Australian Government

Rural Industries Research and Development Corporation

Exporting Wildflowers to Japan

Developing a supply chain for a new rural industry

by Lilly Lim-Camacho, Ray Collins and Tony Dunne

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In submitting this report, the researcher has agreed to RIRDC publishing this material in its edited form.

Cover photos: Source: *New Crop Industries Handbook. RIRDC Pub. No. 04/125.* Clockwise from left: Preparing leucadendrons for export at Protea Pride, WA ; Bunched smokebush at Japanese export markets; Packaged and sleeved flannel flowers ready for export.

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Foreword

Firms are the basis of industries, and without successful firms, industries cannot be successful. This is the principle that underlies the approach to this research. The focus of the research is on actual business practices of individual firms and their customers, aiming to uncover business management principles that can be applied on a case by case basis. While this research is based on the Australian cut flower industry and its Japanese market, its applications are not limited to this industry and this market, but are also relevant to other Australian industries that face similar issues.

The Rural Industries Research and Development Corporation (RIRDC) invests in the development of new rural industries such as Wildflowers and Native Plants. It also invests in research into management practices to address issues in the competitiveness of Australian firms in the global market through its Global Competitiveness Program. Such research provides opportunities for firms in the flower industry to capture and utilise to their advantage.

Firms in new rural industries such as wildflowers are often faced by challenges arising from changes in their markets, their own businesses and the environment. The day to day management of businesses, farmers and exporters alike, make gaining information on their markets for the long term less of a priority. This report provides a starting point for firms in the industry to have a better understanding of their markets. It also provides them with an insight on how this information reflects on similar firms in the industry.

This report characterises the Japanese floral market and identifies segments for Australian wildflower supply chains to access. It forms a useful basis for academic and government researchers for further studies into how supply chain practices meet market characteristics.

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What the report is about
New rural industries have long been recognised as a significant contributor to Australia's rural economy. Their development is based on the success of the firms within them, and previous research has identified that not only do individual firms impact on this success, but also the supply chains that they are part of. In *Unlocking successful new rural industries: Is supply chain management the key?* (RIRDC project no. UQ-89A), three types of new rural industry supply chains were identified: Achievers, Idealists and Operators. These types of supply chains were identified on the basis of a conceptual framework identifying factors necessary in successful supply chain management. Case study supply chains in the Australian wildflower industry were classified as Achievers and Idealists. This research extends the results of the previous study to investigate changes in the supply chains featured. In addition it brings together the importance of market characteristics to the success of such supply chains.

Who is the report targeted at?
This study identifies how the level of implementation of supply chain management strategies impacts on the way firms in a native flower supply chain meet their customers' needs. By providing a better understanding of the real needs of the biggest market for Australian cut flowers in Japan, and what is required of supply chains to meet these needs, this study will be able to provide firms in the Australian native flower industry with a strategy to improve and sustain their competitive advantage.

Background
Japan is an important market for Australian wildflowers and foliages. It is a complex market that is still not widely understood by a large majority of the Australian flower industry. The Japanese flower supply chain, made up of importers, auction markets, wholesalers and florists, can be an entangled web for Australian products if they are merely 'sold' as opposed to being 'marketed'. In order to market Australian products better into the Japanese flower market, the characteristics and requirements of customers need to be understood.

Aims/Objectives
The main objective of this research is to evaluate the performance of three Australian native flower supply chains over a prolonged period of time and assess how these chains are able to meet their consumers' needs and therefore maintain a competitive advantage. It focuses on the changes in supply chain relationships in the Australian export flower industry, and how the management of these relationships impact on the way selected supply chains meet their market's needs.

Methods used
The report addresses the issue of meeting the needs of target markets from two perspectives: (1) understanding the characteristics of the market being served, in this case, the Japanese floral market, and (2) understanding the characteristics of the firms supplying the market, in this case, Australian growers and exporters and their Japanese importers.

To understand the workings of the Japanese floral market, a description of the floral supply chain from importer to florist was provided. Following this, a market segmentation approach was used to identify the characteristics of the Japanese floral market for Australian wildflower and foliage products. Three segments were identified on the basis of their purchasing habits: auction loyals, *nakaoroshi* (intermediate wholesaler) loyals and trailblazers. The first segment, as the name suggests, are heavy auction purchasers. On the other hand, *nakaoroshi* loyals prefer to purchase from intermediate wholesalers, with the advantage of being able to inspect the product prior to purchasing. The third segment of the market, trailblazers, are florists who use a combination of methods in purchasing products. The internet and purchasing directly from growers are part of these purchasing processes.

Following this, the three case study supply chains investigated in UQ-89A were revisited, identifying the degree of change that they have gone through in four years, and assessing their level of supply chain management. The degree of change was significant in all three cases, and supply chain analysis showed how one supply chain maintained its Achiever status based on its ability to sustain a competitive advantage by collaborating with its customers and creating and sharing value. The two other supply chains were classified as Idealists and Operators. Idealist supply chains are those that have a supply chain orientation, but are unable, for various reasons, to implement supply chain strategies to their own and their partners' advantage. Operators are firms who do not intend to implement supply chain strategies because they do not see the benefit in partnering with firms in a specific chain.

Results/Key findings
It was identified that Australian wildflower supply chains need to work on the following issues in order to meet the needs of the Japanese floral market:
- consistent quality and standards
- reliable supply
- reasonable prices
- reliable information
- standardised fumigation practises
- improved bunching
- more information on product characteristics and care instructions (if required).

Three factors identified for success in supply chain management were: relationship management, information management and value creation. The cases showed that:
- Relationship management is important in creating value that leads to competitive advantage. This is because relationships are difficult to imitate.
- Information management is critical in developing relationships. It is also critical in conveying the value created by the chain to their target customers.
- Creating value, not only for end customers, but also for firms within the chain is essential in fostering the development of collaborative relationships.

However, the results do not discount the importance of other factors such as a supply chain orientation and operations and logistics management in creating a competitive advantage. This validates the conceptual framework developed in UQ-89A.

Recommendations and implications
It is important to note that while the needs of these segments may be different; meeting the needs of all segments is based on the concept of focussing on the customer and understanding what their needs are. This research shows that by understanding their markets better, firms and their chain partners can better meet specific needs if they are able to target segments of the market that they can serve given their capabilities. Firms must be flexible and adaptive to the changes in their internal and external environments in order to cope with these needs. Responsive and flexible chains are better off than firms who work on their own.

Introduction

In *Unlocking successful new rural industries: Is supply chain management the key?* (RIRDC project no. UQ89A), three types of supply chains were identified – Achievers, Operators and Idealists. Each type had its distinctive characteristic based on its management and its performance. Two of the chains in the Australian native flower industry were classified as Idealists, while the third was classified an Achiever. It was recommended in the research that for industries to be successful, Achiever supply chains – those that implement supply chain management practices successfully – must dominate. This research was based on data over an 18-month period, and was limited to firms within Australia. With major markets for Australian flowers located overseas, this research was not able to investigate the customer and consumer side of the supply chains.

In 2004, preliminary research on new product development and market research in the Australian native flower industry showed that efforts in introducing new cut flowers are not in tune with what the market needs. Most feedback is gained through exporters and not from the real market, i.e. importers and florists. It was found that this was common practice throughout all sectors of the industry, and because of this, the risk of not gaining adequate returns on investment in new products is higher than it needs to be. New product development in the Australian native flower industry is relying on signals different to those that the market sends and is therefore not market-led. The question of whether or not Australian native flower supply chains are meeting their customers and consumers needs therefore arises. This question leads to more important issues – what are the various needs of the Japanese floral market and how can Australian firms and their supply chain partners meet these needs?

Objectives of the study

The main objective of this research is to evaluate the performance of three Australian native flower supply chains over a prolonged period of time and assess how these chains are able to meet their customers' and consumers' needs and therefore maintain a competitive advantage. It focuses on the changes in supply chain relationships in the Australian export flower industry, and how the management of these relationships impact on the way selected supply chains meet their market's needs.

Building on work completed under UQ-89A, it will identify how the level of implementation of supply chain management strategies impacts on the way firms in a native flower supply chain meet their customers' needs. Specifically, this research aims to:

a.   evaluate and monitor the performance of each of the three original native flower chains studied under UQ-89A from March 2002 to late 2005

b.   identify and segment the Japanese cut flower market based on customer needs and priorities in relation to the use of Australian native flowers and their substitutes

c.   using the results from (a) and (b), identify market segments served by the three case study flower chains and assess their ability to meet customer needs in those segments

d.   based on (c), re-evaluate the performance of these chains against the framework developed in the previous study

e.   assess whether this additional information validates the framework, or requires it to be modified or refined in any way.

Firms are the basis of industries, and without successful firms, industries cannot be successful. This is the principle that underlies the approach to this research. The focus of the research is on actual business practices of individual firms and their customers, aiming to uncover business management principles

that can be applied on a case by case basis. While this research is based on the Australian cut flower industry and its Japanese market, its applications are not limited to this industry and this market, but are also relevant to other Australian industries that face similar issues.

By providing a better understanding of the real needs of the biggest market for Australian cut flowers, Japan, and what is required of supply chains to meet these needs, this study will be able to provide firms in the Australian native flower industry with a strategy to improve and sustain their competitive advantage.

An outline of the report

The report tackles the issue of meeting the needs of target markets from two perspectives: (1) understanding the characteristics of the market being served, in this case, the Japanese floral market, and (2) understanding the characteristics of the firms supplying the market, in this case, Australian growers and exporters and their Japanese importers. For this reason, the report is presented in three parts. Figure 1 provides a summary of the structure of this report.
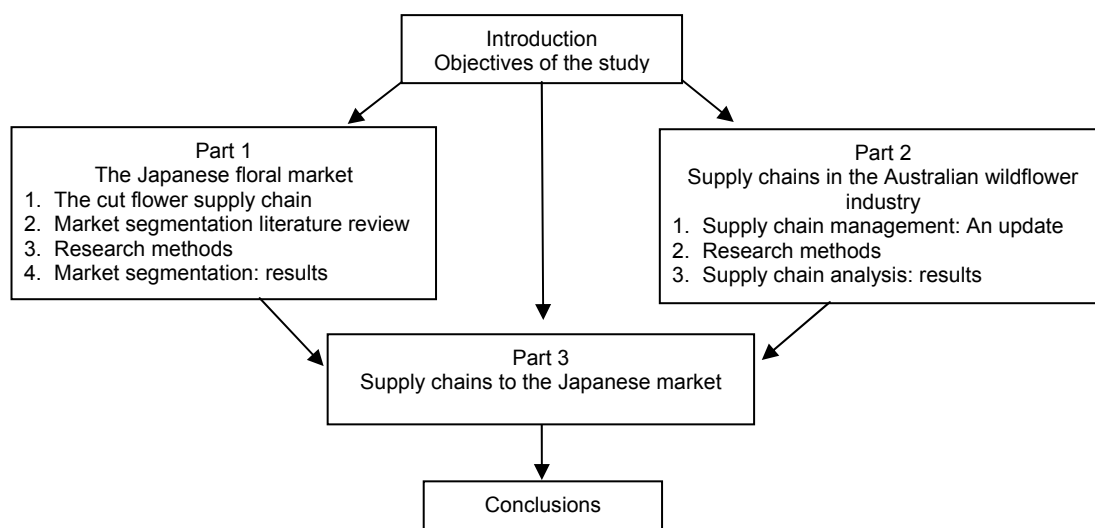
Figure 1 Outline of the report

The first part provides an insight into segments of the Japanese floral market, presenting the results of market segmentation studies on florists in Tokyo, Osaka and Fukuoka. A literature review and a description of research methods to achieve these results are also presented.

The second part addresses supply chain issues drawing from a previous study on new rural industry supply chains by Collins and Lim (2003). Literature on supply chain management is updated, followed by a description of research methods used to arrive at an analysis of selected supply chains in the Australian wildflower industry. The results of supply chain analysis are presented by identifying changes in the way the case study supply chains operate since 2003, and how these changes reflect on their current ability to manage supply chain relationships and achieve competitive advantage.

The third part of this report consolidates the results of market segment and supply chain analysis in order to uncover insights on how supply chains can be better managed to meet the needs of the specific segments of the market that they cater to.

The Japanese floral market

Japan imported 29,574 tonnes of cut flowers and 13,966 tonnes of foliage in 2004. The nation ranks sixth among the top ten cut flower importing nations of world, importing A$276 million in 2004. While it is a significant flower importer, imported flowers and foliage comprise only 13.2 per cent of the Japanese market.

Japan began importing cut flowers in the late1960s, with chrysanthemums from Taiwan. Since then, flower imports have continually grown (except during the decline in the Japanese economy in the early 1990s), with the country importing 34,608 tonnes of cut flowers and foliages in 2002 (JETRO 2003). This was valued at ¥24 billion (A$272 million). Between 1999 and 2002, import volumes increased by 39 per cent from 24,834 tonnes to 34,608 tonnes. However, growth is slowing down, with Japan importing only 608 tonnes more in 2002 than in 2001. Values have not grown as much between 1999 and 2002, with figures indicating only a 6.5 per cent growth in four years. This shows that although the Japanese market is consuming more flowers, prices are decreasing as competition becomes more intense.

Chrysanthemums, orchids, carnations, roses and lilies are the four most important cut flowers imported into Japan. These four items contributed to 84 per cent of the total volume of cut flowers imported by Japan in 2004. Australia exported 26.8 million stems of South African proteaceae and native flowers to Japan in 2003, valued at A$8.9 million[1]. Both stem numbers and values have not increased significantly since 1999, where 26 million stems worth A$9.2 million were exported (Figure 2).

	kangaroo paw	Proteas	wild picked cut flowers	wax flower	Other native flowers
1999	3,109,286	1,720,882	6,564,661	6,269,922	8,383,347
2000	2,036,966	2,575,212	7,734,200	6,710,245	9,390,143
2001	858,257	3,847,276	6,739,865	2,521,513	13,469,088
2002	1,104,791	4,067,194	7,084,667	9,606,577	8,205,440
2003	947,375	5,211,416	5,333,179	7,661,510	7,701,103
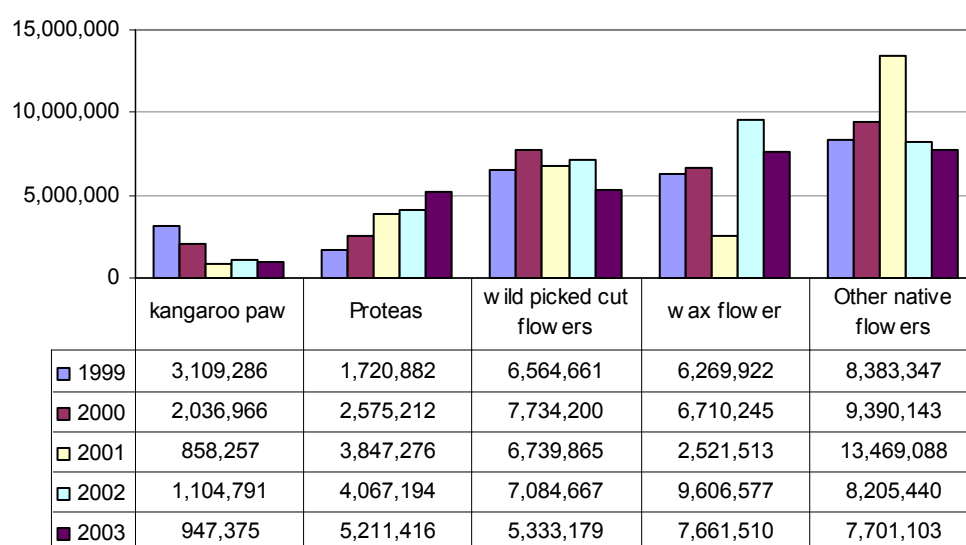
Source: Australian Bureau of Statistics, 2005

Figure 2 Australian cut flower exports to Japan, number of stems

A wide range of native flowers and South African proteaceae is exported to Japan. The main export product is wax flower, with 7.6 million stems exported in 2003, valued at A$3.3 million. Kangaroo paw is also a major product, with just under one million stems exported in 2003. Other major Australian native products exported to Japan include Christmas bush, rice flower and various types of cut foliages. South African proteaceaes are also an important export product, with 5.2 million stems exported in 2003, valued at A$2.6 million. Leucadendrons, various forms of proteas and leucospermums are exported in large volumes.

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[1] Australian Bureau of Statistics, 2005

While Australian flowers are exported year-round, the majority of trade is made between the months of June and December. September to November is the peak season, with large volumes of wax flower, kangaroo paw, leucadendrons and Christmas bush sold. The timing of supply in relation to the colours and style of the product is crucial in maintaining good demand. For example, yellow forms of kangaroo paw are popular during autumn months, while serruria (Blushing Bride) and flannel flower are popular during the wedding months of September to November. Christmas bush, with its red colours, is a regularly used product in December.

Australian wildflowers are important products for the Japanese market. For ten months in 2005 (April to January), Australia was the top supplier of wildflowers to Japan's largest auction market, Ota Floriculture Auctions. October was the peak month, with 589,000 stems sold at Ota, with an average stem price of ¥60.

The Japanese floral chain

Cut flower marketing in Japan often involves importers, auction houses, wholesalers and florists. In addition to these key players, the supply chain also consists of various logistics firms that are necessary in distributing products from ports to their final destinations all over the country. However, this structure is changing as firms in the industry begin to recognise the importance of adapting to market changes. Increasing competition and the need to differentiate have led some importers to by-pass auction houses. Similarly, auction houses have begun contemplating importing products themselves and taking responsibility of transporting products to assure quality. Even large florists are beginning to expand their operations to include importing and wholesaling. Figure 3 illustrates the known supply chain for Australian product and the various ways they can arrive at a florist.
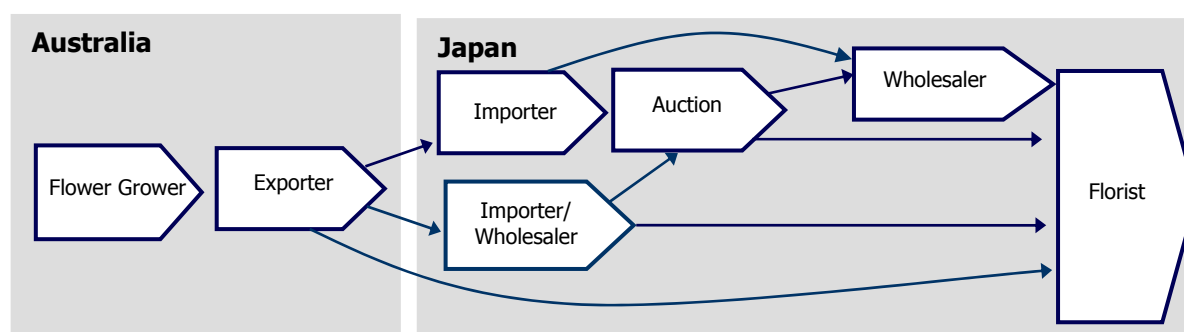
Figure 3 Australian product to Japan: Supply chain

The following section provides a description of the various roles that the main players have in the supply chain for imported products.

