

Distribution Channel of Tropical Fruits in the Netherlands Market

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Abstract

Tropical fruits have started to gain acceptance in the European market. For instance, banana, papaya and pineapple are commonly available at the retail food outlets in Europe. However, only selected tropical fruits are distributed and the main source of these fruits are the Asian countries. With the increased awareness of the value of these fruits that is associated with healthy eating, the potential of fruits in general and tropical fruits in particular is huge. Subsequently, it is crucial to understand the structure of tropical fruit supplies in the European market in order to design appropriate channels that would reach the ultimate targeted market segments. Hence, the objectives of this paper are to explore the supply and distribution structure of tropical fruits in the Netherlands market; and to identify distribution channel structure of tropical fruits. In this study, 100 industry channel members were interviewed to gain first-hand information about tropical fruit supplies in the context of the Netherlands. The Netherlands is chosen due to its strategic location as a gateway to European markets. Content analysis of interview responses and percentage counts of quantitative data were included in the research results. Findings of this research indicated that tropical fruits are brought into the Netherlands through importers and wholesalers and then they are distributed to retail outlets such as supermarkets, retail stores and traditional open markets. In addition, the findings indicate that in order to access high-end consumer segments via supermarket chains, the quality of tropical fruits is important. The alternative channels via retailers and traditional grocers are also available at a lower margin. The findings from this research can serve as useful guidelines for tropical fruit producers and exporters to support their decision making.

Key Words:

Tropical Fruits, Distribution Channel, Netherlands Market, Importer, and Supermarket

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INTRODUCTION

World import of tropical fruits is expected to reach 4.3 million tonnes by 2010 of which 87% of this demand would come from markets in developed countries. Among the biggest markets for tropical fruit import are the European Commission (EC) markets, followed by the United States. Both the markets constitute a total of up to 70% of the import demand. In terms of market demand, United Kingdom is the largest market followed by France and Germany (Medium-term prospects, 2003). Even though the European Union (EU) acts as a single market, EU consumers' preferences might be different. For the EC markets, the Netherlands remains as the major European transshipment point or gateway for imported tropical fruits. Therefore, it is important to understand the tropical fruit distribution channel of the Netherlands. This information is useful to establish network contact in order to penetrate the EU markets. One of the immediate issues that requires attention is the understanding of foreign market distribution channel and industry characteristics in the Netherlands, especially in a country that serves as a gateway to European markets. Thus, an indepth understanding of the characteristics of the channel members and its operation of tropical fruit distribution would definitely enable better access for Malaysian growers and exporters into the Netherlands market. The objectives of this study are:

- (i) to explore the supply and distribution of tropical fruits in the Netherlands market; and
- (ii) to identify distribution channel structure of tropical fruits in the Netherlands market.

LITERATURE REVIEW

Role of Distribution in Marketing

The success of a company often depends on its ability to manage the marketing activities. McCarthy (1964) has simplified these marketing activities into four broad groups of 4 Ps: product, price, place and promotion. According to Bennett (1995), marketing is a process of planning and executing the conception, pricing, promotion, and distributions of ideas, goods, and services to create exchanges that satisfy individual and organizational goals. Today, marketing must be understood as a process of satisfying consumers' needs (Gronroos, 1995). With this customer-driven approach, the products are conveniently accessible to the consumers (Chekitan & Schultz, 2005). Hence, distribution ensures that consumers find their products in proper quantities at the right time and place.

Marketers have realized that a good product alone does not suffice to motivate customers to purchase it unless they could buy the product whenever and wherever they want it. Since few producers sell their products directly to the final users, companies use intermediaries to bring the products to the market. Intermediaries or channel members work together to deliver superior value for the final customers (Hannon, 2005; Liker & Choi, 2004). Consequently, the company's distribution strategy affects other marketing decisions such as the company's targeted price of the product, sales force and promotion efforts.

Distribution Channels

Stern and El Ansary (1995) define marketing or distribution channels as a set of interdependent organizations involved in the process of making a product available for consumption. To deliver superior products to consumers, channel members must have good relationships with each other to optimize the performance of the entire system (Porter, 1996). For instance, Coca-Cola's dedication to working closely with channel members has earned Coca-Cola a 68 percent share of the U.S. soft drink market (Lorge, 1998).

Channel members may include retailers, wholesalers, agents and direct distributors who operate through the Internet and mail order. Since marketing is defined as an exchange process (Jain, 2004), a company must determine the type of channel which best meets the seller's objectives and distribution needs of customers. Short distribution channels involve few intermediaries while long channels have many intermediaries working to move goods from producers to customers. For consumer goods, the channels typically have two levels, leading from producers to wholesalers and retailers. Regardless of the differences in distribution channels, marketers must convince their members that they can succeed better by working together as part of a cohesive value delivery system (Grossman, 2004).

