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Executive Summaries

RESEARCH

Growth-related Measures of Brand Equity Elasticity for Food Firms

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Intangible assets are increasingly becoming an important driver in the sustainability and competitive advantage of food firms within the global food supply chain. Brands are an important component of the food supply chain. In addition, brand names and building brand equity over time are recognized as an important strategy that enhances the firm's intangible assets over time. This article investigates the long-run potential of brand equity among food firms to actually create real options for a firm's management.

The value of a real option is embedded in strategic flexibility when irreversible investments are made under uncertainty. The value of decision flexibility in some future time period may be important. This analysis quantifies the 'value' that may be associated with this enhanced flexibility. Building brand equity also builds brand extension potentials for the future. Hence brand marketing investment is conceptually analogous to buying a call option. Subsequent exploitation of these potential brand extensions is a right but not an obligation for firm managers.

The empirical analysis views brand equity among food firms as a real option of growth and empirically tests selected drivers that are conceptually associated with firm growth. Results indicate that brand equity has a positive effect on the growth option value of the firm, after accounting for other major drivers of firm growth. Brand equity elasticity is estimated with respect to a firm's growth value for both the industry- and firm-level. One major implication of the analysis is that managers of food firms should evaluate the efficacy of brand equity building strategies in terms of the contribution brand equity makes to the firm's growth option value. The evidence suggests that categorizing and managing advertising expenditures solely as an expense item may be too narrow from a strategic viewpoint.

Consumer Reaction to Beef Safety Scares

Sayed H. Saghaian and Michael R. Reed

A key question regarding consumer behavior is how consumers react when faced with unexpected food safety concerns and whether consumer responses to sudden, unanticipated beef safety scares are consistent with rational well-informed consumer behavior. Better understanding of consumer reactions to beef safety scares helps the beef industry construct strategies that restore consumer confidence after food safety crises.

Beef safety scares have short-run and long-run impacts on consumer preferences. The overall objective of this research is to investigate the impact of the foot and mouth disease (FMD) and Bovine Spongiform Encephalopathy (BSE) events on Japanese retail meat quantities and prices, as evidenced by dynamic retail-level changes in the neighborhood of each event. We use a co-integrated vector autoregression model, directed acyclic graphs, and historical decomposition to investigate Japanese consumer responses to the news of beef safety events.

The results of this research help beef producers and retailers better understand consumer reactions to beef safety scares. The historical decompositions of the per capita consumption and price series indicate that quantity and price responses in the neighborhood of FMD and BSE events were dissimilar and consistent with well-informed, rational consumer behavior. For example, quantity demanded of Australian beef, which is primarily grass-fed, fish, and poultry rose upon the discovery of BSE, while quantities of primarily grain-fed beef fell precipitously.

Consumers respond to information regarding the origin and type of contaminated beef products, and account for the nature of the contamination in their purchasing decisions. Beef exporters and producer groups can use the study's findings as a rationale for credible quality assurance programs that emphasize effective and transparent communication with consumers. The findings also highlight the need for beef industry representatives to be immediately involved in providing the mass media with accurate information when a safety crisis arises. Consumers consider food safety an entitlement, and most are unlikely to pay large premiums for safety assurance unless crises are frequent or locally prominent. However, credible efforts that raise consumer confidence in an entire nation's beef supply may be justified by their ability to reduce erosion of demand and market share when safety crises do occur.

An Evaluation of Customer Relationship Management (CRM)

Practices among Agribusiness Firms *Antonio Torres, Jr., Jay T. Akridge, Allan Gray, Michael Boehlje and Richard Widdows*

Customer Relationship Management (CRM) has received much attention in the business press as a management process to enhance a firm's performance. While discussed extensively in the popular press, there has been little research conducted

on CRM, its components, how CRM programs are implemented and managed, and what impact, if any, CRM has on firm performance. Additionally, there are virtually no studies on CRM in agribusiness firms.

Based on an extensive literature review, six activities/behaviors that ought to comprise a CRM program for agribusinesses were identified: CRM objectives, types of customer data available, uses of customer data for managerial decision-making, approach to market, tactics used to develop and maintain relationships with customers, and the assessment of technology infrastructure currently in use. The relationship of these six areas, as well as challenges encountered in using customer data, to perceived performance of the firm's CRM initiative is explored in this study.