Importers

Importers are a necessity in gaining access to Japan's cut flower markets. One of the importer's roles is to facilitate the transfer of products from a supplier overseas to a Japanese customer. This involves the collection of product upon arrival, organising for quarantine inspections and customs clearance, and organising transport to storage and eventually the customer.

The other role is to market products to Japanese customers. The level of marketing employed by an importer will vary for each firm. However, to generalise, importers often have a set customer base. This customer base often includes a large number of auction houses from all over Japan, and may also include selected wholesalers or large flower retailers.

Shipments are often divided among customers, and the volume allotted to a customer will depend on demand forecasted by the importer. This forecasting will again vary for each importer, some 'forecast' on the basis of habitual practices while others are more sensitive to changes in demand, and use analysis of returns to identify which products are performing better with individual customers. The relationships between importers and auctions also contribute to the volume of products sold.

Auctions

The marketing of flowers in Japan is dominated by auction markets. Their success in Japan has been largely due to their ability to clear large volumes of product by acting as a 'meeting place' for numerous suppliers and customers. They also serve as a central logistical point where large volumes of flowers grown domestically and overseas can be stored and collected by numerous, small buyers. Florists, other flower retailers and users (such as supermarkets and flower schools) and *nakaoroshi* (intermediate wholesalers) purchase from the auctions. Selling flowers through auctions makes the importer's role much easier because they do not have to seek customers themselves and do not have to handle hundreds of accounts in order to sell large volumes of flowers.

The majority of flowers sold at the auctions are grown domestically, and these flowers are auctioned first before any imported flowers are presented. Domestically grown products are still prioritised over those that are grown overseas in order to support the continued growth of local growers. The range of products available at flower auctions is wide – from traditional flowers such chrysanthemums and roses, to unusual products sold in very limited amounts, such as Gymea lilies. Products at the auction are sold with minimum amounts – one box for example, which may contain from 50 to 200 stems of a product.

There are over 150 auctions in Japan, ranging from small, non-electronic auctions to larger operations with the capacity to service 1000 buyers on a daily basis. There are 16 auctions in Tokyo alone. The number of auctions has decreased over time as smaller operations consolidate to become more efficient at handling large volumes of flowers and more customers. Table 1 shows a list of Japan's top 10 flower auctions in 2000, by turnover.

In recent years, there has been a small, albeit growing, shift towards importers directly marketing to florists. According to some importers, this has been brought about by the drive to regain profits that are taken by auction markets through commission charges and serve customers better by providing quality assured products. However, this has not been an easy task to achieve as those who market directly to florists require very different operations compared to a traditional importer. Quality control, repacking and store deliveries are part of the operation, which involves higher labour and capital costs. This is the primary reason why there are only a few importers who are able to manage this change.

Table 1 Top 10 flower auctions in Japan, 2000

Flower auction	Turnover (¥10,000)	Location
1 OTA floriculture Auction CO., LTD.	2,532,020	Tokyo
2 Flower Auction Japan, INC.	2,253,348	Tokyo
3 Toyoake Flower CO., LTD.	1,833,853	Aichi
4 Umeda Seika Auction (Osaka Plants Trading)	1,829,333	Osaka
5 Osaka Kaki CO., LTD.	1,485,470	Osaka
6 Saitama Gardening Market Wholesale CO., LTD.	1,223,173	Saitama
7 Tsurumi Kaki CO., LTD.	1,156,238	Osaka
8 Nishinihon Kaki CO., LTD.	1,023,105	Osaka
9 Fukuokaken Kaki Growers Coop.	998,610	Fukuoka
10 Daiichi Kaki CO., LTD.	869,756	Tokyo

Adapted from http://emi.h.chiba-u.ac.jp/gmn/JMFlowE.html

Nakaoroshi (intermediate wholesalers)

Nakaoroshi are intermediate wholesalers; they purchase flowers and other products from auctions to re-sell to florists who are unable to purchase through the auction because they only require small amounts. *Nakaoroshi* are often located within the auction premises and offer a wide range of products to florists. These wholesalers often specialise in non-floral products such as foliages and branches which florists require in lower volumes compared to flowers. Some of these wholesalers also deliver products to florists who are unable to travel to the auction market.

The *nakaoroshi*'s value in the supply chain is to enable florists to purchase a wide range of products in small volumes. They are the perfect avenues for new products because florists are able to see them, touch them, and try them in small numbers without taking the risk of having large amounts of an untested product.

Florists

Flowers in Japan are purchased mostly for gifts and ceremonial purposes. Because of this, consumers prefer to purchase flowers from florists, where they know that care is taken in arranging the products to create a present that is worth giving, as gifts are seen as a representation of the giver. As a result, florists are the most common retail outlet for cut flowers in Japan. However, supermarkets are also becoming a popular outlet for flowers, although consumers who purchase from supermarkets purchase mostly for home use.

There are many types of florists in Japan. The upmarket shopping centres are hubs for designer florists, while the train stations located in these areas are good spot for finding flower stalls. The business in these districts and the employees and shoppers that they attract provide florists with a healthy market. The same can be found in major cities such as Tokyo, Osaka and Fukuoka.

Florists are an integral part of the supply chain as they are the main users of the products. Their decisions in terms of buying and usage are critical to the success of a product. They also have the ability to communicate with the end consumer and influence their preferences for flowers. This is the reason behind the need to further understand that various needs of florists. They are a critical link in the flower chain, and their buying preferences are not widely understood, especially by suppliers who are located outside Japan. An in-depth understanding of the different types of florists and their characteristics is necessary to gain and maintain a competitive advantage in a competitive market.

Market segmentation

Market segmentation creates opportunities for innovations based on meeting specific customers' needs more precisely. It does this by identifying segments where others see an undifferentiated mass (Raynor and Weinberg 2004). Market segmentation has long been used by firms as a basis for differentiating their competitive strategies (Dickson and Ginter 1987). It works by categorising a market into groups with similar characteristics and behaviours on the basis of a simple concept: there are different kinds of people who have different needs and therefore different buying patterns (James et al. 2004; Yankelovich and Meer 2006). For many decades since its introduction as a concept in the 1950s (Smith 1956 in Wind 1978), segmentation has provided guidelines for marketing strategies in terms of allocating resources for specific markets and products.

Market segmentation has been an effective tool in the flower industry. A perfect example is a study commissioned by the American Floral Endowment to identify customer purchasing habits (American Floral Endowment, 2000). Consumers were segmented on the basis of the amount of floral products purchased, thus identifying heavy and light buyers. Buying habits were analysed against age, income, location and preferred channels. Another example is the United Kingdom Flowers and Plants Association's 'Why Wait?' campaign, which has had significant success rates in increasing per capita consumption of flowers in the UK. The campaign was developed to target women who do not receive flowers from their partners, encouraging them to buy their own flowers rather than wait. The campaign was based on a segmentation study, which identified this segment of potential consumers who like flowers, but never receive them. This example shows how successful segmentation can be used for innovative marketing strategies targeted at specific customers.

Market segmentation: research methods

The aim of market segmentation for this research is to identify types of florists and understand their buying behaviours. As such, it takes the following approach:

Populations studied:	retailers who purchase through known distribution channels for Australian native flowers
Data sources tapped:	surveys: purchase data on customers, demographic and attitudes, types of markets catered to, supply chain preferences
Analytical tool used:	clustering through data mining; statistical analysis; qualitative analysis of clusters
Outputs:	segments that differ on their purchasing behaviours, demographics and attitudes towards Australian flowers

Data collection

The data used for this study was obtained through a florist survey conducted in February 2006. The target respondents were buyers of floral products through auctions and wholesalers in Tokyo, Osaka and Fukuoka. The survey was administered through questionnaires made available at three major auction markets in Tokyo, Osaka and Fukuoka. In addition, questionnaires were distributed by one wholesaler through their sales persons to various customers in the three cities.

The questionnaire, which was translated to Japanese, consisted of 16 questions addressing four topics: business background, buying behaviour, customer characteristics, and knowledge of Australian products. A section for further comments was also included. Participation in the survey was voluntary.

Data analysis

A total of 147 useable responses were gained, with responses translated, recorded and stored in Microsoft® Excel format. Following this, data was numerically converted for compatibility with SOMine and SPSS® analysis. For example, responses to the City category were converted from 'Osaka' 'Fukuoka' and 'Tokyo' to '1', '2' and '3' respectively. Some data were not suitable for numerical conversion, such as comments and answers relating to names of Australian products. The following variables were included in SOMine and SPSS® analysis:

- City
- Business type
- Specific location

- Number of employees (average per business entity)
- Customer's reason for purchasing (type)
- Product presentation
- Purchases Australian products
- Perceived level of improvement of quality of Australian product
- Purchases Australian branded product

- Years in operation (average)
- Area of operation
- Number of shops (average per business entity)
- Customer age

- Customer's reason for purchasing (use)
- Buying behaviour
- Perceived quality of Australian products
- Familiarity with Australian brands

Comments regarding quality improvement, responses relating to the identification of their top three most-used Australian products, and other information provided in the form of comments were not included in SOMine and SPSS® analysis due to their qualitative content. These data were linked back during the qualitative analysis stage.

Viscovery® SOMine, SPSS ® 13.0 for Windows and Microsoft® Excel

SOMine is a tool for advanced analysis and monitoring of numerical data sets. The tool provides a powerful means to analyse complex data sets without prior knowledge of the statistical relationships involved. It converts numerical data representation into a visual form, a map, that illustrates dependencies between parameters, properties of the distribution and clustering within the data.

The categories of data shown above are used as 'components' for SOMine analysis which were evaluated both visually and through a comparison of means. Visual evaluation often indicates whether or not a component is a contributor to clustering. Through the use of colours and shading and the level of concentration in relation to clusters, relationships between clustering and component values can be identified. Used in conjunction with a comparison of means allows for an in-depth analysis of the importance of a single component in clustering.

Cluster statistics and cluster recall are functions of SOMine that were used to further analyse clustering. Cluster statistics allows for the comparison of means of each cluster, along with the number of respondents per cluster, minimum and maximum values and standard deviation. Cluster recall on the other hand was used to identify members of a specific cluster. This SOMine function allowed the researcher to link SOMine results to data that was not included in SOMine analysis. Examples of such data are the comments raised by individual respondents in relation to quality and their suggestions for improvement. Cluster recall was also crucial in SPSS® and Microsoft® Excel analysis.

Data generated from cluster recall allowed for the statistical comparison of means across segments. SPSS® was used to employ an independent samples t-test to identify significant differences between two clusters, i.e. Segment 1 and 2, Segment 1 and 3, Segment 2 and 3. This was used to identify statistically significant reasons behind clustering. Microsoft® Excel was also used to identify percentages of specific responses in a cluster to support analysis.

Qualitative analysis

Qualitative analysis was crucial at all stages of handling data, from the interpretation of raw data to appropriate conversion to numerical values to analysing means and converting numerical data back to its original form. The qualitative analysis of these results was crucial in arriving at a 'picture' of the segments identified and identifying opportunities that these segments present for Australian suppliers.

Market segments in the Japanese floral market

A total of 147 valid responses were gained for this study, representing 657 flower shops and over 6500 employees in Tokyo, Osaka and Fukuoka. From these responses, SOMine analysis identified three clusters of respondents (Figure 4). The largest cluster (S1) contained 105 members, the second largest (S2) had 39 and the smallest cluster (S3) had only three members. The characteristics of these clusters are discussed in the following section.
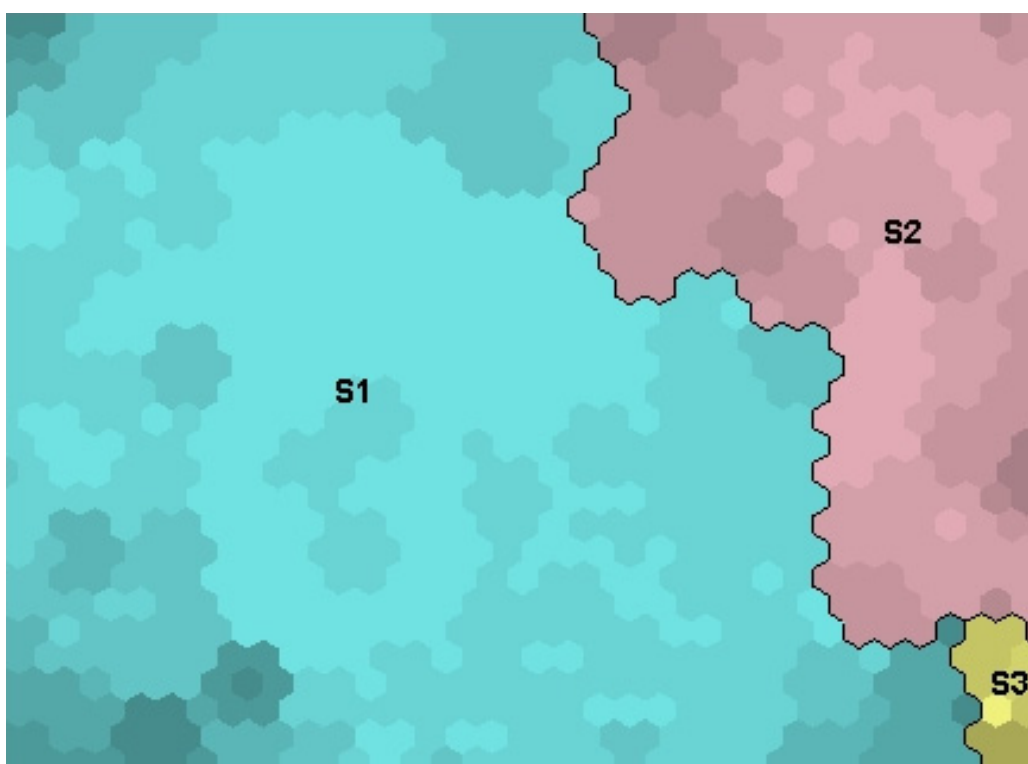
Figure 4 Florist market segments identified through cluster analysis

Further analysis of SOMine maps, statistics and membership revealed specific characteristics of each cluster. The results clearly identify that each cluster represents a segment of the florist market with each differentiated from the other mostly through their buying behaviours. Table 2 presents a summary of the characteristics of each segment, followed by a discussion of these characteristics.

Table 2 Summary of market segment characteristics

Variable	Segment 1	Segment 2	Segment 3
City	Tokyo, Osaka or Fukuoka	Tokyo, Osaka or Fukuoka	Osaka or Fukuoka
Years in operation (average)	31	27	10
Business type	Florists	Florists [c]	Possibility of not being a florist [b]
Area of operation	Business, residential and tourist areas, although majority are located in business districts. [b]	Business, residential and tourist areas, although majority are located in residential areas. [a]	Business, residential and tourist areas.
Specific location	Train, department store, hotel or free standing	Train, department store or hotel	Train or hotel
Number of shops (average per business entity)	5.2 [c]	4.1 [c]	147.5 [a b]
Number of employees (average per business entity)	13 [c]	13 [c]	413 [a b]
Customer age	Caters to a wide range of customer groups from below 20's to over 60's. [b]	Caters to an older population of customers, with some specialising on over 50's. [a]	Caters to a wide range of customer age groups from 20's.
Customer's reason for purchasing (type)	Varied – business or personal use	Varied – business or personal use	Varied – business or personal use
Customer's reason for purchasing (use)	Varied – gift, display or event	Varied – gift, display or event	Varied – gift, display or event
Product presentation	Ready made and made to order [b c]	Mostly made to order [a]	Made to order [a]
Buying behaviour			
Focal flowers	Purchases an average of 80% of focal flowers from auctions. [b c]	Purchases an average of 77% of focal flowers from wholesalers. [a c]	Purchases 59% of focal flowers from other sources (i.e. web), and 29% directly from growers. [a b]
Filler flowers	Purchases an average of 84% of fillers via the auction. [b c]	Purchases an average of 78% of fillers through wholesalers. [a c]	Purchases 46% of filler flowers through other sources (i.e. web) and 40% from wholesalers. [a b]
Foliages	Purchases an average of 86% through auctions. [b c]	Purchases an average of 76% from wholesalers. [a c]	Purchases an average of 36% directly to growers, 31% through wholesalers and 28% from other suppliers. [a b]
Branches	Purchases 89% through auctions. [b c]	Purchases 63% through wholesalers and 36% through auctions. [a]	Purchases 78% through auctions. [a]
Australian products	Purchases Australian product through auctions or wholesalers.	Purchases Australian product from wholesalers. [c]	Purchase Australian product from a combination of sources, including direct. [b]
Purchases Australian products	Most do [b c]	Most do [a c]	All purchase Australian product. [a b]
Perceived quality of Australian products	Perceive the quality of Australian products to be satisfactory. [b]	Perceive the quality of Australian products to be better than satisfactory. [a]	Perceive the quality of Australian products to be better than satisfactory.
Perceived level of improvement of quality of Australian product	50% perceive the quality improved, 50% do not.	50% perceive the quality improved, 50% do not.	The quality of Australian product has not improved.
Familiarity with Australian brands	Slightly more familiar with some brands than segments 2 and 3. [b c]	Mostly unfamiliar with Australian brands. [a]	Mostly unfamiliar with Australian brands. [a]
Purchases Australian branded product	Some have purchased specific brands of Australian products. [b]	Most have not purchased specific brands of Australian product. [a]	Some have purchased specific brands of Australian products.

[a] Independent t-test indicates statistically significant difference to Segment 1 at p≤0.05 level.
[b] Independent t-test indicates statistically significant difference to Segment 2 at p≤0.05 level.
[c] Independent t-test indicates statistically significant difference to Segment 3 at p≤0.05 level.

Segment 1: the auction loyal

Segment 1 is a group of 105 respondents – the largest among all three segments. This segment represents 361 shops. A typical member of this segment is a florist located in business districts of Osaka, Fukuoka or Tokyo, often having five shops in various locations and a total of 13 employees. The average Segment 1 florist has been in operation for 30 years. Florists in this segment cater to a wide range of customers who also purchase for various reasons – personal or business, for gifts or for display purposes. Florists in this segment offer either ready-made or custom-made arrangements or bouquets.

Perhaps the most distinctive feature of florists in this segment is that they purchase heavily from the auction, with an average of 80 per cent purchased at the auction. All florists in this segment purchase from the auctions and purchasing all product from the auction is not uncommon, with 23 per cent of Segment 1 florists preferring to conduct their business this way. Half of florists in this segment purchase from wholesalers and on average they purchase 10 per cent of product from this channel.