A key goal of a distribution channel is to develop deep, enduring relationships with all channel members that affect the success of the firms' marketing activities (Liker & Choi, 2004). The relationship aims at building mutually satisfying long-term relationship with key parties – customers, suppliers, distributors and other marketing partners. Many managers realize that the action taken by one channel member can influence the performance of others (Johnson & Pyke, 2000). The costs of poor coordination can be extremely high since inefficient use of warehouse resources, high transportation costs and high inventories are examples of variables that can impede a company's distribution channel. The number of variables increases as the product moves from consumer to grocery store to distribution centre to factory, a phenomenon that is called bullwhip effect (Baganha & Cohen, 1998). Thus, Kulp, Ofek and Whitaker (2003) highlight the

need of better coordination of members in order to enhance better information flow and generate value in the distribution channel.

Progress in information technology has set the stage for a better distribution strategy. For instance, Mal-Mart has forced many manufacturers to improve their management of inventories through the use of technology and the Internet. Innovation such as electronic data interchange (EDI) makes information easily available to marketing partners and the speed with which it is available has radically reduced inventories and increased customer services (Moinzadeh & Aggarwal, 1997; Lee & Whang, 1999). Companies see themselves as part of a chain to gain competitive edge by improving the long-term performance of each individual company and channel as a whole. The strategic competitive advantages to be gained by adopting an effective approach to distribution strategy is widely recognized (Mentzer, et al., 2001).

Distribution Channel of Fresh Produce in Europe

Distribution channels are influenced by the type of product, type of consumer, and size of business. Several studies have been conducted to analyze the distribution channels in Europe. Grant (1995) noticed that the supply industry of European fresh produce is highly fragmented with three common channel members operating at the primary supply and distribution levels. First, marketing boards such as Pear Marketing Board constitutes an important part of EU fresh produce import trade. Second, integrated fruit companies such as Fyffes, Chiquita and Dole are large international suppliers that emphasize on added-value, branded products with high degree of vertical integration. Meanwhile, specialist importers make up the largest share of fresh produce supply operators in Europe. These players have strong presence in wholesale markets and take the most number of risks as the supply chain shortens and becomes increasingly competitive.

Neves and Neves (1999) found that changes in the orange distribution channels in Europe are threatening, but at the same time the changes can bring opportunities to companies. The study shows that the orange supply chains have changed due to consumers' needs and desires and the increasing number of innovative products launched by the food industry. Hence, channel members should be segmented to satisfy very specific needs of retailers, customers and others. Similarly, Zylbersztajn and Farina (1998) proposed the recognition of market segments and their respective needs, and the organization of vertical coordinated chains. In Europe, 80 percent of all fresh produce is sold via supermarket chains and discounters. These products are pre-packed and ready for retail outlet shelves and cooling counters. Since these retailers do not get the fruits themselves, specialized fruit trading houses import most of the fresh produce into European countries.

Research on the European distribution channel reveals the need for channel members to adhere to several regulations and industry standards. For instance, since the establishment of the European Union (EU) as a single market, imports from non-EU countries are permissible only at the external borders of the EU. Hence, there is a need for specialist importers since these players are equipped to handle incoming fresh produce in a very efficient manner, with temperature controlled storage, logistics, and transportation ([HYPERLINK “http://www.austrade.gov.au”](http://www.austrade.gov.au) <http://www.austrade.gov.au>). In addition, channel members that supply fresh produce in Europe must follow the main industry standards which include Hazard Analysis Critical Control Point (HACCP), EUREPGAP, and produce marketing standards. EUREPGAP refers to Euro-Retailer Produce Working Group (EUREP) and Good Agricultural Practice (GAP). EUREP represents leading European food retailers and has developed a framework for Good Agricultural Practice, called EUREPGAP.

Distribution Channels of Fruits in the Netherlands

In the GfK Consumentenpanel Nederland, Frugi Venta Annual Report of 2005 (report on consumer panel for fruit and vegetables purchases), it is made clear that supermarket chains are the main distribution channels of fruit and vegetables. The total volume traded in 2005 was € 3.7 billion (refer to Table 1). Out of this, € 2 billion is traded through supermarket chains (54%), followed by the daily or flea/open market (32.5%) and green grocer or fruit and vegetables shops (13.5%). Table 2 shows the share of volume in the purchase of fresh vegetables and fruit for individual sales channels in the Netherlands. The distribution of fresh fruits is mainly through the supermarket chain followed by the open market. Green grocer and home delivery enjoy relatively smaller shares. Therefore, to penetrate the Netherlands market it is crucial to access the supermarket chains.

Table 1: Value of Selected Market Segments in 2005

Market Segment	Euro (in Billion)	Percentage (2005)*	Percentage (Average)
Supermarkets (5000 Outlets)	2	54%	65%
Daily/ Flea Market	1.2	32.5%	20%
GreenGrocer/Shops/Fruit/Vegetable Stalls	0.5	13.5%	15%
TOTAL	3.7	100%	100%

*2005 percentage is calculated based on the share of volume of three selected market segments.
Source: Adapted from GfK Consumentenpanel Nederland, Frugi Venta Annual Report 2005, page 10.

