of-origin promotion (New Zealand, ENZA) to single branding strategies (i.e., ENZA; Jazz, Pink Lady)
Primary producer's economic outcome	Market price 30–40% above Chilean and Italian kiwifruit. Increased volume, sales, and profitability last 6 years. Orchard gate return: 40–45% of sales.	Export market prices generally lower compared with domestic prices. Steady meat export returns last 4 years. Decreased farm profits last 3 years.	Highest average sales price for wine in the UK market. Strong NZ dollar, higher fuel prices, increased labor costs last years. Bulk export of wine, introduction of discount brands in 2005 and 2006.	Changed from a successful industry from 1970s to early 1990s to a long-lasting crisis. Substantial loss on export of key varieties. Number of growers reduced from 900 in 2004 to 700 in 2005. 10% of commercial apple trees felled in 2005.

Note. TQM = total quality management.

where it originated. It was called gooseberry because its taste resembled that of a ripe gooseberry. The kiwi name was adopted in 1959. For many years, New Zealand was the leading exporter but has lost market shares in recent decades. The largest producing countries are Italy and China, followed by New Zealand (30%). The value of the New Zealand kiwifruit export was about NZ$1.45 billion in the 2008/2009 season. New Zealand is the largest exporter of kiwifruit, exporting 13 times the volume of the next largest exporter.

The institutional environments impact on the export marketing arrangements: The initial growth of the industry is characterized by a fragmented structure of individual growers, grower cooperatives, distributors, and exporters. The first joint marketing effort by the industry was initiated in 1970 through the establishment of the Kiwifruit Export Promotion Committee. This arrangement was followed by the Kiwifruit Marketing Licensing Authority in 1977. This body was given the rights to establish standards for the size, packaging, and quality of kiwifruit for export and to act as an advisor for the government. Through this body, the growers got part control of licensing exporters. During the 1980s, New Zealand lost the first mover advantage in overseas markets and new kiwi exporting countries appeared. At the same time, the seven New Zealand licensed exporters competed fiercely against each other instead of collaborating. This resulted in a crisis caused by unstable demands and consequently declining profitability for the growers. The crisis initiated a joint governmental and grower effort to establish a single-desk export arrangement. The New Zealand Kiwifruit Marketing Board was established for the purpose of promoting and selling kiwifruit in overseas markets and for developing and maintaining high-quality standards from the growers to the end consumers. However, a new crisis emerged in the 1990s from increasing supplies of kiwi from the new exporting countries entering the markets, and the export arrangement was reorganized again. Today, the export arrangements are organized by Zespri International Ltd., owned by the approximately 2,700 growers through Zespri Group Ltd., which was established in 2000 based on the Kiwifruit Export Regulations and the Kiwifruit Industry Restructuring Act of 1999 (Beverland, 2001). The growers are in full control of the company and hence the value chain from the growers to the retailers. The export marketing arrangement is therefore characterized as a centralized arrangement with a "single-desk" approach. The exports to Australia, however, are deregulated as a benchmarking arrangement imposed by growers and policymakers who are apprehensive about the single-desk approach. The Australian government also wanted free imports of kiwifruit.

The Meat Case

The value of the New Zealand meat exports reached NZ$5.0 billion for the year ending September 2008. Animals numbered 34 million sheep and 4.4 million beef cattle in 2008. New Zealand exports of sheep represented about

a third of the world's total sheep meat exports from just 4% of the world's total sheep meat production.

The institutional environments impact on the export marketing arrangements: The New Zealand meat industry was largely restructured during the 1980s. The restructuring was initiated by growing competition and the removal of subsidies in 1983. As an example, the farm price for a 13-kilogram lamb carcass dropped from NZ$23 to NZ$13 after the removal of the subsidies. The industry became more vertically integrated and the primary processors gained a large degree of control over the secondary processor segment. Sales offices were established in the most important overseas markets (R. Clemens & Babcock, 2004). The share of the industry owned by farmers' cooperatives increased from 30% in 1985 to 70% in 1990. Many firms merged into larger units, and several of the largest firms owned shares of other large firms, and vice versa. A debate on single-desk versus free and regulated meat export arrangements was hot at the end of the 1990s, but the problem was the few emerging large companies that could not easily fit into a centralized, single-desk arrangement. Another debate has been on the ownership of the processing industry. Today, there are about 150 licensed processors, almost all of which also have export privileges. However, 4 of the largest processors contribute to about 80% of the meat exports, 3 of which are controlled directly and indirectly by the farmers. The export marketing arrangement is therefore characterized by a limited number of licensed exporters contributing to most of the meat exports.