Most members (90 per cent) of this segment purchase Australian product. However, Australian product is not purchased solely through the auctions; some is purchased through wholesalers as well. 42 per cent of florists in this segment purchase Australian product through the auction, and another 29 per cent purchase through a combination of sources.

With most Australian product sold through the auctions in Japan, it is not a surprise that this segment of the market has had the most exposure and experience with Australian product compared to Segments 2 and 3. Up to 10 per cent of Segment 1 florists recognise selected Australian brands. Half of the population are satisfied with the quality of the products with 36 per cent believing that the quality has improved over time, while another 31 per cent believe it has not. A common comment regarding the improvement in product quality was that shelf life has increased over time and some speculate that this could be due to improved logistics. Other comments concern the consistency of product, with some florists commenting that sorting has improved resulting in a more standardised product.

King protea, leucadendrons, protea, wax flower and kangaroo paw are the top five most popular Australian products in this segment. According to some respondents, Australian flowers are now more 'visible', with a marked increase in the variety of products available to the market.

Segment 2: the *nakaoroshi* loyal

Segment 2 is a group of 39 respondents, representing 106 shops. A typical member of this segment is a florist located in Osaka, Fukuoka or Tokyo, often having four shops in various locations (train stations, department stores or hotels). Florists in this segment have been operating for an average of 27 years. They cater to a slightly older population of customers than Segment 1, with some catering mostly to clients over 50.

Like florists in Segment 1, Segment 2 florists cater to customers who purchase for personal or business use, and who use the product for gifts, displays or for events. However, unlike Segment 1, most of the florists in this segment offer only custom-made arrangements and bouquets.

Like Segment 1, what differentiates this segment from the rest is its buying behaviour. Segment 2 florists prefer to purchase their products from intermediate wholesalers (*nakaoroshi*). Over 76 per cent of all flowers and foliages purchased by these florists are sourced from wholesalers. In fact, 25 per cent of all florists in this segment purchase all products – focal and filler flowers, leaves and branches – from *nakaoroshi*. Auctions still play a role as a supplier to these florists, with an average of 17 per cent of all flowers purchased from auctions. Only 11 per cent of florists in this segment purchase over 50 per cent of their products from auctions and most do not purchase from the auctions at all. Branches, which are a minor product to a florist, are purchased from both wholesalers and auctions – 62 per cent from intermediate wholesalers, and 36 per cent from the auction.

Seventy-two per cent of florists from this segment purchase Australian product. A small percentage (23 per cent) does not. Like most of its products, Australian flowers are mostly purchased from wholesalers, with 54 per cent of florists purchasing through this channel. Other ways of purchasing Australian flowers are through the auctions, through alternate sources such as the internet, and through a combination of channels.

Like Segment 1, half of Segment 2 florists believe that the quality of Australian product is satisfactory. However, unlike Segment 1, 17.5 per cent of florists in this segment believe that quality is excellent, which is significantly higher than the three percent of Segment 1 florists who believe likewise. Consistency of supply, quality and pricing are common concerns among florists in Segment 2. The number of florists who believe the quality has improved is only slightly higher than those who believe it has not. Like those in Segment 1, florists in this segment believe that quality has improved is due to improvements in transport and handling.

Protea, banksia, barker bush, king protea and wax flower are the top five most popular Australian products in this segment. Interestingly, this segment of the market ranks eight types of foliage products among its popular Australian products, as opposed to four in Segment 1. Some of these products include koala fern, goanna claw, woolly bush and zigzag wattle. Unsurprisingly, florists in this segment have only been able to identify an Australian foliage supplier as a brand that they have purchased. Only four per cent of florists in this segment are familiar with two brands of Australian product, while only three per cent have purchased a specific brand.

Segment 3: the trailblazers

Segment 3 is a small population of businesses; there are only three members of this cluster. However, this segment represents over 190 shops and over 400 employees. Florists in this segment are likely to be chains located in Osaka or Fukuoka who have been in the business for an average of 10 years. They can be located in business, residential or tourist areas, most likely in hotels or train stations. Florists of this segment cater to a wide range of customers who also purchase for various reasons – business or personal use, gifts, displays or events. Segment 3 florists do not have ready made products.

Loyalty to one supply channel is unheard of in this segment. Products are purchased from various sources: focal flowers and leaves from the web, directly and through wholesalers, filler flowers from the web and wholesalers, and branches through the auction and the web. The florists in this segment are experimental – trailblazers – who have gone out of the usual purchasing practices in order to find the right product and the right service.

All florists in this segment purchase Australian product, and as expected, through a combination of sources. However, the largest florist in this segment purchases direct – indicating that they are able to import their own Australian products. This florist perceives the quality of Australian product to be excellent. However, the other two perceive quality to be satisfactory and poor. The florist who perceives quality as poor also believes that quality has not improved over time.

Waratah, dusty miller, king protea and barker bush are the popular Australian products in this segment. Florists in this segment continually seek new products, although pricing is an issue, possibly due to the large volumes that they require. Florists in this segment are not familiar with selected brands of Australian product.

Sub-groups of segments

The segments described above are very distinct, mostly due to their purchasing habits. However, further analysis of Segments 1 and 2 have led to the identification of 'sub-groups'. The sub-groups of Segment 1 (S1a, S1b and S1c) and 2 (S2a and S2b) are illustrated below (Figure 5).
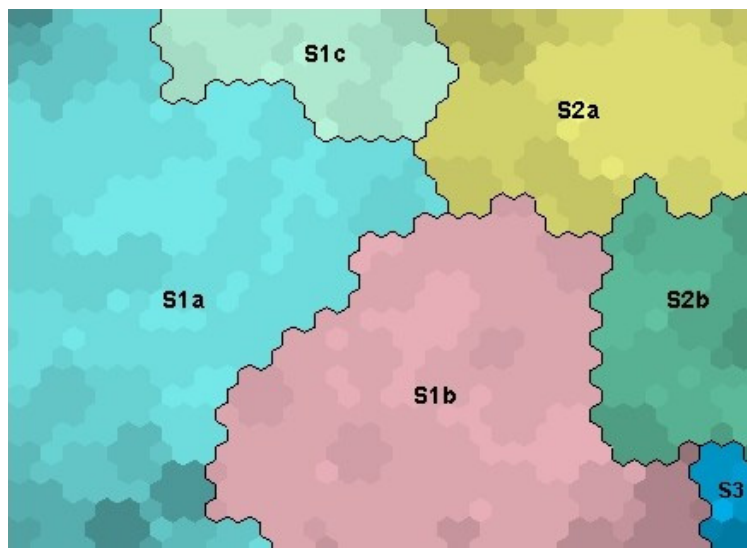
Figure 5 Sub-groups of Segments 1 and 2

Segment 1 sub-groups

Group S1a florists are the youngest of all Segment 1 florists, with an average of 27 years in business. These florists are likely to be located in Tokyo. They have the most number of shops of all Segment 1 florists and they cater to an older population of customers, with some specialising on clients over 60. They are also the heaviest auction buyers, purchasing over 90 per cent of all products through the auctions. They are familiar with selected brands of Australian products, and some have purchased them. Auctions are the most common method of purchasing Australian products.

Group S1b florists are slightly older than those from Group S1a, with an average age of 29 years. This group of florists is mostly located in business and residential areas, catering to a wide range of customers. Clients purchase flowers for purposes other than business or personal use, which differentiates this group from the rest of the segment's florists. Group S1b florists are also heavy auction buyers, although they purchase slightly less than Group S1a. Florists in this group are mostly unfamiliar with selected brands of Australian products, and most believe that they have not purchased any of the nominated brands. While they purchase Australian flowers from the auctions, they also purchase them from other channels such as wholesalers and the internet.

Group S1c is a significantly older population of florists, the average number of years in operation is 57. They are also mostly located in business districts, and have only one shop and a few employees. Florists in this segment cater to clients who purchase for personal use. Within Segment 1, Group S1c florists purchase the least amount of products from the auctions. They also purchase the most product from wholesalers. The distinctive characteristic of this group is that they do not purchase Australian products, and if they did, they would likely purchase them from wholesalers rather than auctions. Figure 6 illustrates the SOMine map generated through evaluation of the component 'buy Australian product'. The lighter colours show that all members of S1c do not purchase Australian products, while the rest of Segment 1 does.
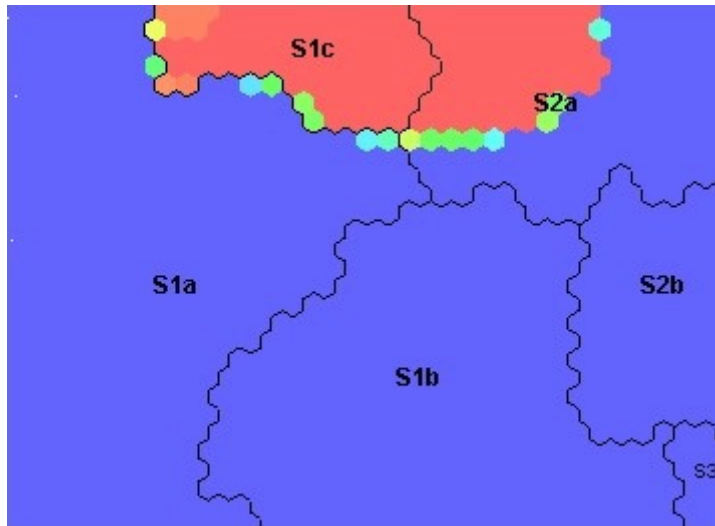
Figure 6 Component evaluation: SOMine map indicating S1c does not purchase Australian product

Appendix 1 provides a summary of characteristics of the sub-groups in Segment 1.

Segment 2 sub-groups

Group S2a florists are small businesses, with an average of two shops and six employees per business entity. Most of these florists are located in hotels, and as such, cater mostly to clients who purchase for business use or for events. Group S2a florists cater to an older population of clients from 50 years of age. This group is loyal to wholesalers, purchasing an average of 76 per cent of product from wholesalers. However, florists in this group also purchase regularly from auctions; 21 per cent of all products are sourced this way. Direct suppliers and other sources are not options for these florists. Some florists in this group do not purchase Australian flowers.

Group S2b florists are mostly located in Tokyo, with majority of the florists located in train stations. These florists are often characterised as small chains, with an average of eight shops per business. Unlike Group S2a, this group caters to a wide range of clients who purchase for personal, business use and events. This group is loyal to wholesalers and will purchase some product from the auctions. However, it is more open to ordering and purchasing product through alternative procedures, such as buying via the internet. All florists in this group purchase Australian flowers.

Appendix 2 provides a summary of characteristics of the sub-groups in Segment 2.

Summary

Market segmentation is an important tool that firms can use to better understand how their market works. By combining segmentation information with their own knowledge of their clients, firms are able to identify their position in the market and assess whether they are in the right segment or not.

This research has identified segments in the Japanese flower market, indicating that the Japanese market for flowers is not a homogenous market. Florists in this market have different characteristics that correspond to the way that they operate, demonstrating that they also have different needs. Unsupervised clustering has led to the identification of segments on the basis of their purchasing behaviours. Segment 1 prefers to purchase through the auction, Segment 2 via wholesalers, and Segment 3 through a combination of channels. It has also identified segments in the market that do not purchase Australian product that could potentially be developed as a significant market for Australian products.

Putting this together with existing knowledge of how the Japanese floral chain works, with players such as importers, the auction markets, *nakaoroshi* and florists, Australian firms will be able to identify which segment they cater to if they know enough about their chain. By understanding how the chain works, growers and exporters are able to identify how to reach each segment of the market.

However, in order to access these segments, Australian firms need to understand how their chains work. The following chapter focuses on supply chains in the Australian wildflower industry. It provides an update of current issues in supply chain management and features three cases in the Australian wildflower industry.

Supply chains in the Australian wildflower industry

Supply chain management has been identified as an important contributor to new industry development, with both theories based on the concept of firms cooperating to build a competitive and sustainable system (Lim 2003). As a management strategy, supply chain management is an option that firms in new industries can take to achieve competitive advantage. However, not all firms are able to implement supply chain management – thus the importance of investigating why some firms are more likely to adopt this strategy and why others do not. This section presents an update on supply chain theory and presents the results of case studies of chains in the Australian wildflower industry.

Supply chain management: an update

Supply chain management, through thorough academic research, has evolved into a complex business management theory with a large range of applications – from its manufacturing roots at Toyota, through to agriculture, the environment, organic food and fashion (Henchion 2002; Murphy 2003; Popp 2000; Simatupang and Sandroto 2004). This evolution has been brought about by supply chain management's systems approach. Its benefits are not just felt through improvements in manufacturing times, better relationship quality, or better understanding of the market and consumers. Its impact can now be felt through a firm's environmental and social responsibilities and its 'style' (reputation and image really). Supply chain management has become a basis for innovation that allows firms and their partners to compete on the basis of their ability to respond, as a team, to the various concerns that consumers have of business practices in general. However, underneath all this is the basic understanding that supply chain management is a management strategy aimed at gaining competitive advantage.

Though its applications have been increasing, and increasingly varied, many practitioners and academics are still concerned about its ability to be implemented correctly in the real world. As a result, studies on how to measure supply chain performance have increased. Similar to the aims of developing the conceptual framework in Lim (2003), these studies aim to uncover various facets of supply chain management that impact on the way firms implement it and gain its benefits (Chan 2003; Giannakis 2004; Holmberg 2000; Lambert 2004; Min 2004; Petersen 2005).

However, the basic principles of supply chain management identified in *Unlocking successful new rural industries: Is supply chain management the key?* still apply. Relationship management, information management and logistics management are still key aspects of supply chain management (Lim 2003; Collins and Lim-Camacho 2005). Similarly, literature supports the idea that a 'fit' between firms must exist in order for management processes to flow smoothly, whether they be inter-firm relationships or information systems (Douma 2000; Dunne 2001; Ruppel 2004; Walters 2000).

Figure 7 shows the supply chain management framework used to analyse the performance of chains and firms in five selected new rural industries in 2003.
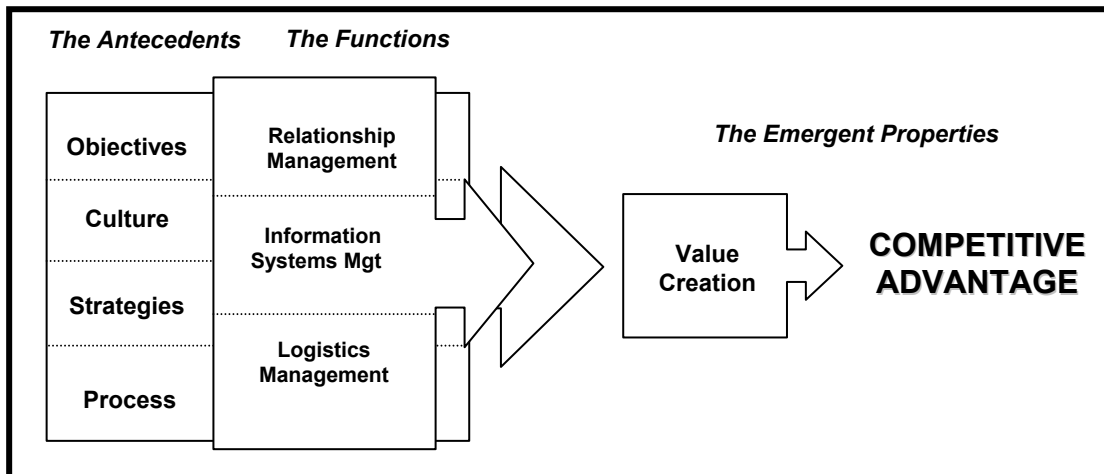
Figure 7 A Conceptual Framework for the Study of Supply Chains and Success in New Rural Industries

The framework was developed on the basis of three principles:

1. Relationship management, information systems management and logistics management are key functions of supply chain management that firms need to employ *jointly* in order to create value.

2. Firms need to have a 'fit' between objectives, cultures, strategies and processes in order to create successful alliances and eventually create value.

3. Firms that have a 'fit' and are able to manage supply chain functions effectively are able to create value and eventually competitive advantage for themselves and their supply chain partners.

These principles were uncovered by reviewing literature on business strategy and supply chain management, starting with the goals or emergent properties of supply chain management which are competitive advantage and value creation. From this, it was identified that the management of relationships, information systems and logistics are key functions of supply chain management, which is widely acknowledged by academics and practitioners. Further investigation into successful alliances uncovered the need for a 'fit' (i.e. objectives, cultures, strategies and processes of firms need to match in order for alliances to succeed). Through the identification of the antecedents to successful alliances, not only was the framework able to analyse supply chains as a whole, but also individual firms and their own approach to business.

Having been applied to 15 supply chain case studies, the framework allowed for the identification of the following relationships (Lim, 2003):

▪ Well managed logistics and operations do not ensure competitive advantage.
▪ Logistics management is a limiting factor to competitive advantage for perishable chains.
▪ Well managed relationships can help overcome problems in operations and logistics.
▪ Poor information management can impact negatively on competitive advantage if relationships are not strong.
▪ Strategy and relationship management are the main contributors to competitive advantage.
▪ A supply chain orientation alone is not enough to gain competitive advantage.
▪ The lack of a supply chain orientation affects other supply chain functions and eventually the way the chain creates value and achieves competitive advantage.

These relationships will be used to guide the analysis of supply chain cases for this study.

Supply chain analysis: research methods

This study aims to validate the effectiveness of the framework by updating the case studies and expanding data collection to include customers in the Japanese market. By including information from the market, the framework will be able to accurately measure how successful firms in supply chains have been in creating value for their customers, both immediate and downstream. It studies three Australian native flower supply chains from growers in Australia to their customers in Japan. The cases are based on those studied in *Unlocking successful new rural industries: Is supply chain management the key?* (RIRDC project no. UQ-89A), each representing a different product line (Australian native flower, South African proteaceae and foliages).

Data collection

Primary data was collected through in-depth interviews with managers of firms in each supply chain, with a focus on supply chain practices and changes that occurred since 2001. The majority of these interviews were conducted face-to-face, with one interview conducted over the phone. The interviews were conducted between August 2005 and September 2006. The case studies in UQ-89A were also used as data in this study as a basis of comparison between past and present practices.

Participants involved in UQ-89A were asked to provide an update on their current supply chains to Japan and to provide detail on the nature of their relationships with their specific customer/supplier. Companies new to the study were asked to provide a background of their company, and were asked questions in relation to how their supply chain is managed with a focus on a specific customer/supplier.