Table 2: Share of Volume in Purchases of Fresh Fruit and Vegetables for Individual Sales Channels in the Netherlands

	Vegetables			Fruit		
	1999	2002	2005	1999	2002	2005
Supermarket	73%	77%	84%	63%	68%	75%
Greengrocer	11%	8%	5%	12%	9%	7%
Home delivery	1%	1%	1%	3%	2%	2%
Open-air market	11%	10%	6%	18%	16%	12%
Other	4%	4%	4%	4%	5%	4%
TOTAL	100%	100%	100%	100%	100%	100%

Source: GfK Consumentenpanel Nederland, Frugi Venta Annual Report 2005, page 10.

European Union Requirements of Tropical Fruits

The European Union is a custom union that has a common tariff for third countries importation into EU markets. In the fruit and vegetable sector, EU has a common market organization (CMO) that is involved in policy mechanisms and trade agreements to stabilize markets (Common Market Organizations, 2001). EU's requirements for foodstuffs export are high especially in terms of food quality and safety. Several mandatory legislative requirements include general good law, certificate of conformity, maximum residue limits and phytosanitary regulations and plant protection.

European Food Safety Authority was established in 2002 (European Food Safety Authority homepage [HYPERLINK "http://www.efsa.europa.eu/EFSA"](http://www.efsa.europa.eu/EFSA) <http://www.efsa.europa.eu/EFSA>). It underlines procedures in food safety, other general principles and requirements and provisions on the traceability of food. The General Food Law was enforced in January 2005. A Certificate of Conformity is required for all import consignments of fresh fruits and vegetables from countries outside of the EU. The Maximum Residue Limits (MRLs) for pesticide residues is the EC Marketing Standards requirements. A Pesticide Residue Analysis report should accompany each consignment and the labs providing the report must be accredited or ISO approved. The International Plant Protection Committee (IPPC) sets the International Standard for Phytosanitary Measures (ISPM) in order to ensure that the imported agricultural goods are free from plant diseases or insects. It also prevents the EU crops from contact with phytosanitary harmful organisms that might be transferred from the imported consignments. Other measures of fruit import include firmness of the fruit, freshness, color/appearance, packaging presentation, uniformity in size, free from damage and abnormal external moisture.

Recently the EUREPGAP certification is required especially for supply to supermarket chains and high-end retail outlets. EUREPGAP is a common standard of farm management created by technical representatives of several European supermarket chains, with input from major suppliers. It consists of standard processes of the product to be applied before the seed is even planted until the time it leaves the farm. This is to ensure that the best practice in systematic and consistent approaches is applied throughout the entire agriculture chains from seed selection, farming, chain of processing, packaging and distributing channels until the products are delivered to the end consumers. This is accomplished through standardization of procedures and compliance criteria.

It is believed that in 2008, EUREPGAP certification is obligatory in order to supply to EU markets. EUREPGAP provides widely accepted standards and procedures for the global certificate of Good Agriculture Practice (GAP). In September 2007, EUREPGAP changed its title and logo to GLOBALGAP. This change reflects its expanding role in establishing Good Agricultural Practices, based on mutual agreement between multiple retailers and their suppliers (EUREPGAP homepage, GLOBALGAP homepage).

METHODS

A combination of focus group and industry interviews were carried out to gather data for this study. At the beginning, a focus group study based on purposive sampling technique was conducted among a group of Malaysian fruit suppliers and exporters who are involved in exporting fruits to the EU including the Netherlands. Eight fruit suppliers and exporters and five government officials who are involved in the marketing of tropical fruits participated in this focus group on a voluntary basis. These people were invited because of their active involvement in tropical fruit marketing, distribution and export. The focus group identified problems and issues in the tropical fruit industry particularly the exportation of fruits to the European market. Findings of the focus group discussion served as the basis for developing a structured questionnaire to be used in industry interviews.

Industry interviews were carried out among the Netherlands importers/re-exporters, distributors, wholesalers and retailers to examine the characteristics of tropical fruit distribution activities and to determine the distribution structure of the selected tropical fruits. There are about 400 importers of fruits and vegetables in the Netherlands (Holland Fresh Guide 2005/2006). In this study, 100 fruit distribution channel members (i.e. importers, exporters, distributors, wholesalers and retailers) were purposively chosen as sample for the study. The researcher planned to involve 50 importers/exporters/distributors and 50

retailers or a few more retailers due to the nature of the environment where the retailers outnumber the importers/exporters/distributors. Ultimately, data was collected from 47 importers / exporters / distributors and 53 retailers (refer to Table 3). In addition to interviewing these business owners or managers, observations were made of the distributing facilities, storage of tropical fruits and traditional open markets displays of tropical markets to understand the daily functions of tropical fruit distribution and market spread of tropical fruits within the local community. This research approach would generate more information that is useful to draw an explanatory framework for the tropical fruit distribution structure in the Netherlands market. Table 3 shows the composition of the sample respondents and the key information that were gathered from them. The study took approximately six months to complete the secondary and primary data collection, data analysis and reporting. Importers, exporters, distributors and wholesalers were grouped in one category due to their overlapping function. Usually, importers also perform as exporters that re-export their imported fruits and vegetables to other EU countries. The same importers also take on the role of distributors and wholesalers that encompass the distribution function within the Netherlands.