The Wine Case

The New Zealand wine industry is a relatively young and emerging industry. The industry has mainly developed after World War II. Some of the first pioneers were the Croatian immigrants who developed the industry in the Auckland Region. The second group of pioneers were winemakers in the Hawkes Bay Region. Today, the most productive region is Marlborough, on South Island (approximately 65% of total production), followed by Hawkes Bay (15%). The Sauvignon Blanc grape is the decidedly most important grape in New Zealand's wine industry. The expansion of the industry started in the 1980s, and total export of New Zealand wine reached 112 million liters (NZ$990 million) for the year ending June 2009, a new industry record.

The institutional environments impact on the export marketing arrangements: Three factors have shaped the industry structure and the export marketing arrangements: first, the legislation on producer boards (i.e., the Wine Makers Levy Act of 1976 and the Commodity Levy Act of 1990). Both grape growers and wineries were placed under the Commodity Levy Act in 2005. This legislation has directed the organization and financing of the industry organizations and producer boards. Second, the increasing demand from overseas markets and third, increased production and new entrants have

affected the industry. To protect the reputation of New Zealand wine by ensuring that no faulty wine is exported from New Zealand, the Wine Export Certification Service was established. The system requires that the New Zealand Food Safety Authority (NZFSA) certifies that all exported wine complies with regulations and standards. The NZFSA has contracted the New Zealand Winegrowers to run the service. New Zealand Winegrowers is the national organization for New Zealand's 1,000 grape growers and 700 wineries that are automatically entitled to membership through payment of the grape or wine levies. A winery must be audited for compliance with the Record Keeping Code of Practice prepared by New Zealand Winegrowers before it can submit wines for export certification. Approximately 150 wineries are export-certified today.

The Pipfruit Case

New Zealand has exported apples since 1890. Today, New Zealand's apple production accounts for less than 2% of the global production, but 65% are exported, which makes New Zealand one of the top 10 exporters of apples. The long history of New Zealand's apple production and exports includes both periods of prosperity and despair for the industry (Fitzgerald, 2003). The industry experienced 15 years of success from the late 1970s to the beginning of the 1990s. This period was followed by a long-lasting crisis for the industry. Fierce competition from new exporting countries such as Chile, Brazil, and China put pressure on the New Zealand exports. The deregulation of South African exports and consequently increasing numbers of exporters, in addition to an oversupply of other fruits such as bananas, affected the international market prices negatively. In this period, even large multinational companies such as Chiquita International experienced severe problems. Chiquita International went bankrupt but was restructured again in 2001. Today, the pipfruit industry is facing the worst crisis ever, according to many observers (Dobbs & Rowling, 2006) even though an increase in export crop is expected for the 2009 export season.

The institutional environment's impact on the export marketing arrangements: New Zealand Fruit Growers Federation was established in 1916, and all apple exports were centralized and regulated by the establishment of the Fruit Export Control Board in 1926. Due to the success of centralized export, the Control Board was followed by the New Zealand Apple and Pear Marketing Board (NZAPMB) in 1948. This board controlled both exports and domestic sales. The domestic market was deregulated in 1994, and in 1999, new export licences could be issued to other exporters that fulfilled a number of marketing strategy requirements. This first attempt at deregulation was followed by the restructuring of the Marketing Board in 2000 to ENZA Ltd. The shares of the new company were transferred to the 1,100 apple and pear growers based on their production volume. However, trading of the shares was restricted to

growers only. This restriction led to depreciated share prices, not accounting for accumulated assets and goodwill of the former NZAPMB and its ENZA brand. Four months after the establishment of ENZA Ltd., the international investment holding company Guinness Peat Group, in partnership with a large local grower, acquired 20% of the shares at 25% of the market price, according to many observers. In November 2002, Guinness Peat Group acquired 100% of the ENZA shares. Pipfruit exports were deregulated in October 2001, and the number of exporters increased from 1 to about 100 in 2003. Exporters, other than ENZA Ltd., have their export applications considered by a separate body, the Apple and Pear Export Permit Committee. In 2003, ENZA Ltd. merged with Turners & Growers Ltd., New Zealand's largest fruit and produce wholesale company, which is partly owned by Guinness Peat Group. Summing up, the export marketing arrangements have shifted from a single-desk selling arrangement that was dismantled after more than 50 years and replaced with a deregulated export marketing arrangement.

Table 2 summarizes the coordination tasks (i.e., channel leadership, internationalization, innovation, and branding activities) of the primary producers within the different industries in addition to an assessment of the industry returns from export activities.