Data analysis

As in UQ-89A, case study methodology was used in this research. The approach allows the researcher to contrast past and present scenarios for each chain and allows for the comparison across the three cases. The case study approach also allows for in depth information on the cases to surface and be utilised to arrive at a clear picture of the firms in focus.

The supply chain management framework developed in UQ-89A (Figure 7) was used to analyse data by lifting its key principles formed in the analysis of results in UQ-89A and applying these principles to data collected in this study. These principles include characteristics of the types of supply chains identified and key relationships between parameters in the framework. The aim of this analysis is to re-evaluate each chain in order to identify its current supply chain type (Achiever, Idealist or Operator). Data collected for this study will incorporate the results of *Unlocking successful new rural industries: Is supply chain management the key?* and those collected from 2005. By doing this, this study is able to gauge whether or not firms are able to sustain their competitive advantage over a period in time, and identify how firms and supply chains have been able to improve their supply chain practices. This research employs a case study methodology that is comparative, multidisciplinary and integrative.

The following section presents the results of the supply chain analysis. A summary of findings of UQ-89A is first presented, followed by an update of each of the cases and how their supply chains have progressed since 2001.

Supply chain analysis: results

In UQ-89A, three categories of new rural industry supply chains were identified: Achievers, Idealists and Operators. Of the fifteen supply chain case studies investigated in UQ-89A, three represented the Australian wild flower industry (Appendix 3). The three Australian flower supply chains fell under the categories of Achiever and Idealist. GrandiFlora Growers and IHM, a supply chain then focussed on marketing New South Wales Christmas bush, was classified an Achiever. Ausflora Pacific and The Australian Flower Co., a supply chain marketing proteas, and AUSBUD and Collina, a foliage chain, were both classified as Idealists.

Achievers are characterised by a strong supply chain orientation as reflected in their cultures, objectives, strategies and processes and a strong ability to create value for their customer. Any weaknesses in supply chain functions are often easily overcome because of the strength of relationships within the chain. GrandiFlora Growers and its supply chain in 2001 was classified an Achiever because of good supply chain orientation, information management and value creation. However, the chain was rated average on competitive advantage because it was limited by a level of misalignment in strategy and relationship management.

Idealists, on the other hand, are characterised by a strong supply chain orientation, with supply chain partners often having a clear fit in their objectives and long term goals. However, having a supply chain orientation is not sufficient to achieve competitive advantage. Idealists often fail to implement their supply chain objectives, which leads to poor competitiveness. The Ausbud/Collina and Ausflora/TAFC supply chains were both classified as Idealists.

Operators are characterised by firms with poor supply chain orientation, the objectives and cultures of firms in these chains do not fit with each other. They also have poor information management between supply chain partners. However, they are strong performers in logistics management and supply chain partners are often aligned in terms of this. Operators are good performers individually and often do not rely on supply chain relationships to compete. There were no Operators identified in the Australian wildflower industry in the previous study. Figure 8 shows a summary of the characteristics of the three types of supply chains.

ACHIEVERS
Strongest performers
Strong supply chain orientation
High value creation
Beneficial supply chain relationships
Weaknesses in supply chain functions are easily overcome
Value creation and competitive advantage gained from supply chain management

OPERATORS
Poor supply chain orientation
Good logistics management
Operations of supply chain partners fit
Poor information management
Low competitive advantage

IDEALISTS
Strong supply chain orientation; strong fit in objectives and culture
Fail to implement supply chain practices
Low competitive advantage

Figure 8 Characteristics of Achiever, Idealist and Operator supply chains

In order to become Achievers, the recommendations for Idealists were to:

- Maintain supply chain orientation.
- Act on this orientation and begin building relationships with valuable supply chain participants.
- Build relationships. Choose partners who think the same and want the same out of their businesses. Good relationships directly benefit a chain's competitive advantage.
- Focus on the consumers and create value for them by utilising your competencies and the competencies of your partners.
- Devise whole-of-chain strategies with supply chain partners. With a common strategy between partners, a better process fit and improvement in other supply chain functions will likely follow.
- Ensure that information flows between participants and consumers effectively. Poor information management will impact negatively on relationships. Adequate information provided to consumers adds value to the product.
- Improve on logistics management to ensure that the product reaches the consumer in the best form, especially for those handling perishable products.

Operators were to:

- Begin with a supply chain orientation. Assess supply chain participants for the possibility of alliances.
- Maintain logistical efficiency.
- Build relationships. Choose partners who think the same and want the same out of their businesses. Good relationships directly benefit a chain's competitive advantage.
- Focus on the consumers and create value for them by utilising your competencies and the competencies of your partners.
- Devise whole-of-chain strategies with supply chain partners. With a common strategy between partners, a better process fit and improvement in other supply chain functions will likely follow.
- Ensure that information flows between participants and consumers effectively. Poor information management will impact negatively on relationships. Adequate information provided to consumers adds value to the product.

On the other hand, Achievers were recommended to:

- Maintain relationships and manage supply chain functions effectively.
- Continue focussing on the end consumer.
- Constantly improve processes in order to keep up to date with the wants and needs of customers and consumers.

Supply chains continually evolve, and those in the Australian flower industry are no exception. Since 2001, major changes have occurred in the way selected case study firms operate. Ownerships have changed, business operation has modified, and customer-supplier relationships have been altered. The following section presents the case studies featured in this study. The analysis of these cases are based on whether or not the firms involved in these chains have been able to maintain or improve their supply chain status on the basis of the recommendations enumerated above.

Case 1: Christmas bush

GrandiFlora Growers Pty Ltd. began as a group of flower growers in Kempsey, in the New South Wales mid-coast. In 2001, there were 12 members in various locations, from Gympie in Queensland to Gosford in New South Wales. GrandiFlora exported various products to Japan, the United States and Europe, although its main product line was Christmas Bush. In 1999, it entered into a three-year supply agreement with IHM Australia, an exporter then based in Gosford.

IHM was involved in exporting Australian flowers and foliages to Japan, North America and Europe. It was the sole exporter for GrandiFlora, with majority of the group's products sold in Japan. IHM also exported products from various other suppliers in Australia, and also acted as a horticultural consultant for growers. Figure 9 shows the supply chain identified in 2001 for GrandiFlora Growers and IHM Australia. At this time, IHM was exporting GrandiFlora products mainly through two importers in Japan, and was embarking on a marketing project in the US.
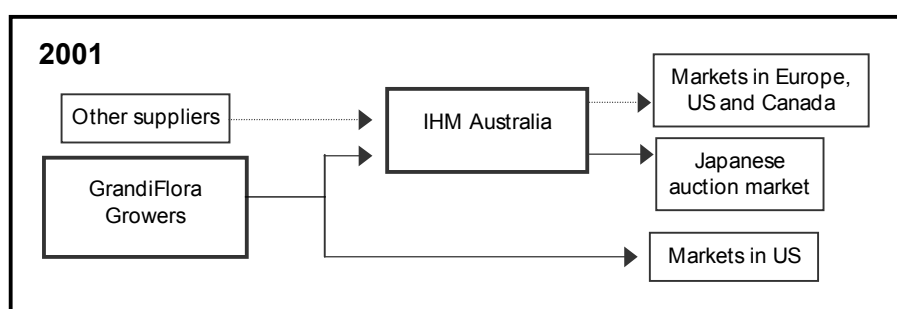

Figure 9 GrandiFlora supply chain in 2001

GrandiFlora in 2005

Four years on, the GrandiFlora supply chain has changed significantly. Its three year supply contract with IHM was completed and eventually supply through the exporter was terminated in 2002. In addition, IHM left the industry in the few years to follow. GrandiFlora Growers are now exporting their own product. Their range of products has increased to include flannel flower, Gymea lilies and leaves and banksias. The main product line is still Christmas bush, although not all growers in the group have the product.

The group's size has diminished to eight, with some members deciding to leave the industry for various reasons (change of careers and the drought for example). New members have been welcomed, on the basis of their ability to meet quality standards set by the group. The group is also exporting on behalf of other growers in the region at a reduced rate.

Prior to 2001, the GrandiFlora/IHM chain exported product to Japan via two importers. Eventually, preference for one importer on the basis of a good relationship between IHM and this importer led to majority of GrandiFlora product sold through one importer (for the purposes of this study, this importer will be referred to as Importer B). This relationship impacted on the decision by the growers not to re-new the contract with IHM. Majority of the GrandiFlora growers preferred the other importer (Importer A) because they were able to gain more information from him, whereas Importer B and IHM seemingly did not provide as much.

Marketing GrandiFlora products through Importer A meant exporting products themselves, which involved learning a new business skill for the growers and taking more risk. In the end, the growers decided that exporting product themselves to Importer A provided better returns and allowed them to gain more information of the market which assisted in decision making. By 2005, the GrandiFlora supply chain had changed (Figure 10).
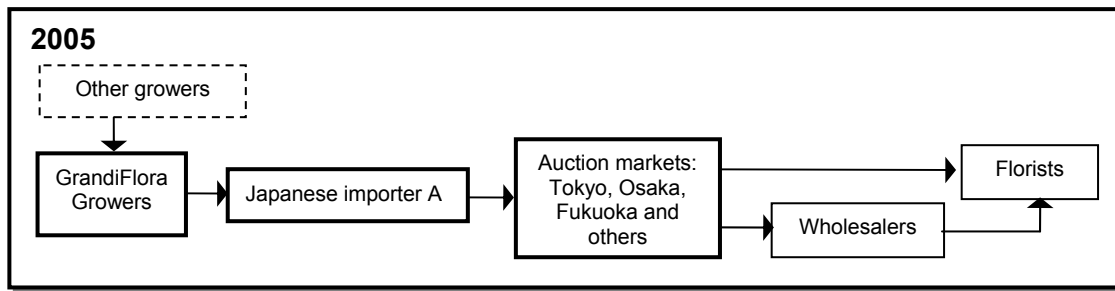
Figure 10 GrandiFlora supply chain in 2005

Supply chain management for GrandiFlora Growers – then and now

The GrandiFlora supply chain was classified an Achiever in 2001 due to three things. Firstly, it had a good supply chain orientation which meant that the cultures of the firms involved and their objectives suited the principles of supply chain management. They understood the importance of focussing on the customer, and understood that building relationships is important to meeting the needs of these customers. Secondly, information management between IHM and GrandiFlora was good in that IHM was willing to assist growers in better managing their farms through horticultural advice. In addition, IHM was involved in GrandiFlora grower meetings. GrandiFlora also had the chance to meet with customers in Japan which equipped them with information on how the market operates. Thirdly, the chain also had good value creation; Christmas bush had good returns and was proving to be a popular product in Japan. The group was also perceived as a benchmark in Christmas bush quality standards and was perceived as innovators, constantly looking for something new to work on. Whether it was packaging materials or new products, the GrandiFlora chain was considered a creator of value for their customers.

A limiting factor identified in this chain was distrust between IHM and some growers in the group. This arose not because of the Japanese market and the relationships involved in that, but because of the way products were being marketed in the United States – a new market that they were trying to develop. One grower was exporting directly to the US and this caused uncertainty that chipped away at trust. With trust being a foundation of relationships, this situation could, as identified in 2001, prove to be a barrier in achieving competitive advantage for the chain.

The question now lies: is the GrandiFlora supply chain still an Achiever given the changes in the way its chain operates? In order for the GrandiFlora chain to remain an Achiever, the firms involved need to maintain relationships and manage supply chain functions effectively, continue focussing on the end consumer and constantly improve processes in order to keep up to date with the wants and needs of customers and consumers.

While GrandiFlora growers and IHM were not able to maintain their relationship, the grower group has forged a new relationship with Importer A, a very important one which allows both parties to exchange information and even develop new products together. This information exchange has been critical in allowing GrandiFlora to manage supply chain functions effectively, because the information that Importer A provides is used by the group to organise harvesting, packing and logistics for products to be exported. According to GrandiFlora, Importer A provides feedback on market prices and sales very quickly, which is very important for planning for the following shipment. This exchange allows for a transparent relationship, which is encouraged by frequent phone calls that allow the grower representative and Importer A to forge solid relationships. Importer A also visits the growers regularly.

Focussing on the end consumer and keeping up to date with the wants and needs of customers was a strong point of the previous GrandiFlora chain, with market research being part of their effort to improve their supply chain management. While the group has not been able to continue such an effort, it seems that their relationship with Importer A has allowed them to continue understanding the needs of their customers. Importer A has strong relationships with auction markets, with their salesperson

regularly in contact with auctioneers in order to better understand prices, even to the point of influencing them. This kind of influence can only be borne out of strong relationships, especially in Japan. Importer A's salesperson believes that by conveying the quality features of the GrandiFlora product to the auctioneer, he is able to set higher base prices therefore commanding better returns at the auction.

In addition, a significant amount of product sold by Importer A is sold directly through the web (auction owned). Selling product through this channel involves having information much sooner than what is required when products are sold through the auction. It requires having high quality product with certain specifications, such as stem length. Some GrandiFlora product are sold through this channel and when they are, quality specifications are often set prior to shipment which requires a certain level of planning and communication between customers in Japan, the importer and GrandiFlora.

The information exchanged, relationships and focus on customer needs by the members of the GrandiFlora chain also have translated to their ability to create value for their customers. For example, one GrandiFlora grower is currently conducting trials on a relatively new product for Japan. How these trials are currently conducted is guided by the information provided by Importer A on what customers prefer. The grower and the importer have discussed certain quality issues and have devised different ways to grow the product in order to overcome those issues that directly impact customer satisfaction and therefore returns on the product. This is a good example of value creation as a result of good relationships, attention to customer needs and good information management.

As a result, it is safe to say that the GrandiFlora chain has maintained its status as Achiever. The combination of good relationships between growers and the importer, a focus on customer needs, good information management and a supply chain orientation lead to an ability to create value for customers and therefore competitive advantage. While the chain primarily markets GrandiFlora products via the auction (a marketing system notoriously known for price fluctuations as a direct result of variations in supply and demand) it is still able to gain better prices due to relationships within the chain and a reputation gained from consistently good quality products.

Lessons learnt from this case

- Good information management is critical to keeping clients satisfied. By providing timely and accurate information, both suppliers and customers feel that they are in control of the situation and are able to make informed business decisions.

- Personal relationships built through open communication are beneficial at all stages of the supply chain. Good relationships stimulate innovation and a customer focus on this chain.

- Innovation results in value creation if it is motivated by the need to meet customers' needs better. It results in value creation for the whole chain if the needs of all participants of the chain are considered.

Case 2: Proteas and South African native flowers

The second case features a chain involving Victorian proteaceae grower Ausflora Pacific and its customers in its Japanese market. Ausflora Pacific is based in Gembrook, located 65 kilometres east of Melbourne. The company supplies both domestic and international markets – with the local market comprising roughly 50 per cent of the company's business. Ausflora Pacific also has a nursery business which is continually growing.

Internationally, its main markets are Japan and North America, with products handled by several exporters based in Sydney and Melbourne. In 2001, one of these exporters was The Australian Flower Company (TAFC), based in Sydney. TAFC then exported to various markets such as Japan, the United States, Canada, Europe and South East Asia. A major market for Ausflora Pacific products through TAFC was Japan, for which products were sold on consignment. This chain relationship was chosen as a case in 2001 because of the perceived relationship that the two companies had. TAFC viewed Ausflora Pacific as very professional growers while Ausflora Pacific viewed working with TAFC as beneficial. The Ausflora Pacific and TAFC supply chain in 2001 is depicted in Figure 11.
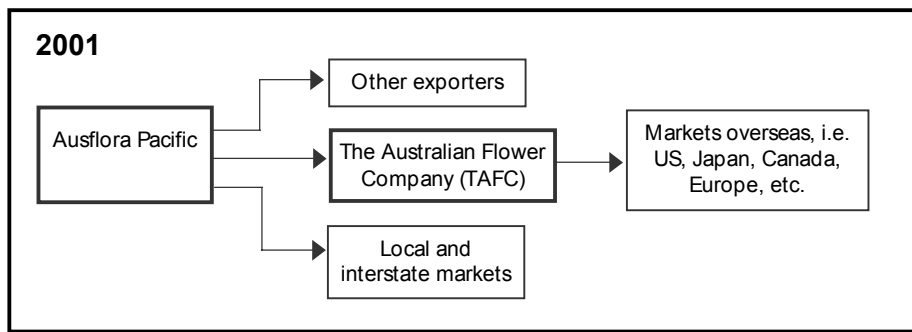
Figure 11 The Ausflora Pacific supply chain in 2001

The Ausflora Pacific chain in 2005/2006

The structure of Ausflora Pacific's chain has changed over four years, more so in the nature of the relationships within the chain. TAFC is still an exporter of the grower's products, although they have become a minor customer for Ausflora Pacific. Ausflora Pacific now favours working with two other exporters, both of which are relatively new firms in the industry (although the owners themselves have been in the industry for a long time). This change in supply chain structure is shown in Figure 12. The two new exporters are Experience Flowers Pty Ltd and Exporter 2. These two relationships are discussed in separate sections following Figure 12.
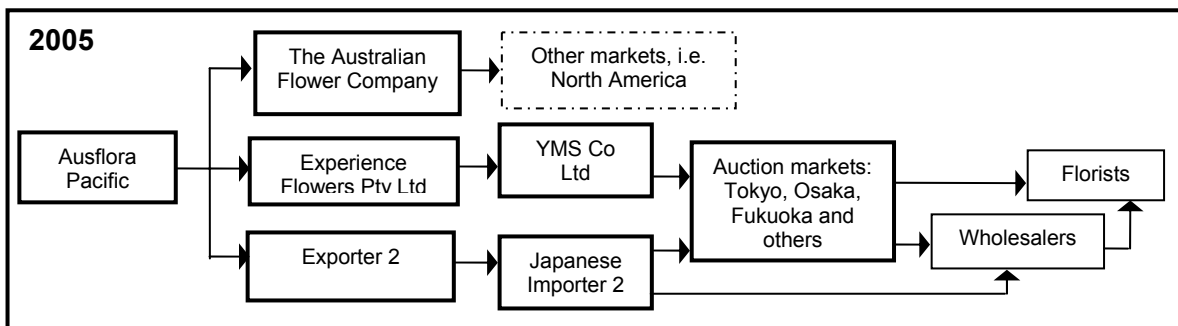

Figure 12 The Ausflora Pacific supply chain in 2005

Ausflora Pacific and Experience Flowers Pty Ltd

Ausflora Pacific decided to shift its Japanese business to a relatively new exporter, largely due to changes in staffing within TAFC. Ausflora Pacific used to deal with one employee at TAFC, and with this employee leaving TAFC and setting up his own business, Ausflora Pacific was left with the decision on whom to export their products through to Japan. Eventually, they decided to continue their business with the new company, Experience Flowers Pty Ltd, because they had built a relationship with the person and felt that the quality of information exchanged between Ausflora Pacific and their exporter will be maintained if they went with Experience Flowers than TAFC. They felt that their relationship was not with TAFC the company, but with the person who was handling their business regardless of which firm they were working for. TAFC still exports Ausflora Pacific products, but no longer on consignment (TAFC purchases the products at a fixed price) and marketed mostly to North America.