Table 3: Characteristics of the Research Sample

Sample Group	Characteristics
Importers/Exporters/Distributors/ Wholesalers (n~47)	<ul style="list-style-type: none"> • Handling of tropical fruits • Type of tropical fruits • Sourcing of tropical fruits • Price indicators • Preference of tropical fruits • Distribution facilities • Volume estimation • Mode of payment • Handling of damaged goods • Regulatory procedures involved in tropical fruit distribution • Observation photos
Retailers (n~53)	<ul style="list-style-type: none"> • Type of retailers (supermarket chain, retail outlet and traditional grocer) • Type of tropical fruit distribution • Packaging and presentation of tropical fruits • Promotion activities • Estimation of pricing and volume • Observation photos

RESULTS AND DISCUSSION

Sample Characteristics

A total of 100 field interviews and observations were carried out (refer to Table 4 for the breakdown of the respondents). Large scale importers are channel players that directly import fruits and vegetables from overseas. The large scale importers do not deal with retailers as they mainly supply to wholesalers. Eleven large scale importers that operate in the Netherlands as well as Europe were interviewed. Importers and wholesalers form the second tier of players in the fruit and vegetable distribution channel. These importers and wholesalers perform both functions of importing fruits and supplying to other retailers in the Netherlands and EU. A total of 35 importers and/or wholesalers were interviewed. Large scale retailers are retailers that operate retail chain and they purchase tropical fruits for their entire retail outlets. These retailers usually have their own private distribution center or warehouse. Twelve large scale retailers consisting mainly of supermarket chains were included in this study. Meanwhile, retailers are privately-owned retail outlets or mini-markets. Since retailers are the largest group in the distribution chain, 38 retailers were interviewed based on voluntary participation during the period of data collection. Traditional open markets were also included in order to understand the entire distribution network in the Netherlands market. Other than interviews to collect data, field observations were carried out on four open markets. Open markets refer to traditional markets that operate on the street without a permanent store. Temporary outlets are set up on a weekly basis where retailers display fruits, food and other products such as clothing and kitchenware along the street for sale.

Table 4: Sample Category and Size (N = 100)

Sample Category	Sample Size
Large Scale Importer	11
Importer/Wholesaler	35
Large Scale Retailer	12
Retailer/ Small Retailer	38
Open Market	4

Fruit Supply and Distribution Size

Tropical fruits available in the Netherlands are usually imported from South America, Africa and Asia. These countries include Brazil, Colombia, Surinam, Mexico, Costa Rica, Thailand, Indonesia, Vietnam, the Philippines and Malaysia. From the results displayed in Table 5, some tropical fruits such as starfruit, pomelos and rambutans are also imported to the Netherlands. However, mangosteens, dragon fruit, durians and jackfruit are not very common. In terms of size of the fruit distribution, there are different sizes for different type of fruits. Table 6 presents the common distribution sizes of the selected tropical fruits.

Table 5: Tropical Fruit Distribution and Sources of Supply

Type of Fruits	Frequency count of distributor that distribute the fruits	Source of Supply (Country Base)
Starfruit	33	Malaysia, Taiwan, Israel (very small quantity)
Dragon fruit	24	Vietnam, Thailand, Malaysia (very small quantity)
Papaya	50	Colombia (cheaper price), Brazil, Thailand, Ecuador, Surinam, Malaysia
Pineapple	41	South America, Costa Rica (Dulce Gold Pineapple), Brazil, Ecuador, Mexico, Ghana, Spain, Malaysia
Mango	44	South America, India, the Philippines, Thailand, Pakistan, Mexico, Mali, Carribean, Peru, Malaysia
Pomelo	31	China, Thailand, Israel, Malaysia (price too high)
Rambutan	31	Thailand, Indonesia, Malaysia
Mangosteen	28	Thailand, Indonesia, Africa, Malaysia (Hardly seen in the market)
Durian	18	Thailand, Malaysia, Africa
Jackfruit	17	Malaysia, Thailand (in pre-packed form) Depends on demand, hardly seen in the market