Middle and upper level agribusiness managers were contacted to assess their CRM programs along the eight dimensions described above. Cluster analysis was used to develop a taxonomy of respondents based on their perceived CRM performance; the resulting cluster solution was then used to profile each cluster on both demographic variables as well as the core set of activities/behaviors/outcomes to better understand key differences in the CRM programs of agribusinesses.

Overall, three distinct segments were identified: Leaders, Emerging Leaders and Underachievers. The narrative profile developed for these segments found that those agribusiness firms that performed best had loftier goals, collected more sophisticated customer data, used an array of tactics to develop and maintain customer relationships and encountered fewer challenges to making the best use of customer data in an information system/database.

An Empirical Analysis of the Determinants of Success of Food and Agribusiness E-Commerce Firms *Fernando Montealegre , Sarahelen Thompson, and James S. Eales*

Agriculture and the food service markets have historically been quick adopters and assimilators of new technologies, especially cost reduction technologies. Agriculture was identified as one of the great promises of e-commerce; the high level of fragmentation present in the supply chain, large volumes traded, and homogeneous products only reinforced the expectations.

The objective of this study is to identify characteristics that are associated with successful e-commerce firms throughout the agricultural and food supply chain. This research will help food and agribusiness e-commerce firms in their struggle to remain in business, provide a method of estimating the probability of survival of e-commerce sites, and evaluate feasible changes to a website's functioning and the likelihood of survival based on these changes. Increasing the benefits of e-commerce available to firms throughout the agricultural and food supply chain is the ultimate purpose of this study.

Relevant e-commerce and agricultural e-commerce literature suggested a series of characteristics that will serve as determinants of success for agricultural and food chain e-commerce firms. The development of a model that relates these characteristics to the firms' probability of survival produces valuable insights for developing e-commerce ventures and could be used to estimate the effect on the probability of survival of feasible changes in existing e-commerce firms.

Factors which increase the probability of survival of agricultural e-commerce sites: providing a community feature displaying valuable market information and customizable settings for users, catering to buyers or sellers, but not both, avoiding deep markets with intense competition, using auctions, and providing one-stop shopping. E-Commerce survival of food service sites is enhanced when they provide market information in a customizable format, using auctions and avoiding exchanges or private negotiations.

The Canadian Dairy Commission: an empirical survey on its relevance in today's civil society *Sylvain Charlebois, Wolfgang Langenbacher, and Robert D. Tamilia*

Little academic research has investigated marketing boards and the CDC, especially from a managerial and marketing perspective. To address this shortcoming, the current study provides critical insight into consumers' perception and knowledge of the CDC and its role within the Canadian dairy industry.

The methodological orientation of the study combines both secondary research and quantitative measurement to offer a unique perspective in the way the marketing of dairy products to consumers in Canada is done. The study also has public policy implications about the democratic process as it applies to the CDC, a government institution. Notwithstanding that the CDC is a federally funded agency that operates under the Canadian supply management scheme; the current study provides a template for consultative research specifically targeting consumers of dairy product.

The majority of consumers surveyed were unable to state the exact purpose of the CDC. Given that the CDC's mandate is to serve the interests of consumers, this is evidence of consumer ignorance about how dairy products are priced in Canada.

Canadian dairy farmers need to recognize very quickly that the insulated market position and price fixing powers they now enjoy divorce them from domestic consumers needs.

CASE STUDIES

Strategic Marketing Decisions for Organic Agricultural Producers

Jon C. Phillips and H. Christopher Peterson

A group of organic agricultural producers facing a strategic decision is featured. The group is planning to form an organization to market their produce jointly. If they decide to proceed with this undertaking, they will have to select a distribution channel. The case begins with a discussion of the physical capital and human resources under the control of the growers involved. It includes an overview of the demand for organic produce at the local and national levels. The case also presents the demand conditions, requirements, advantages, and disadvantages of different distribution channels for organic vegetables, both on a general level and as they relate to this particular group. The following channels are addressed: roadside stands, farmers' markets, distributors, retailers, restaurants, institutions, and processors. Pros and cons are listed for each channel, as they relate to the particular situation under consideration. Study questions for use in an academic course or workshop are included.