Experience Flowers began acting as an agent for growers and marketing flowers in 2002. They started their business based on growers' advice (including Ausflora Pacific); growers needed an agent focussed on good quality products and improving their returns. Experience Flowers is positioned as a niche marketer, trading to worldwide markets but focussing on introducing new products. This gives Experience Flowers an advantage over other firms, believing that they do not want to trade in commodities, but want to stay focussed on marketing flowers that are different and creating new markets for them.

Experience Flowers sends Ausflora Pacific products to Japan via several importers, but at present mainly through a large company based in Osaka, YMS Co Ltd. Experience Flowers believes that YMS is a significant player in the industry and considered as one of the top 10 importers in Japan.

YMS supplies products from over 40 companies worldwide. They purchase from several exporters in Australia and some growers in Western Australia. They market to auctions all over Japan, and consider themselves as the biggest supplier to Ota markets – Japan's largest auction market. They work with their suppliers in meeting the needs of their customers. One of their strategies is to co-brand boxes of product. In order to qualify for this, suppliers must have consistently high quality products and so far only four suppliers worldwide have met this criterion.

Fifty per cent of Ausflora Pacific's products destined for overseas markets are sold through Experience Flowers. Exporter 2, which is described below, handles 40 per cent of the grower's products for export.

Ausflora Pacific and Exporter 2

In 2004, Ausflora Pacific was approached by a new agent, Exporter 2. Exporter 2, as an individual, has been involved in the flower industry for a long time and had dealt with Ausflora Pacific for many years prior to setting up the Exporter 2 business. As such, Exporter 2 already had existing relationships with Ausflora Pacific.

While Ausflora Pacific was very happy with its business with Experience Flowers, they decided to send some product through Exporter 2 because of the way their products were handled. Their products, waratahs especially, needed water immediately to revive them and keep their quality. Exporter 2's Japanese customer, Importer 2, takes all of their products out of boxes upon receipt and places them in water, resulting to better quality products when they reach the final customer.

Exporter 2 sells his products to Importer 2 on fixed price. Importer 2 prefers to sell products directly to wholesalers rather than place them in the auction as marketing directly to wholesalers avoids the price fluctuations in auctions. However, some products are still put in the auction to maintain interest as the auction is still the most popular way of selling products in Japan.

Supply chain management for Ausflora Pacific – then and now

In 2001, the Ausflora Pacific/TAFC chain was classified an Idealist (a supply chain that has good supply chain orientation as reflected by alignments in cultures and objectives, but has limited competitive advantage). In the Ausflora Pacific/TAFC case, this limitation was brought about by a misalignment in strategies to develop their business. TAFC at that time was shifting its attention away from the Japanese market and started focusing on developing markets such as North America and Europe, whilst Ausflora Pacific saw the company as its main agent for the Japanese market. In addition, competitive advantage was rated medium-low because competition for the products was too strong in the auction markets, and there was no identifiable point of differentiation for the products.

The highlight of this chain is the way information is managed. In 2001, this supply chain function was rated high because both sides were able to communicate frequently and both acknowledged that this was critical in their business. Both acknowledged that this form of communication builds relationships, although both did not view their relationship as a partnership.

Now that the chain has changed significantly, and expanded, is Ausflora Pacific still classified as Idealist? There are two chains in this case: one that sells to the auction market and one that focuses on selling to wholesalers. One is based on good information while the other is based on better product handling that could result to better value creation.

Ausflora Pacific and Experience Flowers Pty Ltd

Ausflora Pacific has recognised that the best characteristic of their relationship with Experience Flowers is the quality, speed and accuracy of information that they get. Not only do they get information of prices and sales, but also information on colours and trends which are important in their day to day decision making. This information is actually used by Ausflora in deciding which products and how much will be sent to Japan and which ones are better marketed through other channels.

Whether or not they are valued by their Japanese customers is unknown. From observation YMS is indeed a major supplier to Japan's biggest auction market because its products are auctioned first in most cases (a sign that they are prioritised by auctioneers). The chain has the capacity to become Achievers as they are already in the position of having a good supply chain orientation, Ausflora Pacific and Experience Flowers see each other as partners, they have excellent information management and this information is actually translated into strategy. However, Ausflora Pacific is unaware of their Japanese market, which limits the level of implementation of supply chain principles in this chain.

At the moment, through Experience Flowers, Ausflora Pacific is still in the same position where its products are sold through auction markets and are largely undifferentiated. Ausflora and the exporter's strategy of introducing novel products is a good strategy to increase value creation in the chain, but this must be supported by a good marketing strategy in the Japanese end. For this reason, the chain is classified an Idealist. For the Ausflora Pacific/Experience Flowers/YMS chain to become Achievers, supply chain management must follow through to the Japanese market.

Ausflora Pacific and Exporter 2

The relationship between Ausflora Pacific and Exporter 2 started in 2004, for which Ausflora decided to 'give them a go' because of a different procedure in handling products. Exporter 2 and Importer 2 attempt to ensure product quality by revitalising them upon receipt in Japan. In addition, rather than just selling through auctions, Importer 2 targets wholesalers as its main marketing channel. However, whether this strategy actually translates to increased value for the products is unknown. A program designed for 2005 was discontinued because of fumigation problems in Japan, which was felt by the whole industry and not just individual firms.

At the moment, the 'trial-nature' of Ausflora Pacific's relationship with Exporter 2 limits this chain to being Operators. The supplier-customer relationship currently does not have long term goals, and is based on benefits gained from handling procedures. Although these procedures (putting products into water) have the potential of adding value to the products, they can be easily imitated by competitors, which will eventually degrade their advantage. Unless long term goals are set between the members of this chain, thus a supply chain orientation established, the Ausflora Pacific, Exporter 2 and Importer 2 chain is classified as an Operator.

This chain however, presents opportunities for Ausflora Pacific. Good relationships already exist between the grower and Exporter 2. This allows for an easier transition from Operators to Idealists or Achievers because their relationship can be developed to become more beneficial for the supply chain. By working towards a long term plan in conjunction with Importer 2, Ausflora Pacific and Exporter 2 may develop a supply chain orientation focussed on a florist market that purchases through wholesalers – a segment different from that targeted by the Ausflora/Experience Flowers chain. They already have a focus on the needs of customers and an understanding that value needs to be created as evidenced by their handling procedures. The significant aspect to this strategy is that it involves the importer as well, which is an important factor in managing the supply chain well.

A highlight of the way Ausflora Pacific's chains are managed is that there is a sense of respect between the parties involved. Both Experience Flowers and Exporter 2 recognise that Ausflora Pacific is a professional grower with good management practices. Ausflora Pacific sees both exporters as good agents and agents that they can work with. The foundations for building good relationships are set on both cases. Although both chains are not classified Achievers, both have the potential to improve.

Lessons learnt from this case

- Supply chain relationships are built through interpersonal relationships. The skills of employees and persons within a firm are critical in maintaining good relationships with suppliers and customers.

- Communication is crucial in building relationships. Information is crucial in managing the business. Information management, which includes the way information is gained and utilised, is critical in achieving competitive advantage.

- Operational advantages are not a source of competitive advantage because they can be imitated by other firms and chains. To build on this, relationships and long term visions need to be developed between partnering firms.

- Supply chain relationships can create lasting advantages if it includes all firms involved in the chain. The more firms are involved in partnerships, the more control there is over the value that the end customer receives.

Case 3: Foliages

AUSBUD was a group of 30 eucalypt growers based in the Darling Downs region of Queensland. The group, a cooperative marketing group, was formed in 1993 to market products to both Australian and overseas markets. Eight years after its inception, AUSBUD ceased trading as a cooperative. The case featured in 2001 involved a member of AUSBUD, Redlands Farming. Redlands Farming is a supplier of eucalyptus flowers, foliages and buds based in Jandowae, Queensland. In 2001, Redlands Farming supplied three exporters: Floratrade, Collina Export and The Australian Flower Company (TAFC). The majority of the products then were sold through TAFC, but the case focussed on the grower's relationships with Collina Export. The chain featured in 2001 is shown in Figure 13.
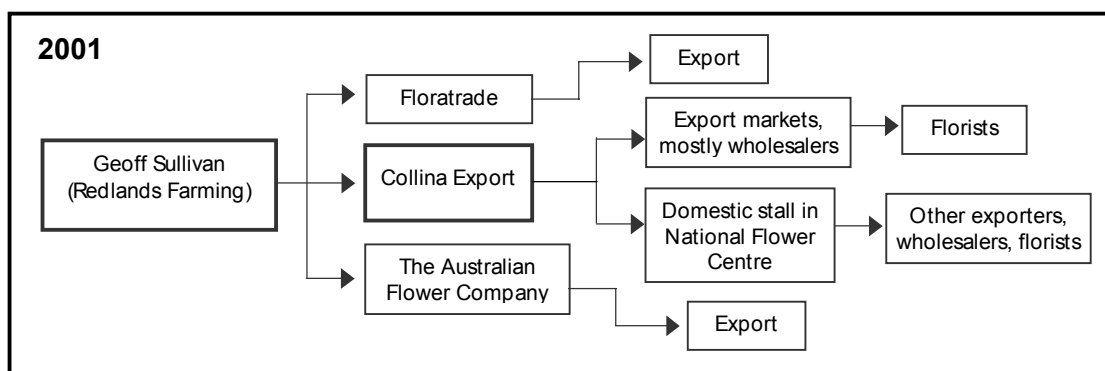

Figure 13 The Ausbud/Collina supply chain in 2001

Collina Export, in 2001, was a specialist exporter marketing small volumes of a large range of flowers to various destinations. The company purchased products on fixed price and conducted its own quality control procedures for all of its products. This differentiated Collina from most exporters because they took ownership of products and also had a quality management system.

The foliages chain in 2005/2006

The AUSBUD (Redlands Farming) and Collina Export chain has changed significantly since 2001. First of all, due to drought conditions, Redlands Farming has ceased harvesting and marketing its products. In addition, Collina Export has also ceased trading and the brand Collina, along with its customers, was purchased by Floratrade which is also based in Melbourne.

Floratrade is a flower exporter established in 1994. The company exports to North America, Japan and Europe, with the United States as its biggest market. In 2004, Floratrade purchased the Collina brand. This purchase allowed Floratrade to continue Collina's business with its existing suppliers and customers. One of these suppliers was Redlands Farming, previously part of the AUSBUD cooperative. In 2004, Collina was only able to source very small amounts of eucalyptus products similar to that produced by AUSBUD, which eventually affected the demand for the product as it was not regularly available. By 2005, the company could not supply any of the product.

Because Redlands Farming was no longer supplying Collina, a new supplier of foliages was needed for this case. Cedar Hill Corporate Group, a supplier of bush-harvested foliages based in Queensland's Sunshine Coast, was recommended by Floratrade. According to the exporter, Cedar Hill was a good supplier for them – professional, with a good range of products that are unique in the market.

The Cedar Hill Corporate Group is a group of five companies involved in various production and marketing activities. The company currently has 100 employees and carries 16 different types of foliage products, with new products constantly being developed. It has two marketing arms for foliages – Premium Greens Australia to the Australian, Japanese and North American market, and Australian

Flora Corporation to Europe. Cedar Hill's main market is Europe, where it has an established name and its range of products is well known. Cedar Hill exports their own products to this market.

In 2004, largely due to increasing product supply and a slight downturn in the European market, the company decided to develop new markets and venture into Japan and North America themselves. Prior to this, Cedar Hill supplied various exporters with their products, some of which were exported to Japan. With this decision to develop new markets, Cedar Hill became more proactive in exporting products themselves to Japan, thus changing the way their supply chain operates. The Cedar Hill supply chain to Japan is shown in Figure14.
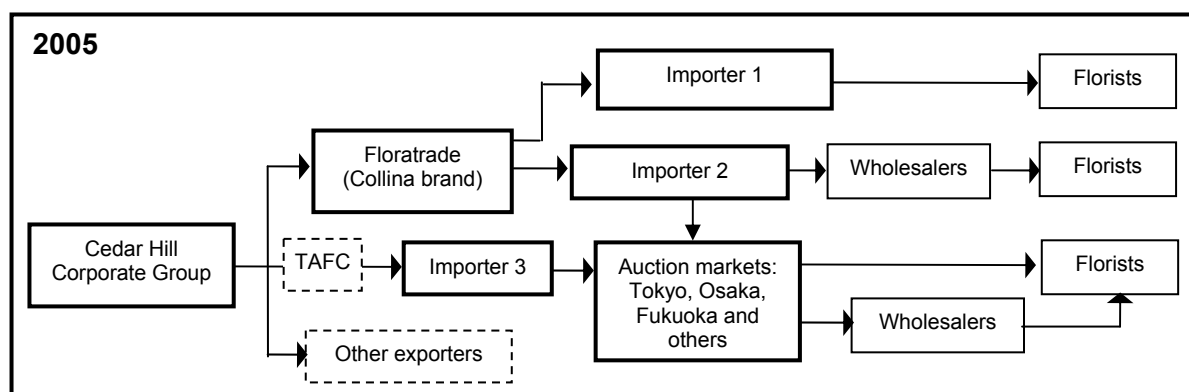

Figure 14 The foliage supply chain in 2005

There are two main channels for Cedar Hill products featured in this case. One is its supply chain through exporter Floratrade, and the other is its supply chain to a Japanese importer (Importer 3) which Cedar Hill exports directly to. These chains are discussed in the following sections.

Cedar Hill Foliages and Floratrade

Cedar Hill was chosen as a replacement to AUSBUD/Redlands Farming in this case because Floratrade identified them as a good supplier, one that is professional. They have a wide range of products that are different to those commonly found in the market, and thus are often priced higher. While Europe is Floratrade's biggest market for Cedar Hill foliages, umbrella fern especially, product is regularly sent to Japan. Two of Floratrade's Japanese customers are Importer 1 and Importer 2.

All Collina clients and products are handled by a designated staff member in the Floratrade business. Importer 1 is a Collina customer who wholesales directly to florists. A specialist flower wholesaler, Importer 1 imports products from various suppliers all over the world and markets them directly to florists through its own salespersons. The company has 22 trucks in Tokyo and Osaka, and wholesale stands in flower markets in Osaka and Fukuoka. While its main office is in Osaka, it has packing and quality management facilities in both Osaka and Tokyo, where staff inspect and sort products that have arrived in preparation for sale and delivery to florist clients. This aspect of Importer 1's operations is very similar to the way Collina used to operate, with its own packing and sorting facilities. In addition, both companies dealt with smaller volumes of a large range of products to cater to their clientele.

Importer 1 deals with florists that cater to upmarket customers, with hotel florists being their primary customers. These florists have a large wedding market, which often require very high quality flowers that also command high prices. Because of this, Importer 1 goes through great lengths in assuring that the quality of their products is high by sourcing from specialist growers and suppliers (such as Collina) and by having their own quality management system.

Importer 2 is a Floratrade customer who sells products primarily to wholesalers. Importer 2 has been in the Japanese flower business since the late 1980s and used to market primarily through the auctions. However, with shifting demand and supply, the uncertainty of auction markets has led Importer 2 to try

to market directly to wholesalers. Importer 2 does this in order to have more control over prices. In addition, Importer 2 is able to get pre-orders and therefore plan his business more appropriately. According to Floratrade, Importer 2 is a trader that focuses on prices and clearing volumes of products. However, Importer 2 is also in a good position to market their products because they are able to communicate directly with customers and are able to promote products to their wholesaler customers.

Cedar Hill Foliages and Importer 3

As mentioned earlier, Cedar Hill previously supplied the Japanese market through various exporters. One of these exporters was TAFC (The Australian Flower Company). Upon deciding to more proactively develop their market in Japan, Cedar Hill and TAFC came to an agreement on a joint venture. This agreement entails Cedar Hill dealing with TAFC's Japanese customer, Importer 3, by marketing products directly to him. TAFC acts as a freight agent for Cedar Hill, organising paperwork and freight for the foliage company on a fee basis. This arrangement benefits both companies because freight efficiencies are gained with larger volumes of products exported. In addition, Cedar Hill becomes more directly involved in how their product is marketed in Japan.

As part of this agreement, Cedar Hill is now able to market directly to TAFC's Japanese importer, Importer 3. TAFC took Importer 3 to visit the Cedar Hill premises to facilitate this relationship. By showing Importer 3 how Cedar Hill operates and how they handle their products, Importer 3 was able to recognise the value in working with the foliage company.

Importer 3 sends his products to various auction markets all over Japan, where wholesalers and florists purchase their products. Because their main channel for selling products is through the auction, Importer 3 does not have connections with florists. However, it does have some relationships with intermediate wholesalers (*nakaoroshi*) who occasionally pre-order products through them. Very rarely does Importer 3 sell product directly to florists. Some of the more popular products marketed to Japan by Importer 3 are steel grass, koala fern and sea star.

Supply chain management for the foliages chain – then and now

The AUSBUD (Redlands Farming) and Collina chain was classified an Idealist in 2001. The companies were aligned in terms of objectives and culture, indicating that a supply chain orientation was present. In addition, the relationship that existed between the key persons of the two companies was established and based on personal relationships. As a result of these relationships, the level of communication between the firms was also high.

However, the AUSBUD/Collina chain's ability to create value and consequently gain competitive advantage was limited by logistical issues. These logistical problems result in product quality suffering, affecting its value. In addition, the drought conditions at this time had already been affecting consistency of supply, which again limits value created for the customer. These issues, combined with increasing transport costs made the business difficult for both companies. While Redlands Farming and Collina Export were motivated to develop partnerships, problems associated with logistics and environmental factors limited their ability to implement supply chain management practices.

By 2005, this chain has totally changed to involve new companies and new products. Two chains are featured in this case: Cedar Hill and its relationship with Floratrade, and Cedar Hill and its relationship with a Japanese importer to which the foliage company directly exports.

Cedar Hill Foliages and Floratrade

The Cedar Hill and Floratrade chain is a network of firms rather than a single-channel chain. Because of this, the types of relationships vary. However, on both cases, Cedar Hill is unaware of Floratrade's customers and is also not in a position to develop supply chain relationships with these clients because of the value that this business has for both Cedar Hill and Floratrade.