Table 6: Tropical Fruit Consumption and Distribution Size for European Market

Type of Fruits	Frequency Count (based on the 100 responses)	Distribution Size (the size that wholesalers distribute to retailers)
Starfruit		
Decorative	15	<ul style="list-style-type: none"> • 150gm per piece • 20 pieces/ box
Consumption	4	<ul style="list-style-type: none"> • 1 box 3kg
Decorative & Consumption	4	<ul style="list-style-type: none"> • <150gm per piece • 24 pieces/ box • 1 box 3.5kg
Dragon fruit		
Decorative	1	<ul style="list-style-type: none"> • 500gm/piece • 10 pieces/box
Consumption	11	<ul style="list-style-type: none"> • 1 box 5kg
Decorative & Consumption	2	
Papaya		
Decorative	2	<ul style="list-style-type: none"> • <800gm/piece • 7-9 pieces/box
Consumption	18	<ul style="list-style-type: none"> • 1 box 6kg
Decorative & Consumption	-	
Pineapple		
Decorative	3	<ul style="list-style-type: none"> • >1.5kg /piece • 6-8 pieces/box
Consumption	13	<ul style="list-style-type: none"> • 1 box 11-12kg
Decorative & Consumption	3	
Mango		
Decorative	2	<ul style="list-style-type: none"> • >500gm/piece • 6 pieces/box
Consumption	15	<ul style="list-style-type: none"> • 1 box 4kg
Decorative & Consumption	1	<ul style="list-style-type: none"> • 500gm/piece • 8 pieces/box • 1 box 4kg
Pomelo/Citrus grandis		
Decorative	-	<ul style="list-style-type: none"> • 1-1.25 kg /piece • 9 pieces/ box
Consumption	12	<ul style="list-style-type: none"> • 1 box 10 kg
Decorative & Consumption	-	
Rambutan		
Decorative	-	<ul style="list-style-type: none"> • >30gm/piece • 12 pieces/small package
Consumption	15	<ul style="list-style-type: none"> • 4 packages/box
Decorative & Consumption	-	<ul style="list-style-type: none"> • 1 box 2kg
Mangosteen		
Decorative	-	<ul style="list-style-type: none"> • <100gm/piece • 20-24 pieces/box
Consumption	13	<ul style="list-style-type: none"> • 1 box 2kg
Decorative & Consumption	-	
Durian		
Decorative	-	<ul style="list-style-type: none"> • Frozen Fresh Durian • 454gm per package
Consumption	12	<ul style="list-style-type: none"> • >1.5kg each
Decorative & Consumption	-	
Jackfruit		
Decorative	-	<ul style="list-style-type: none"> • >15kg/piece • 1 piece / box
Consumption	9	<ul style="list-style-type: none"> • 1 box 15-18kg
Decorative & Consumption	1	

Distribution Channel Structure of Tropical Fruits in the Netherlands

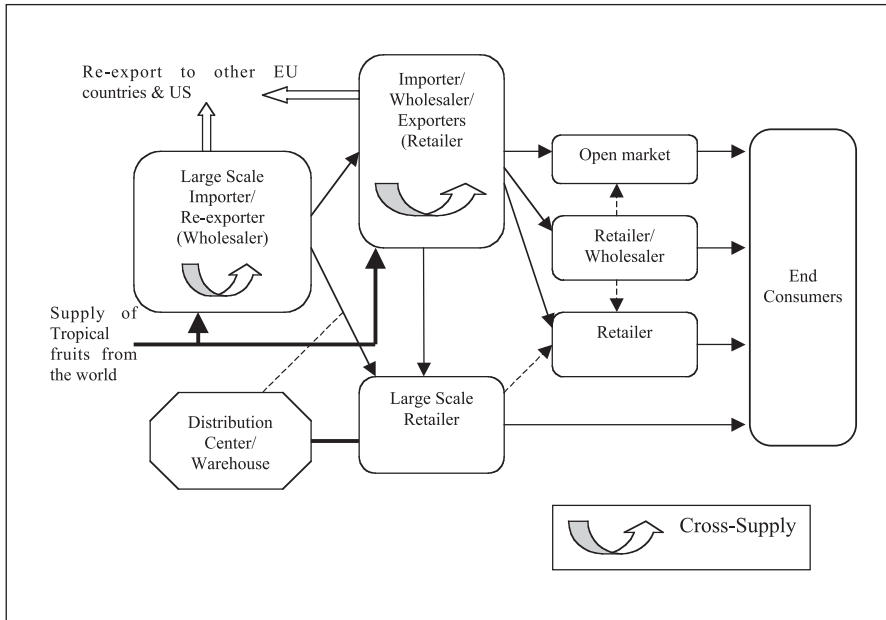
Overall, the distribution channel in the Netherlands is well-developed and well-connected. With reference to Figure 1, the channel members include large scale importers, wholesalers, and exporters. These channel members are the big players in fruit and vegetable distribution in the Netherlands as well as European markets. They usually hold multi-roles from importing fruits and vegetables from various parts of the world, sourcing from South America, Asia and also local suppliers to re-exporting to other European countries and redistributing them throughout the Netherlands. In their distribution network, they supply to other importers, wholesalers, exporters and sometimes retailers (especially large-scale retailers like supermarkets).

In particular, large scale importers are channel players that directly import fruits and vegetables from overseas. The large scale importers do not deal with retailers; they mainly supply to wholesalers and re-export the imported products to other EU countries. They are also called wholesalers by buyers in EU countries. In the Netherlands, they are called exporters because they export the products to EU countries. Thus, in the Netherlands business environment, a player usually performs multiple roles in the distribution channel.