DISCUSSION

Table 3 summarizes some of the most important insights from the studies and indicates intercase differences on all investigated factors. The cases represent four different export marketing arrangements ranging from regulated single-desk arrangements to deregulated exports. The kiwifruit case represents an

TABLE 3 Schematic Comparison of the Four Cases

	The Kiwifruit case	The meat case	The wine case	The pipfruit case
Export marketing arrangements	Single-desk exports	Limited numbers of exporters	150 export-certified wineries	From single-desk to deregulated export
Channel leadership/ Control	High	High	Medium	High → Low
Internationalization	High	Medium	Low	Medium → Low
Industry innovativeness	High	Low	High	High → Low
Branding strategies	Zespri	Generic ("New Zealand Lamb Rosette").	New Zealand wine as a category. Generic ("New Zealand Wine—the riches of a clean green land."	Generic → Private (ENZA, Jazz®, Pink Lady®)
Primary producers' outcome	High	Medium	Medium	High → Low

arrangement where all exports are centralized to one single exporter, the meat case arrangement includes a few large exporters, and the wine case arrangement allows free export as long as you comply with export certificate requirements. The pipfruit case represents a rearrangement from a single-desk approach to a deregulated free export.

The analysis of channel leadership and control activities shows that in both the kiwifruit and the meat cases, primary producers exercise control through extensive ownership, which is also partly the case in the wine industry. The pipfruit case shows a shift from a high to low degree of control and ownership. Tentatively, in industries with centralized and regulated export marketing arrangements, it appears as if the primary producers also have increased control of the marketing channels through ownership and leadership.

Of the four cases investigated, the kiwifruit case appears to possess the highest degree of internationalization. On the other end of the scale, we find the wine case and the pipfruit case with the lowest degree of internationalization. The meat case is judged to possess a medium degree of internationalization. Tentatively, it seems as though industries with deregulated export arrangements have a lesser degree of internationalization.

Product innovations, process innovations, and patents vary across the cases. Both the kiwi and the wine industries are categorized as innovative, the meat industry is categorized as low on industry innovativeness, and the pipfruit industry has experienced a move from a high to low degree of industry innovativeness. Therefore, there is no clear pattern between export marketing arrangements and the innovativeness of the industry. However, we found some indications that deregulated marketing arrangements promote innovations to a lesser extent in established industries such as the pipfruit and meat industries. The New Zealand wine and kiwifruit industries can be seen as new industries, therefore attracting entrepreneurs promoting industry innovations (Carswell & Gunaratne, 2005; Gray, Boehlje, Amanor-Boadu, & Fulton, 2004).

The kiwifruit industry has successfully developed the Zespri^{TM} brand in overseas markets. The meat case picture is a bit more blurred, but at least the "New Zealand Lamb Rosette" is recognized in the UK market as a high-value cue for New Zealand lamb products. The wine industry has successfully established New Zealand wine as a product category in the overseas markets, and finally, the pipfruit industry successfully promoted the ENZA brand in the 1990s. The brand was acquired by one of the pipfruit exporters and is not promoted to the same extent as before, even though the main reason for acquisition was the brand equity of ENZA. Tentatively, it appears as if industries with regulated export marketing arrangements better enable the exporters to establish and promote recognized brands in international commodity markets. This is also the case in the New Zealand dairy industry, which is not investigated in this study.

Based on several indicators at the industry level, we also got the clear impression that the profitability varies across the cases investigated. The

kiwifruit case represents highly profitable primary producers, the meat and wine cases are classified as medium profitable, and the pipfruit case shows a shift from profitable to unprofitable primary producers. It appears as though the primary producers' profitability is highest in cases where some kind of regulated export marketing arrangements exists.

Intercase differences were found on all investigated activity sets and investments. The overall picture from the four cases points toward marketing arrangements that regulate both the price competition among the primary producers and the number of exporters and that the quality of the commodity products is better for the local food production industries compared with totally deregulated exports. How can these differences be explained?

First, a transaction cost analysis (TCA) might explain some of the differences across the cases. TCA argues that specific investments create exchange difficulties due to their nonredistributability and successive lock-in effects (Williamson, 1996). Safeguarding problems among primary producers within a deregulated marketing arrangement industry due to risks of opportunism might explain some of the reluctance to engage in joint marketing efforts and preemptively avoid such potentially productive investments.

Second, an institutional analysis might also offer some explanations. Bello, Lohtia, and Gangtani (2004) developed a conceptual model to explain the role of institutions in marketing channels. The export marketing arrangement can be labeled IA—institutional arrangement—within this conceptual model. IA refers to the rules of exchange. The central role of an IA is to encourage collaboration and resolve the distribution of gains sufficiently to inspire all firms to participate in their given activity sets and investments (Carson et al., 1999). The macrolevel institutional environment (IE) can pressure the local food producers to implement new IAs (i.e., deregulated marketing arrangements) that might be suboptimal from the primary producers' perspective.

Taking the TCA and the institutional explanations together, a move from regulated arrangements to deregulated export arrangements appears to be easier compared with an opposite move. Adoption of regulated arrangements has been an incremental process over time, but mounting down these arrangements and replacing them with deregulated arrangements (i.e., a "sink or swim" approach) seems to be feasible within a shorter period.