Floratrade is only one of many other exporters that Cedar Hill sells their products to in Australia. Similarly, Cedar Hill, although a supplier of a good range of high quality products to Floratrade, is only one of many suppliers of foliages to the company. In addition, Cedar Hill's focus is to be able to market their product themselves to the Japanese market, making sales through other exporters less of a priority at present. The foliage company has no intentions of marketing directly to other Japanese importers, as its priority is to develop its relationship with Importer 3 (see next section). For these reasons, the value of supply chain relationships in this chain is low. The firms in this chain do not create enough value for each other to facilitate the development of collaborative relationships. However, both firms gain value through transaction-type relationships and will most likely continue to do so as long as products are sold through the chain.

The Cedar Hill and Floratrade supply chain is an Operator type chain. The companies are not oriented towards partnering with each other, although it is recognised that there is value in doing some business with each other. The relationship is largely transaction-based, where Floratrade purchases product from Cedar Hill and the foliage company supplies it. These may be regular purchases, but they are largely based on orders made by Floratrade customers. Cedar Hill is not aware of Floratrade's customers and therefore is not in the position to work with these clients to further improve the Floratrade business.

Floratrade on the other hand, is in the position to work with two of its clients in better marketing its products. Floratrade makes it a habit to visit their clients once a year in order to maintain relationships and discuss possibilities of better promoting their products. Because Importer 1 and Importer 2 are directly communicating with their immediate customers through sales transactions, both importers are in the position to gain input from their clients in developing a better marketing strategy. If Floratrade is able to tap into this advantage, then it might be able to develop and implement better marketing strategies for its products, one of which may be Cedar Hill foliages. However, these are only possibilities, and unless Floratrade and its customers are able to develop and implement such strategies, they can only be classified as Idealists.

As a result, the Cedar Hill/Floratrade chain is a combination of Operator and Idealist. On the supplier end, the chain works as an Operator depending on transaction-type relationships. On the customer end, the chain works as an Idealist with plans of joint marketing programs but still working on transaction-type relationships.

Cedar Hill Foliages and Importer 3

Cedar Hill and Importer 3 have only been dealing directly with each other for just over two years, so the relationship is still in its early stages and the two companies still have much to learn about each others' businesses. However, Cedar Hill and Importer 3 are firms that recognise the importance of working together. They have a supply chain orientation, based on their recognition of each other's value. Importer 3 sees Cedar Hill as a very professional firm that is focussed on producing high quality product, whereas Cedar Hill sees Importer 3 as a very reliable customer and one that can be trusted.

However, it is difficult for the two companies to implement supply chain management strategies such as joint marketing programs and actively promoting their product because of several reasons. One is Importer 3's inability to change its business practices to cater for Cedar Hill's product. Cedar Hill products comprise a very small proportion of Importer 3's business, therefore making the decision to change practices hard for the Importer because all other products will be affected. Another reason is the

marketing channel to which products are sold in this chain, the auction. This limits the ability of the firms to actively market products directly to customers. The auction system does not allow both Cedar Hill and Importer 3 to identify who buys their product, therefore not allowing them to identify critical customers and build relationships with them. The only way to effectively market their products through the auction is to generically promote their products through displays or through florist demonstrations in order to create a 'demand pull' which will eventually benefit their chain.

Because of these factors, the competitive advantage of Cedar Hill products in this chain is currently limited. Although the products are unique and of good quality, customers are unaware of their features and often find them too expensive compared to other foliages available at the auction. Because customers are not aware of what make these products different, they see no value in having to spend more money for these foliages.

The combination of a supply chain orientation, the inability to implement supply chain management practices, and the limited competitive advantage even if value created is high clearly indicate that this chain is an Idealist. For it to progress to Achiever status, more cooperation is required in marketing the products. Importer 3 has to be more proactive in informing customers of the features of the products, be it through auction displays or through florist demonstrations. Cedar Hill is currently in the process of conducting such promotions. If Importer 3 and the auction markets are able to be actively involved in these endeavours, then the chain will show signs of becoming Achievers.

If the chain is able to successfully educate customers and create a demand pull, Importer 3 may see the value of the Cedar Hill products to his business and be more open to change practices to better market the company's foliages.

Lessons learnt from this case

- Supply chain management requires the need for firms to recognise the value of each others' business. The concept of value creation not only stems from the ability of firms to jointly create value for the end customer, but also to create value for each other.

- Not all chains are ready for supply chain partnerships. Some firms gain more benefits from maintaining transaction-based relationships. Whether or not firms in a chain are able to create value out of collaborative relationships is based on their culture, their objectives, and the value that a firm sees in another and vice versa.

- Educating customers, through promotions, are one way of supporting the value created by firms in a chain. However, such promotions can only be effective if there is indeed value that backs the product. Such value may come in the form of being unique or of having high quality.

Revisiting the supply chain management framework

The supply chain management framework developed in UQ-89A involves a number of factors that interact to result in the competitiveness of a chain or a firm (Figure 7). The cases above have strongly illustrated the importance of three variables in the framework – information management, relationship management and value creation – as contributors to competitive advantage.

On the importance of information in chains:

- Good information management is critical to keeping clients satisfied. By providing timely and accurate information, both suppliers and customers feel that they are in control of the situation and are able to make informed business decisions.

- Communication is crucial in building relationships. Information is crucial in managing the business. Information management, which includes the way information is gained and utilised, is critical in achieving competitive advantage.

On the importance of relationships in chains:

- Not all chains are ready for supply chain partnerships. Some firms gain more benefits from maintaining transaction-based relationships. Whether or not firms in a chain are able to create value out of collaborative relationships is based on their culture, their objectives, and the value that a firm sees in another and vice versa.

- Operational advantages are not a source of competitive advantage because they can be imitated by other firms and chains. To build on this, relationships and long term visions need to be developed between partnering firms.

- Supply chain relationships are built through interpersonal relationships. The skills of employees and persons within a firm are critical in maintaining good relationships with suppliers and customers.

- Personal relationships built through open communication are beneficial at all stages of the supply chain. Good relationships stimulate innovation and a customer focus on this chain.

On the importance and creating and sharing value:

- Supply chain relationships can create lasting advantages if they include all firms involved in the chain. The more firms involved in partnerships, the more control there is over the value that the end customer receives.

- Supply chain management requires the need for firms to recognise the value of each others' business. The concept of value creation not only stems from the ability of firms to jointly create value for the end customer, but also to create value for each other.

- Innovation results in value creation if it is motivated by the need to meet customers' needs better. It results in value creation for the whole chain if the needs of all participants of the chain are considered.

- Educating customers, through promotions, are one way of supporting the value created by firms in a chain. However, such promotions can only be effective if there is indeed value that backs the product. Such value may come in the form of being unique or of having high quality.

However, these lessons do not discount the importance of supply chain orientation (cultural and objective fit), strategy, process and logistics management in successfully implementing supply chain management. This is because the variables identified in the framework do not operate independently.

For example, relationships will eventually fail if logistics are not well managed. For the same reason, value cannot be created if a firm's operations and logistics are not well carried out. A relationship that does not have a cultural and objective fit only leads to one that is transaction based.

The analysis of the chains has shown that the way the variables of the framework interact is important in assessing the type of chain as Achiever, Idealist or Operator. It also shows that a firm may be involved in one type of chain with one customer, and be in another type of chain with another client. While the culture of an individual firm remains consistent, if there is no alignment in objectives with one firm, then the ability to implement supply chain management is diminished. This is why two of the cases are both Idealists and Operators.

Finally, the analysis also shows that types of relationships are not consistent through out chains. Dyads (relationships between two companies) exist and a firm's relationship with a customer may not be the same as with its supplier. Again, the 'fit' of the companies is crucial in determining the way supply chain functions are managed. Collaborative dyads are more commonly found than collaborative supply chain relationships. The competitive advantage of supply chain relationships arises from the difficulty of harnessing synergies from multiple firms rather than just two.

Summary

Supply chain management has long been recognised as a management strategy that firms and their partners can implement to achieve and sustain competitive advantage. Because it requires firms to work together, synergies created between firms become difficult to imitate and therefore have the ability to create better advantages over competitors than operational improvements or efficiencies. In a previous study on new rural industries, supply chain analysis was applied to three Australian wildflower chains. This chapter updates that study to revisit the three chains and identify changes in the way they operate.

The three cases in this study featured chains handling New South Wales Christmas bush (GrandiFlora), South African proteaceaes (Ausflora Pacific) and foliages (Cedar Hill). There were several lessons learnt from each case. These lessons reflect the importance of three issues in supply chain management: information management, relationship management and value creation. These lessons validate the supply chain framework developed in a previous study. In addition, the case studies show the relevance of the framework as more firms are included in the analysis and relationships begin to differ.

The following section brings together the results of market segmentation and supply chain analysis to identify which segments of the market the three chains cater to. Following this, a discussion on the implications of these findings is made against the supply chain framework.

Australian supply chains to the Japanese market

The previous sections identified two main groups of findings: three segments of the Japanese floral market and supply chain types of the three case study chains featured in this research. Bringing these two findings together results in the identification of the segments that each chain caters to, and whether or not the chains are equipped to meet the needs of their target segment.

Are the supply chains geared towards the needs of the segment of the market that they cater to? What are the needs of the segments, and how are these chains able or unable to meet them? What is it about the relationships and how they are managed that allows/does not allow the chains to meet their market's needs?

Needs of the market

The different market segments purchase through different channels. This means that marketing strategies by firms and chains that target specific segments should differ. This section explores the needs of the different segments of the market, and the needs of the different members of the Japanese floral supply chain as well.

Auction loyal

As auction purchasers, florists in this segment are motivated by the price advantages that the auction can bring. Auction markets worldwide are known for being able to sell products at all costs. After all, it provides a system whereby buyers purchase on the basis of the price that they are willing to pay without any room for negotiations on the basis of quality.

Auction markets are governed by supply and demand, and Australian products will not only be affected by supply of direct substitutes but also other products available in the market. For example, Australian grown proteas will not only be affected by the presence of South African grown products, but also how much chrysanthemums are in the market. Because the auction market does not allow suppliers to identify specific types of customers, suppliers are not able to target the needs of these florists or users. The only way they can compete is by building a reputation through the whole market, with the hope that this reputation will influence florists to purchase their products at a higher price.

Still, auction purchasers need to have the assurance that product supplied to them is of high quality and is consistent. Because buyers are not able to inspect products that they purchase, they make a gamble on the quality that they receive. If they are not satisfied with the quality of a product, they will not make the same purchase again. With information on auction clocks only limited to product type, stem length, origin (country), price and importer, buyers can make decisions that not only affects one supplier, but many.

Thus buyers from this segment need to be provided with more information on Australian products so they can make an informed decision on what they are purchasing at the auction. Firms targeting this segment need to build their reputation based on supplying consistently high quality products. However, because information on auction clocks is only limited to the names of importers, Australian suppliers then need to work with their importers to assist them in building their reputation as well. This is where collaborative relationships will assist.

Nakaoroshi loyal

The *nakaoroshi* or intermediate wholesaler loyal florist may prefer this option for various reasons. One is to be able to see the product prior to purchasing, something that they are not able to do when buying from the auction. Seeing products in a wholesaler stall may also allow florists to make unplanned purchases, for instance if they have an arrangement in mind but are unsure of what products to use. By seeing what is available on the day, they may purchase even if they did not have the intent to do so.

Another reason for purchasing through wholesalers is the need to purchase in small amounts. Minimum purchases at auction can be high, and small florists or even schools may not require such large amounts of a certain product.

Another reason is the time available for purchasing. Purchasing from the auction often requires florists to be at the auction from 6am to possibly 11am. Purchasing from wholesalers alone, especially when combined with pre-ordering, is much more efficient than purchasing through the auctions.

A majority of florists surveyed in this study purchase Australian products through wholesalers. Even some auction loyal florists purchase Australian products from wholesalers. This coincides with several characteristics of Australian products and the benefits of purchasing from wholesalers. One is that Australian products are often used in small amounts by a florist, so purchasing from a wholesaler is more practical than purchasing from auctions. Another is that varieties of Australian product are not consistently available, and quality can vary. This allows florists to see what is available and inspect the quality before making the commitment to buy.

Trailblazers

Segment 3 florists are likely to be high-volume purchasers because they have a large number of shops per business entity. As such, volumes are a significant factor for these florists. Because of this, florists in this chain are willing to source products themselves, some going directly to growers even if it requires importing the flowers themselves.

Other florists in this chain purchase products via the internet. Internet purchases are based on fixed price, and it is widely acknowledged that prices are higher than auction prices. However, products available on the internet are known to be of higher quality, and the buyer is assured of their availability. Internet purchasers also have the ability to pre-order, again assuring them of better quality products although it comes at a cost.

With this knowledge, it can be assumed that florists in this segment need the assurance of product availability. There is a level of planning involved in pre-ordering, and the willingness to pay more for a product strengthens the importance of assurance in this segment. Florists in this chain may have a better idea of the uses of their products, e.g. weddings and events. Products required for such uses are determined months in advance, alongside volumes and the prices that they are able to pay.

Still, florists in this segment purchase from wholesalers and the auction. This shows that the buying process for these florists is important, and they are willing to purchase from several channels depending on their needs and the importance of a product to their business. Florists in this segment purchase Australian products from various sources, again reinforcing their characteristic on purchasing on the basis of a specific use.

Needs of the supply chain

In addition to the needs of the individual segments, other members of the chain have expressed their own concerns regarding the way Australian products are marketed in Japan. Importers have expressed several issues regarding Australian products. One is standardised fumigation practices. Australian products, due to the different legislations by State Governments and different individual practices, often are fumigated using different processes. These practices may not be consistent with Japan's fumigation requirements, which results in products being fumigated in Japan causing significant deterioration. In 2005, several importers faced this problem, with one stating that 70 per cent of a certain product line from Australia was fumigated, and therefore had to stop purchasing this product. This came with a time of tighter controls by Japanese quarantine and it was obvious that Australian product was not able to cope with these requirements.

Another concern by importers is reliability of information provided against actual products sent. There are cases where Australian growers place extra stems just so they would not be wasted, but this causes problems during re-packing (which is becoming more common now than it was before) because the extra stems are treated as waste. If products are not repacked, the florist receives product that they do not expect. Japanese florists are known for having high expectations in quality and standardisation, and the extras are not seen as bonuses. Varying stem lengths in bunches and boxes and varying stem sizes in a bunch are also problems that importers have observed which the whole chain faces.

Similar to importers, one concern aired by auction markets is consistency. This comes in the form of stem counts per bunch, stem numbers per box (for each length), and standardised stem lengths. In addition, the reliability of services in relation to information provided on boxes being consistent with what is contained in the box is an issue that needs to be addressed as well. If information on boxes and paperwork is not consistent with the actual product, florists make claims to the auction which is transferred to the importer and eventually to the grower who supplied the product. Not only are returns diminished in this case, but also reputations.

An overwhelming need of the whole market is that of information. Because florists do not know enough about Australian products, they are often left in the dark in terms of the right way of handling and caring for products. This leaves them with the only option of handling products the same way as they would traditional flowers. However, it is widely known in Australia that some products require different handling and care from the usual. Some subtropical species need a slightly higher temperature during storage compared to other products. Other products need to be in water as soon as possible to keep their quality. Without the right care and handling, product quality suffers, resulting to customers that are dissatisfied.

Summary of needs

The needs of the Japanese floral market may vary slightly for each segment, but chain participants often have similar requirements. This study has identified so far that in terms of Australian products, the needs of the different segments of the market are very similar. They require consistent quality, reliable supply and reasonable prices for the products. Most florists also want novel products to enter the market as well and this is an expectation that they have come to have of Australian growers.

The following summarise the improvements that need to be made by Australian suppliers to better meet the needs of the Japanese market:

- consistent quality and standards

- reliable supply

- reasonable prices

- reliable information

- standardised fumigation practises

- improved bunching

- more information on product characteristics and care instructions (if required).

It is widely accepted by both suppliers to the Japanese market and the members of the Japanese floral industry that Japan has very high quality requirements. Some state that these requirements can not be met feasibly. An exporter has had this experience, whereby business with a large and established floral chain was lost voluntarily because it was not profitable for Australian suppliers to cater to the quality specifications set by their customer. This is a limitation by the Australian flower industry; input costs, specifically labour costs, cannot compete with the costs of competitors in South America, Africa and Asia.

However, this should not stop Australian growers and exporters from continually improving their practices and striving to meet the needs of their markets. An important factor in meeting these needs is knowing the market. The following section provides an example of the three chains and their target segments.

Market segments served by the chains

One recommendation by market segmentation specialists is that firms can target a broad market. However, the aim of this strategy is to eventually identify a niche in this broad market that they can serve well because the needs of the customers match with the abilities of the supplier. For many years, Australian suppliers to the Japanese market have been targeting the broad market by simply sending product to Japan without any knowledge of where it goes and who uses their product. This research presents an opportunity for chains to identify where their product goes and further identify niches in these segments that they can potentially serve better.

A key to this is for the firms in these chains to understand what they can do – what does their culture allow them to do, can their current operations fit with what the market demands, do their current relationships allow for the development of such a strategy, and do they have enough information to actually develop this strategy?

The chains featured in this case cater mainly to two segments of the market: the auction loyals and the *nakaoroshi* loyal. The following provides a summary of the types of chains and their targeted markets.

NSW Christmas Bush

Chain type:	Achievers
Strengths:	Strong relationships across the chain that is supported by good information exchange. Ability to innovate based on collaboration with customers and suppliers.
Weaknesses:	Markets through a channel known for fluctuating prices due to strong influence of supply and demand from other substitute products.
Targeted segment:	Auction loyals
Characteristics and needs:	A large segment of the market that purchases heavily from the auctions. These florists seek price advantages when purchasing products. They are the most exposed to Australian native flowers because the auctions are the primary method of selling wildflowers. However, they may also purchase Australian flowers from wholesalers.
Ability to meet market needs:	The focus on getting the best price by buyers in this segment can only be overcome if this chain continually strives to improve its reputation as suppliers of high quality product. The growers and their importer must make an effort to build their brand as one of good quality and one that is reliable. This will ease the level of competition on their products even if similar products are available. At present, knowledge of the GrandiFlora Growers brand is low as shown by survey results. There is room to improve their competitive status.

South African Proteaceae

Ausflora Pacific and Experience Flowers

Chain type: Idealists

Strengths: Level of information exchanged between Ausflora Pacific and Experience Flowers is very good.

Weaknesses: Ausflora Pacific is unaware of who their customers are. The information exchanged between Ausflora Pacific and Experience Flowers is sufficient to build relationships and strategies between the grower and the exporter, but not enough to include their importer in a collaborative relationship.

Targeted segment: Auction loyals

Characteristics and needs: A large segment of the market that purchases heavily from the auctions. These florists seek price advantages when purchasing products. They are the most exposed to Australian native flowers because the auctions are the primary method of selling wildflowers. However, they may also purchase Australian flowers from wholesalers.