Importers and wholesalers are the second tier players in the fruit and vegetable distribution channel. These importers and wholesalers perform both functions; they import fruits and act as wholesalers that supply the produce to other retailers in the Netherlands and EU. Since they supply the fruits to other retailers in the EU, they also act as exporters. As mentioned earlier, multiple functions are common among distribution channel members. For example, in cases where individual buyers can also come to the premises of these wholesalers for substantial purchase meaning they also perform as retailers.

Large scale retailers refer to those that operate retail chains and they purchase tropical fruits for their entire retail outlets and usually have their private distribution center or warehouse. Retailers are individual retail outlets or mini-markets operated by private owners. Open markets refer to traditional markets that operate on the street without permanent store. Temporary outlets are set up on a weekly basis where retailers display fruits, food and other products such as clothing and kitchenware along the street for sales. Ultimately, tropical fruits are purchased by the end consumers either at open markets, retail outlets or large-scale supermarket chains.

Figure 1: Overview of the Netherlands Channel of Tropical Fruit Distribution



Large-Scale Importers and Wholesalers

In the group of importers and wholesalers, two significant segments are identified: large scale importers and importers/wholesalers. The first group is the large scale importers. Examples of large scale importers are as follows:

- | | |
|---------------------------------|----------------------|
| (1) Aartsenfruit | (6) Hispa Fruit |
| (2) Agro Fair | (7) Natures Pride |
| (3) Bud Holland | (8) OTC Holland |
| (4) De Groot International B.V. | (9) Stacy Food Group |
| (5) FTK Holland | (10) Valstar Group |

This group of channel members plays a key role in fruit distribution throughout the Netherlands and the European market. As shown in Figure 1, large importers import fruits from various fruit exporters and some even directly contact the fruit farm operators and fruit and vegetable wholesale centers to ensure that they enjoy a certain targeted margin. Farm operators refer to business entities that operate or manage their own farms. Therefore, the pricing of the fruits is at farm level. Fruit exporters are exporters outside of the Netherlands. These exporters export various products including tropical fruits to the Netherlands' large scale importers (re-exporters). In the international market, there are also wholesaler centers. In each, a substantial number of wholesalers function collectively as a

distribution center. In the Netherlands, large-scale importers can deal directly with these wholesaler centers to source their products including tropical fruits.

The main customers of the Netherlands large scale importers are big buyers such as other importers/wholesalers in the Netherlands, importers/ wholesalers in Europe and large scale retailers. To supply to this group of importers, fruit products must be accompanied with the EUREPGAP certificate, especially in 2008, where the EUREPGAP requirement becomes obligatory. EUREPGAP was set up in 1997 by the Euro Retailer Produce Working Group and eventually developed into a partnership between agriculture producers and their retail customers. EUREP is a private body that sets voluntary standards of agricultural products from around the world. EUREPGAP provides widely accepted standards and procedures for the global certificate of Good Agriculture Practice (GAP). It consists of standard processes of the product before the seed is even planted until it leaves the farm.

Based on the interviews conducted with the large scale importers, the first criterion that their clients looked for when purchasing fruits are the standards and procedures set out in EUREPGAP (refer to Table 7). This is because their clients require this certification. In order to fulfill their clients' requirements, they have included this as the key criterion in the buying decision. Large importers are usually not involved in re-packaging since all imported products are sold in containers and pallets. Mixed pallets may be supplied upon request by the customers.

Table 7: Feedback from Large Scale Importers (n = 11)

Statements	Summary Remarks
Import/export activities	Actively involved in importing and exporting activities of fruits and vegetables. Source from the world and distribute throughout Europe. General turnover is more than €100 million.
Decision making criteria of tropical fruits	Quality, price and consistency of supply
Facilities	Have their own cold rooms and cold-storage vehicles.
Mode of payment	Letter of credit via IBAN (International Bank Account Number) Direct bank transfer and Bank guarantee for suppliers
Credit term	Usually within _ month to 1 month Longer credit term is given to supermarkets as payment is secured. The same credit term is received from suppliers.
Company policy on defective goods	The common practice is to take the photo of the defective goods and send credit note to the suppliers <i>or</i> accept the fruits and sell at a lower price.
Service	Deliver the ordered fruits to their customers. Rent out the storage space (warehouse space) for their customers.
Import requirement	EUREPGAP Certification Compliance to all EU rules and regulations Brand name is not an issue except for well-established brand names such as Chiquita Banana and Dole pineapple.
Packaging requirement	Standard container and pallet size Does not involve itself in re-packaging and pallets are ready to be transported to the customers. Mixed pallet is provided according to customers' requirements.
Promotion	Use push strategies that usually highlight the fruits that they carry and service provided. Do not promote specific country products. Promotion of the specific country products depends on the exporting country. For example, the Thai government and exporters support products with posters and various promotional materials.
Malaysian products	Receive minimum materials about Malaysian products. The only exception is starfruit. The companies import starfruit mainly from Malaysia.
Collaboration potential	Interested to collaborate with Malaysian exporters and farm operators; however, this depends on the quality, price and supply consistency No general collaboration terms, this depends on specific negotiation.