However, rearranging or adopting new IAs in global marketing channels is a difficult task. The many different regulatory, normative, and cultural-cognitive elements of IEs surrounding global marketing channels create constraints and challenges for international marketers. Therefore, the marketers and local legislators who develop statutory marketing arrangements must realistically assess how the global marketing channel IEs affect the local IAs and also how IAs in other parts of the marketing channel "fit" the local IAs. It appears that the rearranged IAs at the wholesale and retail levels (i.e., vertical integration), and the adoption of deregulated export market

arrangements at the primary producers' level, benefit the downstream parts in the channels.

CONCLUSIONS, LIMITATIONS, AND FUTURE RESEARCH

Drawing on Wernerfelt's (1994) efficiency criterion and Williamson's (1996) notion of remediability, Carson et al. (1999) developed the criterion of remediable efficiency for institutional design. Our study tentatively supports the argument that rearrangement or adoption of new export marketing arrangements should meet the following three requirements:

The joint profit requirement: This criterion requires a minimum joint profit for the industry arising from the ability to match supply and demand better. Rearrangement or adoption of new export marketing arrangements should only be implemented if the institutional environment and arrangements support that joint profit maximization is aligned with firm profit maximization. If we assume that a new export marketing arrangement leading to increased joint profit has been identified, the next requirement is its feasibility.

The reallocation feasibility requirement: Constraints in the institutional environment surrounding the industry will affect the design of new export marketing arrangements in the industry. The reallocation feasibility requirement necessitates that the institutional environment supports export marketing arrangements that increase the profitability and success within the industry. Support of or hindrance to increased profitability may be found among political and social elements affecting institutional arrangement feasibility (Carson et al., 1999).

The power of the political elements of institutional environments surrounding New Zealand's agricultural industries are best described as a unitary political entity (i.e., polity) organized hierarchically with a strong central government. There has been a strong drive toward more deregulated export marketing arrangements among the political elements in the last decade. However, a unitary polity makes institutional arrangements more vulnerable to unilateral changes by the polity.

From an institutional perspective, the clearer the social norms of cooperative behavior within an institutional environment, the greater the range for beneficial exchanges to go through. The characteristics of specific exchange activities on the feasibility of institutional arrangements in the industry also appear to be an issue related to profitability of the industry. Apparently, inefficient export marketing arrangements in an industry can be remediably efficient when the characteristics of the exchange activities are considered. It is therefore reasonable to believe that characteristics of exchange activities may be a barrier to increased profitability in the industry. A presumably inefficient export marketing arrangement may be perceived as remediably efficient with regard to profitability.

The switchover feasibility requirement: The setup costs of replacing an existing export marketing arrangement for a new arrangement that promotes profitable industry activities and the future cost of mounting down the existing arrangement must be included in the remediable efficiency calculus. A new arrangement involving profitable industry activities may or may not be feasible, depending on cultural aspects of and past choices with regard to the development of the existing arrangement. Specific investments shouldered to increase the efficiency of interaction within an existing export marketing arrangement may create a lock-in condition, and future arrangements are constrained. According to North (1990), path-dependent lock-in effects (that is, the effects of the nonredistributability of specific investments) make it difficult to assume that steadfast institutional arrangements are efficient. On the other hand, we cannot conclude that a new institutional arrangement and associated activities are more efficient based on the remediable efficiency criterion.

Taking switchover costs into account, the net gain may be negative. In other words, the gain from setting up new export marketing arrangements that foster profitability in the industry must be perceived as larger than the setup costs and perceived future costs of mounting down existing export marketing arrangements.

The institutional perspective on the existing and evolving export marketing arrangements highlights the relationship between public policies and the firm strategic responses to those policies. Given the importance associated with addressing key issues such as the national and regional economic impact of successful primary industries, a deeper understanding of the impact of different institutional alternatives on firm choices is helpful for policymakers and managers alike. Our study will thus add to the growing body of literature studying the relationship between institutional pressures and firm strategic responses (B. W. Clemens & Douglas, 2005; Greve, 1998; McNamara, Deephouse, & Luce, 2003; Oliver, 1991).

In closing, we address three limitations of our study that point to future research of the topic: first, we have only studied four of New Zealand's agricultural industries. This limitation could be dealt with in future studies of agricultural industries in other countries. South African and Chilean agricultural industries are obvious candidates due to the growing agricultural exports from these countries. Second, our primary focus was not on the dynamics of export marketing arrangements but more on the differences across arrangements. Future research should therefore focus on the process of rearranging and the adoption of new export marketing arrangements. Due to the growing export from South Africa and Chile in the recent decade, the export arrangements have undergone dramatic changes and appear as such as relevant cases. The institutional perspective is new to the international marketing literature. Future research should therefore use the perspective as the stepping-stone in the research of institutional pressures and the industry strategic

responses with regard to export marketing arrangements. This would further develop its explanatory power.

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