Ability to meet market needs: Product sold through the auction market is undifferentiated and therefore does not allow the chain much leverage to compete successfully with substitutes. This leaves the chain very vulnerable to market conditions. The level of knowledge that Experience Flowers has of the market assists in alleviating this problem. In order to get consistent returns from the auction, this chain must ensure that quality is consistent and that information gained from the market is accurate and is used at all times. This requires a great degree of flexibility from the grower's end. A reputation for high quality products needs to be built in collaboration with their importer.

Ausflora Pacific and Exporter 2

Chain type: Operators

Strengths: Good quality management strategy which may allow them an advantage over other competitors.

Weaknesses: No long term plans. Currently opportunistic.

Targeted segment: Auction loyals and *nakaoroshi* loyals

Characteristics and needs: Auction loyals are a large segment of the market that purchases heavily from the auctions. These florists seek price advantages when purchasing products. They are the most exposed to Australian native flowers because the auctions are the primary method of selling wildflowers. However, they may also purchase Australian flowers from wholesalers.

                          Nakaoroshi loyals prefer to see products prior to buying them to ensure quality. They may purchase smaller amounts than florists who purchase through the auctions. At the same time, they are also florists who may not have the time to spend purchasing products through the auction.

Ability to meet market needs:	Ausflora Pacific, Exporter 2 and Importer 2 are in the position to provide good quality product if their system of refreshing flowers upon arrival is effective. This supports their ability to provide high quality products that Segment 2 florists will value upon seeing them.
	In addition, by selling a small volume of product through the auction, this chain will be able to maintain interest to a larger segment of the market without oversupplying it.
	For this strategy to be effective, Ausflora Pacific, Exporter 2 and Importer 2 need to work together to support efforts in Japan by making sure that products are of high quality when they depart Australia. In addition, the three members of the chain must make an effort to communicate with their clients in order to let them know of the advantages of dealing with their products.

The Ausflora Pacific chains serve the auction and wholesaler loyals. There is some overlap in supplying the auction market, which may result to Ausflora Pacific products competing with themselves. However, by being part of chains that supply the two segments, Ausflora Pacific is assured that their products are present in all channels and florists are exposed to them.

Foliages

Cedar Hill and Floratrade

Chain type:	Operators
Strengths:	Importer 1 and Importer 2 provide a different channel for Cedar Hill products.
Weaknesses:	Relationships are transaction-based which is currently the preferred way of doing business in the chain. There are no intentions of building stronger relationships at present, although there are opportunities especially on the Japanese end.
Targeted segment:	*Nakaoroshi* loyals
Characteristics and needs:	*Nakaoroshi* loyals prefer to see products prior to buying them to ensure quality. They may purchase smaller amounts than florists who purchase through the auctions. At the same time, they are also florists who may not have the time to spend purchasing products through the auction.
Ability to meet market needs	Floratrade has positioned itself to serve Segment 2 of the Japanese flower market, targeting importers who either sell to wholesalers or importers who sell directly to florists. This is an opportunity that Cedar Hill can take advantage of because Floratrade already has established its chain with Importers 1 and 2. By working together with Floratrade and its importers, Cedar Hill may be able to promote its products better to this segment. At present, this is an untapped market for the foliage supplier. Florists are not aware of the features of their products.

Cedar Hill and Importer 3

Chain type: Idealists

Strengths: At the initial stages of relationship building. Both see the value in each others' businesses.

Weaknesses: Inability to actively market the products because Importer 3 does not see the real benefits. There is some resistance to change, largely due to the strength of the auction market and the lack of knowledge on their end-customers.

Targeted segment: Auction loyals

Characteristics and needs: Auction loyals are a large segment of the market that purchases heavily from the auctions. These florists seek price advantages when purchasing products. They are the most exposed to Australian native flowers because the auctions are the primary method of selling wildflowers. However, they may also purchase Australian flowers from wholesalers.

Ability to meet market needs: Similar to GrandiFlora's case, the challenge for the Cedar Hill/Importer 3 chain is to prove to their customers that their products are reliable and of high quality. More importantly, the chain needs to inform their potential customers of the features of the products in order to entice them to purchase through the auctions. Because products are not often seen at the auction, florists may not feel confident about purchasing large amounts of a product that they do not have enough information on. Communicating with customers is essential, and this might have to be done through generic promotions.

By combining these two chains, Cedar Hill products are able to penetrate a large section of the market including both those who purchase through the auctions and those who purchase through wholesalers. An important factor in this strategy that the company is unknowingly taking is that they are able to penetrate a significant size of the market. In addition, these two chains do not compete directly against each other as each serve a different segment of the market.

A segment untapped?

Segment 3 florists are likely to be high-volume purchasers because they have a large number of shops per business entity. From this research, it cannot be verified whether any of the chains featured are supplying this segment. However, almost all importers in this study market small amounts of product via the auction's internet purchasing system. This means that they all cater to Segment 3 florists to a small degree.

It can be stated that none of the chains are specifically targeting this segment of the market. For small Australian exporters, gaining access into this market is like gaining a 'foothold' as Raynor and Weinberg (2004) would term. Accessing this segment of the market provides the firm a position of growth if they are able to serve the needs of such large, chain-type florists who mostly likely will demand large volumes of products. As mentioned earlier, such florists may also require very high quality products. Australian suppliers must be able to identify whether or not they have the capabilities to meet these specifications, and whether or not it is profitable for them to meet such needs.

Summary

This chapter has identified the segments of the market that each chain serves, and what they may be able to do to improve their competitiveness in this market. It also provides a summary of needs for each segment.

A strong finding in this chapter is that buyers (florists) need to be assured that product is of high quality. They also need to be provided information on the products as Australian wildflowers and foliages, even if they have been in the market for years, are still 'new' to Japanese florists. However, the way information is communicated may differ depending on the segment that a chain serves. This will be especially evident in communicating with customers and informing them of the features of products. Those that purchase through the auction will need a more generic form of advertising, perhaps displays through the auction or florist demonstrations. On the other hand, those who purchase through wholesalers may require a more personal form of promotion, salespersons of wholesalers will therefore be critical.

This chapter also identified that there are segments of the market that are untapped. Serving their needs may be difficult, but it is a challenge for those who have the capabilities to meet these needs. However, chains should not strive to access all segments of the market, instead, they should find out which segment they will be able to serve based on their capabilities, and meet the needs of this segment well. Over time, firms who expand their capabilities can eventually diversify into other market segments.

Conclusions

Japan is an important market for Australian wildflowers and foliages. It is a complex market that is still not widely understood by a large majority of the Australian flower industry. The Japanese floral chain, made up of importers, auction markets, wholesalers and florists, can be an entangled web for Australian products if they are merely 'sold' as opposed to being 'marketed'. In order to market Australian products better into the Japanese flower market, the characteristics and needs of customers need to be understood.

A summary

Three segments identified

This report has identified three segments of the Japanese flower market: the auction loyals, the *nakaoroshi* loyals and the trailblazers. Auction loyals purchase most of their products through auctions. For example, an average auction loyal florist will purchase 80 per cent of its focal flowers from the auction. Most of these florists purchase Australian products, although some of them may purchase the products from wholesalers. A sub-group in this segment do not purchase Australian products. These florists prefer to take the gamble of the auction, and are most likely to be motivated by price advantages when purchasing. Because florists in this segment do not often get the chance to inspect products prior to purchase, they are more cautious about trying new products to avoid risk.

On the other hand, *nakaoroshi* loyals are florists who prefer to buy from intermediate wholesalers. A typical florist from this segment will purchase 77 per cent of their focal flowers from wholesalers. Like the auction loyals, there is a small proportion of this segment that does not purchase Australian flowers. Florists who purchase from wholesalers prefer to see the products before buying them. This gives them the assurance that what they are buying is of good quality. They also have the option of buying smaller volumes than those who buy from the auction.

The trailblazers are the third segment of the market. This segment is characterised by florists who purchase from various channels – auctions, wholesalers, the internet, even direct. These florists are likely to be chain-type florists who are able to buy large volumes of products. They prefer to 'shop around' for the best way to buy a product. For example, branches are mostly purchased through the auction, while 59 per cent of focal flowers are purchased through other channels such as the web or direct to growers. Likewise, Australian products are purchased through a combination of channels.

Supply chains classified

In addition to these segments, three case study supply chains are featured in this research. The first case features GrandiFlora Growers and their Japanese importer. Classified as an Achiever in 2001, this chain has maintained its status as Achiever even after going through significant supply chain changes. They have managed to do this by developing a collaborative relationship with their importer, and making sure that this relationship is beneficial to both sides.

The second case features a protea grower, Ausflora Pacific and its chains. The Ausflora Pacific chain was classified an Idealist in 2001. The chain featured in this study has evolved and now involves two exporters and their chains. The first chain, Ausflora Pacific and Experience Flowers, was classified an Idealist. While the relationship between Ausflora Pacific and Experience Flowers was very strong due to good information exchange, the grower is still distanced from their Japanese importer which inhibits further market development potential. The second chain, Ausflora Pacific and Exporter 2, was in its early stages of development. It was classified an Operator because at the time of the study, there were no long term plans for the development of the chain and the relationships within it. However, there were

benefits in being part of the chain; a significant one is their ability to ensure that product quality is kept upon arrival in Japan. While this chain was classified an Operator, there was opportunity for it to be further developed.

The third case features Cedar Hill and its customers. Previously based on a eucalyptus grower, this case was classified as an Idealist in 2001. However, the whole chain has changed, with companies being sold and the grower not supplying because of drought conditions. The current Cedar Hill case features three channels to get to end customers. Two of these channels are held by Floratrade, who supplies to two importers – one wholesales directly to florists while the other targets wholesalers. This chain was classified an Operator because there was no motivation in Cedar Hill and Floratrade's part to develop a collaborative relationship largely due to the value of each others' businesses. On the other hand, the third chain, Cedar Hill and Importer 3, was classified an Idealist. Both companies value each others business and recognise the importance of working together. However, change is difficult to implement, therefore making the process of jointly marketing products to Japanese florists a difficult task.

The cases reinforced the importance of three supply chain principles:

- Relationship management is important in creating value that leads to competitive advantage. This is because relationships are difficult to imitate.
- Information management is critical in developing relationships. It is also critical in conveying the value created by the chain to their target customers.
- Creating value, not only for end customers, but also for firms within the chain is essential in fostering the development of collaborative relationships.

Needs and target segments identified

The study also identified needs of the market, based on florist, auction and importer interviews. These are:

- consistent quality and standards
- reliable supply
- reasonable prices
- reliable information
- standardised fumigation practises
- improved bunching
- more information on product characteristics and care instructions (if required).

The chains cater to the auction and *nakaoroshi* loyal segments of the market. GrandiFlora caters to the auction loyal, as do Ausflora Pacific and Experience Flowers, and Cedar Hill and Importer 3. On the other hand, Cedar Hill and Floratrade cater to the *nakaoroshi* loyal, while Ausflora Pacific and Exporter 2 cater to both auction loyal and *nakaoroshi* loyal. These segments present various opportunities for the chains. How they take advantage of these opportunities will be based on their capabilities and their ability to harness the capabilities of their chain partners.

It is important to note that while the needs of these segments may be different; meeting the needs of all segments is based on the concept of focussing on the customer and understanding what their needs are. A common need is that of consistently good quality product reinforced by the development of a reputation.

Recommendations and implications

The results of this study illustrate how quickly competitive environments change in the Australian flower industry. In a span of four years, major changes have been seen in all three supply chains studied. Because of this, firms must be flexible and adaptive to the changes in their internal and external environments in order to cope with meeting the needs of their market.

This becomes more complex amongst firms who intend to implement supply chain management practices with their suppliers and customers. Not only do they have to deal with their own changes, but the changes of the firms that they intend to partner with. While it is widely accepted that this is difficult, the advantages of managing change with the collaboration of supply chain partners is significant. Responsive and flexible chains are better at meeting the needs of their market, and the changes in these needs, than firms who work on their own.

This research has also shown the importance of understanding the characteristics of the market. However, the 'market' is not one homogenous group of customers, but one that is divided into segments of customers who have varying characteristics and needs. The segmentation study conducted in this research is the first of its kind to be conducted on any market for Australian floral products, either domestic or overseas. It shows that by understanding their markets better, firms can better meet specific needs if they are able to target segments of the market that they can serve given their capabilities.

However, this market segmentation is only a peek into the needs of the Japanese floral market. More research can be done to investigate motivations, perceptions and usage of product by customers. This is an opportunity for research organisations. More importantly, this is an opportunity that firms in the industry should explore, not merely through industry-wide research, but more so through information exchange with their customers and customers further down their supply chain. For firms to gain information on their markets that they can use and eventually turn into profits, they need to invest time and resources into doing their own research and collaborating with other organisations.

The basis of supply chain management is working with suppliers and customers to create competitive advantage on the basis of focussing on the needs of their customers and end-consumers. It is only logical for studies to include research into markets when investigating the effectiveness supply chain management practices. For academic researchers, this study shows the importance of bringing together the two topics – market research and supply chain management – in addressing problems that are inherent in an industry. The lack of information is one problem that has been identified, along with the ability of firms to create and share value and build and maintain relationships. These are principles of supply chain management that directly translate to firms and supply chains being able to meet the needs of their market.

Project achievements

In order to address the issues identified in this study, a discussion forum was held in Japan with the goal of involving all representatives of the supply chain from growers to florists. The aim of the forum was to allow representatives of the chain to raise issues regarding the marketing of Australian flowers and foliages to Japan. An important aspect of this aim was to ensure that the discussion was run by the interests of those involved, allowing them to talk about problems that they face as businesses in the flower industry.

Held on 20 October 2006, the discussion forum was held in conjunction with Japan's 3rd annual International Flower Expo (IFEX) where, Austrade and the Australian Flower Export Council had a stand. The whole supply chain was represented: florists, an auction market representative, an importer, an exporter and Australian suppliers. Four of these companies were part of the case study chains in this study. In addition, the Queensland Government Trade Office in Tokyo and the Australian Flower Export Council were also represented. It was important for the whole chain to be involved to truly understand issues involved in getting flowers to the consumer and for everyone to understand the different perspectives of others in the chain.

The meeting allowed everyone to air their concerns regarding the marketing of Australian flowers in Japan. A Tokyo based florist was first in sharing his thoughts on Australian flowers. With arrangements he made using Australian products, the florist discussed what Australian flowers represent in the Japanese market. This was followed by a representative of Ota Floriculture Auction discussing both positive and negative experiences they have encountered with Australian products. This initiated a good discussion on how to better inform the Japanese market on the features of Australian products, with input from every person in the room.

The discussion forum allowed Australian representatives to hear, directly from their customers, what their concerns are. At the same time, the forum also allowed growers to explain the way Australian product is grown. The result of this exercise was the development of promotional strategies that enable firms to convey to the end customer what the features of their products are, and also to let them know that they are available. Both generic promotional strategies (industry wide) and firm specific strategies were developed. It was stressed that such promotional efforts need to be backed by consistently good quality product and good service. It is hoped that these strategies will be implemented for 2007.

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Appendices

Appendix 1. Summary of Segment 1 sub-group characteristics

Variable	Group 1a	Group 1b	Group 1c
City	Osaka, Fukuoka or Tokyo. There are more Tokyo-based florists in this group compared to 1b.[b]	Osaka, Fukuoka or Tokyo. There are less Tokyo-based florists in this group compared to 1a.[a]	Osaka, Fukuoka or Tokyo
Years in operation (average)	26.2[c]	29.8[c]	57.1[ab]
Business type	Mostly florists[bc]	All florists[a]	All florists[a]
Area of operation	Business, residential and tourist areas.	Business and residential areas.[c]	Business districts.[b]
Specific location	Train, department store, hotel or free-standing.	Train, department store, hotel or free-standing.	Department store or hotel
Number of shops	8	3[c]	1[b]
Number of employees	13[c]	14[c]	4[ab]
Customer age groups	Caters to an older population of customers, with some specialising in over 60's.	Caters to a wide range of customer groups, including under 20's.	Caters to a wide range of customer groups from 20's.
Customer's reason for purchasing (type)	Varied – personal and business use.[b]	Other purposes dominate, followed by florists who cater for both personal and business use.[ac]	Primarily for personal use.[b]
Customer's reason for purchasing (use)	Varied – gift, display or event use	Varied – gift, display or event use	Varied – gift, display or event use
Product presentation	Both ready made and made to order	Mostly made to order[c]	Both ready made and made to order[b]
Buying behaviour (average)			
Focal flowers	Purchases 88% from auctions, 10% from wholesalers and negligible amounts from direct suppliers and other sources.[bc]	Purchases 71% from the auction, 19% from wholesalers, 9% from other suppliers (i.e. web) and negligible amounts from direct suppliers.[ac]	Purchases 80% from auctions, 17% from wholesalers and negligible amounts from other sources.[a][b]
Filler flowers	Purchases 93% from auctions, 7% from wholesalers and negligible from both direct suppliers and other sources.[bc]	Purchases 76% from auctions, 19% from wholesalers, 5% from other suppliers (i.e. web) and negligible amounts from direct suppliers.[ac]	Purchases 64% from auctions, 35% from wholesalers and negligible from both direct suppliers and other sources.[ab]
Foliages	Purchases 95% from auctions and 5% from wholesalers.[bc]	Purchases 79% from auctions, 19% from wholesalers and negligible amounts from direct suppliers and other sources.[a]	Purchases 74% from auctions and 26% from wholesalers.[a]
Branches	Purchases 92% from auctions and 5% from wholesalers.[c]	Purchases 92% from auctions and 7% from wholesalers.[c]	Purchases 62% from auctions and 39% from wholesalers.[ab]
Australian product	Mostly through the auction[bc]	Mostly through a combination of sources.[ac]	Most likely through wholesalers[ab]
Purchases Australian product	Yes	Yes	No
Perceived quality of Australian product	Perceive quality of Australian flowers to be satisfactory.	Perceive quality of Australian flowers to be satisfactory.	Perceive quality of Australian flowers to be satisfactory.
Perceived level of improvement of quality of Australian product	50% perceive the quality improved, 50% do not.	50% perceive the quality improved, 50% do not.	50% perceive the quality improved, 50% do not.
Familiarity with Australian brands	More familiar than other two groups.[bc]	Mostly unfamiliar with selected Australian brands.[a]	Mostly unfamiliar with selected Australian brands.[a]
Purchases Australian branded product	Some have purchased specific brands of Australian product.[c]	Most have not purchased specific brands of Australian product.	Most have not purchased specific brands of Australian product.[a]

[a] Independent t-test indicates statistically significant difference to Segment 1a at p≤0.05 level.
[b] Independent t-test indicates statistically significant difference to Segment 1b at p≤0.05 level.
[c] Independent t-test indicates statistically significant difference to Segment 1c at p≤0.05 level.