Importers/ Wholesalers

The second group of tropical fruit network is the importer/wholesaler. These channel members distribute fruits and vegetables within the Netherlands markets as well as neighboring European countries such as Germany, Belgium and France. They import fruits from foreign exporters as well as suppliers from the Netherlands large scale importers. Their main customers are retailers in the Netherlands and European countries. To supply to this group of importers, fruit products must possess minimum EU requirements (i.e. residue analysis). EUREPGAP certificate is an added advantage but not obligatory; however, it may be the basic requirement in the near future.

According to these companies, their clients' criteria in fruit purchasing decisions are price and quality. As shown in Table 8, wholesalers try to avoid any re-packaging work as labor cost is extremely high in Europe. However, minor re-packaging is sometimes performed to meet their clients' packaging requirements. Some customers require the ready-to-sell packaging. Small mixed-packaged fruits are also provided for specific customers such as hospital fruit stores.

Table 8: Feedback from Importers and Wholesalers (n = 35)

Statements	Summary Remarks
Distribution activities	Involved in distributing fruit products to the local retailers as well as to the other European countries especially Germany, Belgium and France. Mainly source the products from foreign exporters. Generally, the turnover is below €100 million.
Decision making criteria of tropical fruits	Quality, price and consistency of supply
Facilities	Majority own cold rooms and cold-storage vehicles.
Mode of payment	Letter of credit via IBAN (International Bank Account Number). Direct bank transfer, via cheque or cash Bank guarantee is provided for direct source of foreign exporters.
Credit term	Usually within _ month to 1 month Longer credit term is given to supermarket as payment is secured. The same credit term is received from suppliers.
Company policy on defective goods	The common practices include: <ul style="list-style-type: none"> • taking photo of defective goods and sending credit note to suppliers; • returning to the suppliers; writing off; and selling at a lower price.
Service	Deliver the ordered fruits to their customers. The mode of delivery is organized in such a way to be as direct as possible, sometimes directly from port to the customers' venue.

Import requirement	EUREPGAP Certification is a plus but sometimes not obligatory. In 2008, EUREPGAP Certification may become compulsory. Must comply to EU rules and regulations. Brand name is not an issue except for well-established brand names such as Chiquita Banana and Dole pineapple. Supply to supermarkets has more strict requirements.
Packaging requirement	Do simple re-packaging and bulk breaking to supply to small retailers. Excess fruits may be supplied to open markets at minimum price or at cost. Some retailers require the fruits packaged in ready-to-sell form.
Promotion	Do not invest in promotion of specific country products. Traditionally depends on the established network of distribution. The original source of fruits must invest in promotion.
Malaysian products	Receive minimum materials about Malaysian products. The only exception is starfruit. Starfruit imports are mainly from Malaysia. Some importers/wholesalers that have established relationship with Malaysian exporters may carry more Malaysian fruits.
Collaboration potential	Few companies are interested to collaborate with Malaysian exporters; however, it depends on the quality, price and consistency of supply. No general collaboration terms, this depends on specific negotiation.

Large Scale Retailers: Supermarket Chains

One of the most important outlets that sells fruit and fresh produce to the customers is the supermarket. In the Netherlands, supermarket chains are very popular since they are found everywhere and offer better products at competitive prices. Besides Mediterranean fruits, tropical or “exotic” fruits are also popular items found on the shelves of supermarkets. Through observations, all the premises are complete with cold rooms to store the fresh produce. Examples of large scale retailers are Albert Heijn, C1000 Schuitema, ALDI and Sligro.

Albert Heijn is considered to have the largest market share in the country. It operates the stores in several formats; everyday supermarket, the larger Albert Heijn XL, convenience store, and the Internet delivery service Albert.nl. Albert Heijn stores are full service supermarkets and are known for their focus on

quality. From observations, starfruit supply comes from Malaysia, whereas bananas and pineapples are from South America, mainly from the branded Dole and Chiquita. The tropical fruits on sale here include Dole's pineapples (Costa Rica) which are priced at €5.85 each and papayas from Brazil. Interestingly, Albert Heijn makes an effort to promote these products as "exotic" fruits through brochures and advertisements.

C1000 Schuitema is part of Schuitema, a retail and wholesale company. C1000 is now part of Ahold Supermarket Group which includes Albert Heijn since it holds 73% interest in Schuitema. Tropical fruits such as bananas and pineapples are also available in these supermarkets. Besides coming up with its own brand C1000, branded fruits such as Dole pineapple and Chiquita banana are also available. C1000 also does its own packaging. Through technology innovation, C1000 supermarket chain is rolling out a new generation of self-scan checkouts. Customers simply place their items on the conveyor belt, which are transported through a scanner portal, where a device will read the barcodes, regardless of their position. By eliminating individual scanning, it accelerates the checkout experience.