Appendix 2. Summary of Segment 2 sub-group characteristics

Variable	Group 2a	Group 2b
City	Can be located in Osaka, Fukuoka and Tokyo. [b]	Mostly located in Tokyo. [a]
Years in operation (average)	22	34
Business type	Florist	Florist
Area of operation	Mostly residential with some located in business areas	Residential and business areas
Specific location	Majority in hotels [b]	Majority in train stations [a]
Number of shops (average per business entity)	1.6 [b]	8.3 [a]
Number of employees (average per business entity)	6 [b]	26 [a]
Customer age groups	Caters to an older population including from 50's. [b]	Caters to a wide range of customers from 20's. [a]
Customer's reason for purchasing (type)	Mostly for business use and events. [b]	Combination of business, personal and events. [a]
Customer's reason for purchasing (use)	Varied – gifts, display and others	Varied – gifts, display and others
Product presentation	Mostly made to order	Mostly made to order
Buying behaviour		
Focal flowers	Purchases an average of 23% from auctions, 74% from wholesalers and negligible amounts from direct suppliers and other sources. [b]	Purchases an average of 8.5% from auctions, 82% from wholesalers, 9% from other sources (i.e. web) and negligible amounts from direct suppliers. [a]
Filler flowers	Purchases an average of 16% from auctions, 80% from wholesalers and negligible amounts from direct suppliers and other sources. [b]	Purchases an average of 15% from auctions, 74% from wholesalers and 11% from other sources (i.e. web). [a]
Foliages	Purchases an average of 17.5% from auctions, 81% from wholesalers and negligible amounts from direct suppliers and other sources. [b]	Purchases an average of 17% from auctions, 67% from wholesalers, and 15% from other sources (i.e. web). [a]
Branches	Purchases an average of 28% from auctions and 72% from wholesalers.	Purchases an average of 50% from auctions, 48% from wholesalers and negligible amounts from direct suppliers and other sources.
Australian product	Purchase mostly from wholesalers.	Purchase mostly from wholesalers, although some may buy through a combination of sources.
Purchases Australian product	Most do. [b]	Yes. [a]
Perceived quality of Australian product	Satisfactory	Satisfactory
Perceived level of improvement of quality of Australian product	50% perceive the quality has improved, 50% do not.	50% perceive the quality has improved, 50% do not.
Familiarity with Australian brands	Most are not familiar with selected Australian brands.	Most are not familiar with selected Australian brands.
Purchases Australian branded product	Most believe they have not purchased selected brands of Australian product.	Most believe they have not purchased selected brands of Australian product.

[a] Independent t-test indicates statistically significant difference to Segment 2a at p≤0.05 level.
[b] Independent t-test indicates statistically significant difference to Segment 2b at p≤0.05 level.

Appendix 3. Excerpt from UQ 89A: Unlocking successful new rural industries: is supply chain management the key?

The Australian native flower industry supply chains

A profile of the industry

The Australian wildflower industry has its beginnings in bush-picking, especially in Western Australia. In 1985, 50 per cent of Western Australia's production of native flowers was bush-picked. This figure decreased to 15 per cent in 1995-1996, with most wildflowers being cultivated across Australia (Environment and Natural Resources Committee, 2000).

Australia produces a wide range of fresh, dried and preserved cut flowers for both the domestic and international markets. While native cut flowers contribute to approximately 15 per cent of domestic sales, it comprises 90 per cent of exports (Environment and Natural Resources Committee, 2000). It is approximated that Australia produces only 10 per cent of total Australian wildflowers in the world market, valued at $40 million (Environment and Natural Resources Committee, 2000).

Australia exported an estimated $35 million worth of flowers in 2001 (FECA, 2002). The top five export destinations for Australian fresh flowers in 1999/2000 are Japan (48%), USA (27%), Netherlands (11%), Canada (3%) and Germany (3%) (Brooks, 2001).

> **Opportunities for the Australian native flower industry**
>
> - The industry has access to a wide range of unique native flora endemic to Australia. Western Australia alone has 6000 species.
>
> - Australia's varied climates allows for extended production seasons. The opposite selling seasons to Northern hemisphere produces also present an opportunity.
>
> - Worldwide demand for unusual and distinctive flowers is increasing.
>
> - The number of native flower species being successfully cultivated is increasing. The range of flower colours, types and flowering times is also being extended through breeding programs, extending the range of product available to the market.
>
> - Techniques to improve quality of fresh flowers and create dried or preserved flowers are continuously being developed.
>
> *Source: FECA, 2002*

Western Australia was the top exporter of Australian fresh flowers in 1998/1999, followed by Victoria, New South Wales, Queensland, South Australia and Tasmania (Brooks, 2001). Majority of flowers grown in Victoria destined for Europe or Asia is exported via Sydney. Similarly, most flowers from Western Australia, and all flowers from South Australia and Tasmania are exported via Melbourne or Sydney (Brooks, 2001).

The Australian native flower industry case studies all feature supply chains involving exporters. The first case features a grower group who supply NSW Christmas bush to an exporter based in Gosford, NSW. The second case features a corporate farm supplying a range of flowers to an exporter based in Sydney. The third case features a grower who was previously part of a co-operative of growers, which used to market flowers for its grower members. An exporter based in Melbourne is part of this case.

Case 10: NSW Christmas bush for export

GrandiFlora Growers Pty Ltd began as an initiative of a group of flower growers in Kempsey, on the mid-coast of New South Wales. The group was then called GrandiFlora Mid-Coast Growers, and later developed into GrandiFlora Growers with ten growers who then became shareholders of the company. At present, the Group is made up of twelve flower growers located in Gympie and Esk in Queensland, and Kempsey and Gosford in New South Wales. GrandiFlora is primarily a producer of NSW Christmas bush, which is targeted for export markets in Japan, US and Europe during the Christmas season.

IHM Australia is a horticultural marketer and consultant company based in Gosford, New South Wales. The company is primarily involved with exports of Australia native flora to Japan, North America and Europe. GrandiFlora Growers market their products destined for Japan solely through IHM and entered a three-year supply agreement with the company in 1999. The following figure (Figure A3.1) presents the evaluation of the supply chain's performance against the conceptual framework developed for this study.
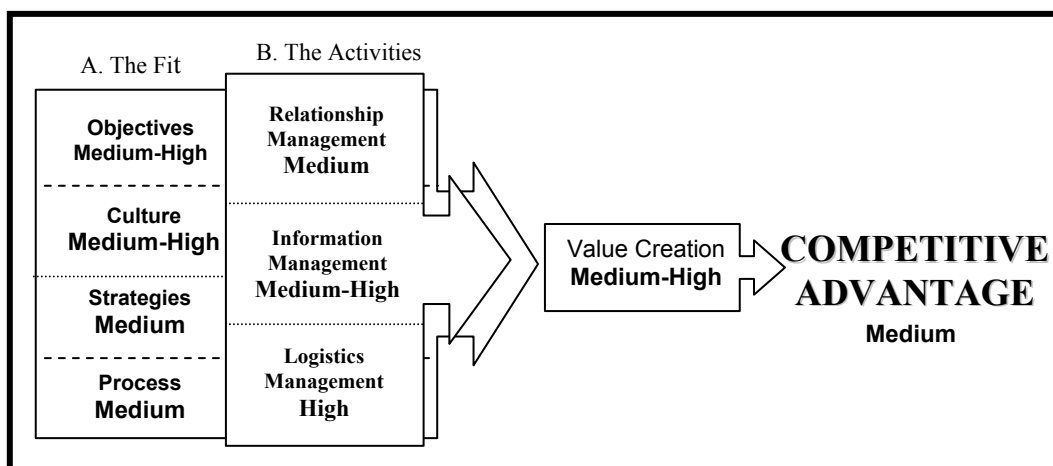

Figure A3.1 GrandiFlora Growers and IHM Australia Supply Chain Performance

The GrandiFlora and IHM Australia supply chain was rated medium-high on objectives and culture because their beliefs, views and objectives are aimed at developing their relationship in order to continually supply a high quality product to the Japanese flower market. However, their current strategies and processes do not reflect these views and objectives. The strategies in place and the way they operate are only enough to sustain the relationship at its current level. Both IHM Australia and GrandiFlora Growers have to put in more effort to form a better alliance. Strategy and process fit were both rated medium.

Relationship management was rated medium. While GrandiFlora Growers and IHM Australia encourage relationships to develop among chain members and not just between immediate customers and suppliers, the relationship between the growers and the exporter is not very solid because of the threat of the growers deciding to supply directly to Japan and bypass IHM Australia. While growers from GrandiFlora did not express any intentions of doing this, the manager of IHM Australia has already begun looking for other growers in case GrandiFlora Growers decides to export on their own. This is a sign that there is a lack of trust between the growers and the exporter.

Information management was rated medium-high because the growers are able to communicate with their importer in Japan and information regarding the product flows freely among the growers, the exporter and the importer in Japan. Communication between growers in the group is also high.

Logistics management was rated high. GrandiFlora Growers and IHM Australia have standardised packaging and freight forwarders in order to maintain the quality of the product. By utilising an

exporter, GrandiFlora Growers is able to reduce the cost of airfreight because of IHM Australia's ability to negotiate freight costs with major airlines.

Value creation was rated medium-high, while competitive advantage was rated medium. The supply chain's ability to create value is relatively high due to its ability to meet customer requirements through strict quality assurance systems. However, its ability to create a competitive advantage is slightly diminished because of the economic factors discussed above, and because of the doubt existing in the relationship between the two companies, especially from IHM Australia. With more trust in the relationship, it is possible that the two companies could work more closely together to serve customer requirements more adequately and create distinct advantages above other competitors.

Case 11: Corporate farm to exporter

Ausflora Pacific is a producer of Australian native flowers based in Gembrook, Victoria, 65 kilometres east of Melbourne. The company supplies flowers to local, interstate and export markets, some of which go through The Australian Flower Company who exports to markets such as the United States, Japan, Canada, Europe and South East Asia. The Australian Flower Company (TAFC) is based in Mascot, in the southern suburbs of Sydney. The following figure (Figure A3.2) presents the evaluation of the supply chain's performance against the conceptual framework developed for this study.
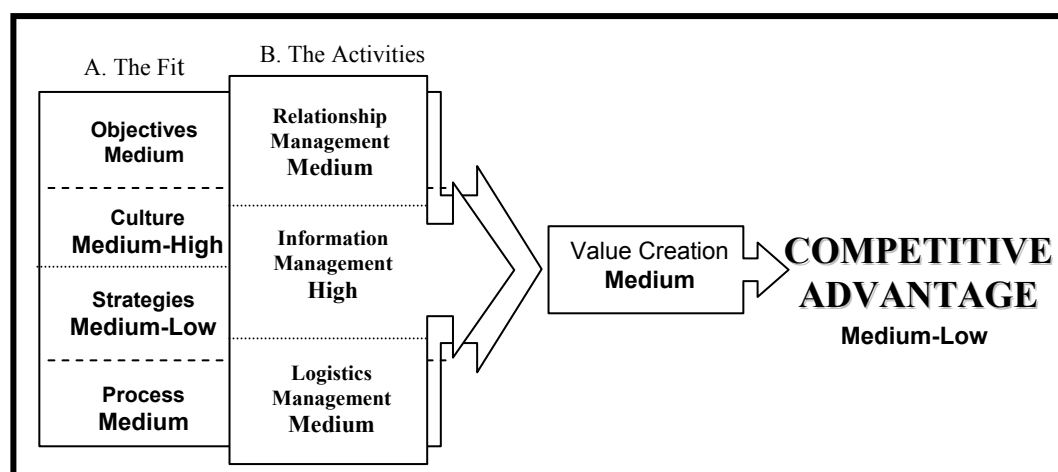

Figure A3.2 Ausflora Pacific and The Australian Flower Company Supply Chain Performance

The Ausflora Pacific and TAFC supply chain was rated medium-high in culture. This is because the companies value each other's business and acknowledge that they are working well together. Both companies are content with the amount of information flowing through the chain. However, the objective fit of the chain was only rated medium. While the two companies think that they are good partners, they have no intentions of further improving their relationship in order to develop better products and operate more profitably. They only intend to keep their relationship as it is right now.

Strategies were rated medium-low. The lack of objectives for improving supply chain relationships reflects on the strategies that the companies have in place for supply chain improvement. As with objectives, the strategies in place are meant to maintain the level of supply chain relationships that the two companies have. This also reflects on process, which was rated medium. TAFC and Ausflora Pacific are content with the way they operate – their activities match to suit the level of relationship that they intend to have and already have.

Information management was rated high. Ausflora Pacific and TAFC communicate regularly and are both proactive in providing information to each other. While the proprietor of TAFC believes that growers in general are not able to provide adequate information, he believes that Ausflora Pacific is one of the few who is able to communicate with him regularly. For this reason, he perceives the growers to be among the 'best' of his suppliers. However, while the two companies have frequent communication, this has not continued to strengthen their relationship. Relationship management was rated medium

because of TAFC's and Ausflora Pacific's views of each other's business as strictly supplier-customer rather than partners in developing high value products. Ausflora Pacific sees TAFC as a good customer among many, and TAFC sees Ausflora Pacific as a good supplier among many growers.

Logistics management was also rated medium. TAFC acknowledges that logistics is an area that is continually improving, therefore companies have to continue searching for better ways to get their products to the customer to remain ahead of the competition, and TAFC is making efforts to do this. However, the supply chain is still limited by the quantity of flowers flowing through the chain – smaller amounts of flowers mean that product has to be consolidated in Sydney in order to be exported at an acceptable cost. This has been a problem for Ausflora Pacific due to the difficulty of arranging small shipments of flowers to be transported separately from other product sent to other customers.

Given the present supply chain of Ausflora Pacific and TAFC, the competitive advantage gained from supplying the Japanese auction market is relatively low. This is because it is not able to create a value that is distinctly different from what other supply chains can provide. While the value of the product that it has created is not low, it is not able to continually add further to this because of the nature of the market wherein it is only supplying products that will pass the requirements of the auction houses, and not of individual customers. For these reasons, value creation was rated medium while competitive advantage was rated medium-low.

Case 12: Eucalyptus

AUSBUD is a group of 30 eucalypt producers mostly based on the Darling Downs, Queensland. The group was formed in 1993 as a cooperative, marketing growers' flowers to the domestic and export markets. In June 2001, the cooperative ceased trading due to a lack of cash flow as a result of several droughts. A previous member of the cooperative is featured in this case, featuring the grower's supply of products through Collina Export. Collina Export Pty Ltd is an exporter of flowers based in The National Flower Centre in Melbourne. The following figure (Figure A3.3) presents the evaluation of the supply chain's performance.
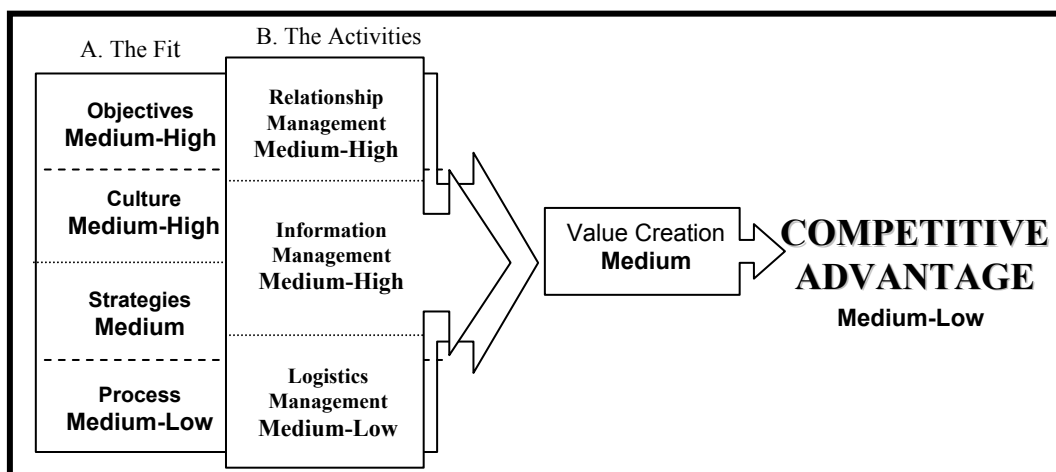

Figure A3.3 AUSBUD and Collina Export Supply Chain Performance

The AUSBUD and Collina Export supply chain was rated medium-high on objectives and culture. Culture was rated medium-high because both the AUSBUD grower and representatives of Collina Export understand each other's business and understand the problems that they both go through in producing and marketing eucalyptus products. Objective fit was also rated medium-high because both companies aim to supply a high quality product in order to achieve the best prices. Both acknowledge the need to communicate more effectively, and aim to do this. However, strategy fit was only rated medium. While the objectives of both companies are quite similar, there seems to be a lack of strategy formation concerning these objectives. However, the strategy of supplying a high quality product, even if the product is not consistently available, is a strategy that is common between the two companies and is vital for maintaining their supply chain relationship.

The AUSBUD and Collina Export supply chain was rated medium-low on process. The processes involved in the supply chain are not supportive of the supply chain orientation that the companies have. There are no supply chain advantages arising from the current processes that support the flow of products from AUSBUD to Collina Export's markets.

The AUSBUD and Collina Export supply chain was rated medium-high on relationship management and information management. The cultures and objectives of the two companies were significant contributors to these ratings. The two companies believe in the importance of supply chain relationships and communication. AUSBUD and Collina Export communicate often during the harvest season, although both acknowledge that this is an area that can still be improved. However, the chain was rated medium-low on logistics. The time spent in sending the product from the farm to the markets in Melbourne is too long, and given the perishability of the product, quality is compromised. Costs associated with logistics are also a limiting factor, as they are considered by both companies to be too high. This is one of the reasons why they have to demand higher prices for the product. The change in AUSBUD's structure, which has resulted in product coming separately from different growers instead of one consolidated delivery, has also contributed to the inefficiency in logistical operations.

Although the two companies have performed relatively highly in aligning most supply chain activities and business characteristics, their ability to create value and sustain a competitive advantage is limited. This is due to their inability to supply the product consistently, as a result of droughts in the area where the grower is based. This has always been a problem for AUSBUD, and is one of the reasons why it ceased trading. Lack of volume resulted in inadequate cash flow. With a new product on new markets, it is essential to consistently have small amounts available to customers in order to familiarise them with the product and experiment with new uses. However, even if AUSBUD were not able to consistently supply product because of droughts, the grower explained that customers still asked AUSBUD to notify them when the product came in. He believes that customers did this because of the high quality product that AUSBUD growers were able to supply. For these reasons, AUSBUD and Collina Export's supply chain was rated medium on value creation and medium-low on competitive advantage.