ALDI is considered as the world's leading discount retailer. With a modified concept, ALDI has developed a hybrid that until now has been regarded as opposites: discount and convenience. With over 5000 stores all over the world, ALDI focuses on food-to-go and convenience products, including chilled drinks, sandwiches and fresh fruit - and all these without breaking the rules of efficient discounting. All products whether baked beans or freshly cut flowers, biscuits or daily delivered fresh fruit and vegetables, are sourced from the best suppliers. Tropical fruits such as bananas and pineapples are available in this outlet. Among the tropical fruits available include papaya (Brazil) which is priced at €5.95 per piece, pineapple (Costa Rica) at €5.50 per piece, mango (South Africa) at €0.95 per piece and pomelo (China) at €2.50 per piece. The fruits are sold as they are, in the original packaging. Promotion on tropical fruits is done in the store, that is the point-of-purchase (POP).

Sligro is a wholesale outlet (entrance is by registered pass only). Most of the customers are organizational consumers such as restaurants and cafeteria (39%), medium businesses (22%) and small retailers (6%). Currently, Sligro has 38 self-service stores and food contributes 90% of its sales. Its main competitor is Makro. In Netherlands, Sligro has more sales than Makro and the average Sligro store resembles a hypermarket, whereas Makro looks more like a warehouse. Branded fruits like Dole and Chiquita are also sold. Other tropical fruits include Malaysian starfruit, Brazilian melons, Chinese pomelos and Thai rambutans.

Small Retailers

Retailers in the form of mini markets and grocery stores are scattered throughout the Netherlands. They serve the local communities at convenient locations and sell the produce in smaller quantities for household consumption. A typical mini market usually carries various ranges of household items such as canned food, vegetables, fruits and dried items. Since tropical fruits are imported items, they are considered as luxury products. Therefore, consumer purchases of tropical fruits are relatively in smaller amounts. The retailers require fruit products that are packaged in a ready-to-sell form. As labor cost is high, retailers also avoid doing re-packaging activities.

Open Markets

Open markets are traditional areas for selling dried and wet products. This type of open market usually operates in the morning or evening on a regular basis. For example, Afrikaaderbuurt Open Market operates twice per week. The products sold in open markets are of lower quality and price. Excess supply is usually distributed in the open markets with minimum pricing. Only few typical tropical fruits such as bananas, pineapples, mangoes and papayas are commonly displayed and sold. Few stores sell dragon fruit. Starfruit, pomelos, rambutans, mangosteens, durians and jackfruit are not available in the open markets. Store owners usually get the supplies from local wholesalers and sell them on cash basis. No specific packaging is required.

For pineapple, a special cutting machine is required. The machine is supplied by the suppliers to the store owners. When consumers purchase the pineapple, the cutting service is provided so that the pineapple is in the ready-to-eat form.

CONCLUSIONS

The entire distribution channel of tropical fruits in the Netherlands is complex. It is identified that channel members such as importers and wholesalers perform multiple functions. For example, importers also play the roles of wholesalers by distributing the fruits to the retailers in the Netherlands market and also as exporters of the fruits to other EU wholesalers. In order to access the high-end consumer market, large scale importers and large scale retailers (i.e. the supermarket chains) play a major role. For Malaysian exporters that are targeting the high-end market segment and aiming at higher margins, they should actively approach large scale importers because this channel member is the key supplier to supermarket chains, not only in the Netherlands but also to other EU markets. In addition, they are the agents that introduce new fruit products to the supermarket chains.

However, high standard compliance is required in order to penetrate this market segment. This market segment emphasizes on quality and various compliances such as GLOBALGAP requirements. GLOBALGAP (formerly known as EUREPGAP) is an internationally used management system for Good Agricultural Practice (GAP). GLOBALGAP is relevant for suppliers of agricultural products to the participating European supermarkets. Ability to supply to this segment would secure a significant share of the market and also sales. Furthermore, the Netherlands provides opportunities for good access to the European countries since the fruits are transported to the Netherlands and re-exported to Germany, France, the UK and other European countries.

To benefit from this market segment, producers and exporters of tropical fruits need to establish close collaboration. Producers of tropical fruits must impose high quality control at farm level to ensure fruit quality. Exporters have to cooperate with the Malaysian distributors and partially invest in distribution facilities to increase the efficiency of the fruit distribution process. Exporters also need to provide market information that they have gathered from the Netherlands and EU markets to the Malaysian producers and distributors. Moreover, research and development related to tropical fruits should be extensively conducted to increase fruit quality.

For Malaysian suppliers competing in the international market particularly in Europe, they must enhance their product quality and make their prices competitive. In addition, more promotion and marketing activities are needed especially promotions in the supermarket chain stores which serve as a pull factor to attract end users. Finally, Malaysian suppliers need to be able to sustain their supplies of tropical fruits in order to attract the big foreign buyers.

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