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Challenges facing fruits companies to tap high value marketing in Europe

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Abstract

Tanzania has a relatively small economy and therefore provides limited growth opportunities for local companies in the domestic market. The companies thus need to internationalize if they are to expand. Denmark is one of the biggest emerging markets for mango products with an economically stable business environment. It might therefore be a highly promising market for the Tanzanian companies who are seeking to expand. However, entering the Danish market implies marketing challenges which are not easy to overcome. Therefore, the objective of this paper was to examine the challenges facing Bagamoyo Fruits Company Limited as a case study in the emerging markets, as well as the factors for successful entry in these markets. Semi-structured interviews were carried out at Bagamoyo Fruit Company Limited in Bagamoyo, Tanzania and Aarhus, Denmark with four respondents internal (employees) to the company and three participants external to the company who are engaged in business with Denmark. The results of the case study are the challenges facing Bagamoyo Fruits Company Limited in the Danish market and the factors for successful penetration in these markets. The results are useful for the companies present in the emerging markets.

Keywords: Business environments, challenges, exporters, emerging markets, mango

Introduction

Fruit production is gaining recognition as a major income generating activity for both large and small-scale farmers in Tanzania, creating job opportunities and improving diet by providing essential micronutrients and vitamins (FAOSTAT, 2011) ^[1]. Of the many tropical fruits grown in Tanzania, this study focuses on mango (*Mangifera indica L.*) because it is a major candidate for both local and export markets in the country. In terms of providing employment locally, mango production supports many people in both the rural and urban areas who depend on the seasonal labour demands (MMA, 2008) ^[2]. In Tanzania, production of mango is differentiated as traditional or market-oriented (commercial) cultivation where the latter developed based on locally adapted and newly imported cultivars (FAOSTAT, 2011) ^[1]. Over the last ten years, mango has emerged as Tanzania's third most important fruit in terms of acreage and total production volumes after bananas and pineapples according to a value chain analysis conducted in 2009 (FAOSTAT, 2011) ^[1]. The total area under mango cultivation for both local and improved mango varieties in Tanzania has been estimated to rise from 500 hectares in 1970 to approximately 65,000 hectares in 2015 (URT, 2016) ^[3]. The improved mango varieties are produced in the following regions: Pwani, Tanga and Morogoro. The traditional mango varieties are Bolibo, Viringe, Muyuni, Bonyoa. Improved varieties are Kent, Keith, Alfonso, Pavin, Zil (Red Indian), White Sofa, Van Dyke and Haden (MMA, 2008). The EU markets prefer Keith varieties (FAOSTAT, 2011) ^[1]. To tap and expand business opportunities, fruits companies in Tanzania are increasing their international presence (Jasson, 2007; Anandi, 2015) ^[4, 5]. Their expansion is a consequence of liberalization policies to open up the emerging markets which were formerly closed (Axin, 2002) ^[6]. The emerging markets present themselves as attractive and growing areas filled with opportunities (Fang, 2010) ^[7]. While globalization has provided business opportunities to entrepreneurs, targeting a new market with new agricultural products is not without difficulty (Meyer, 2006; Zain and Imm, 2006; Okpara, 2011) ^[8, 9, 10]. It comes with its own set of marketing challenges that represent challenges to export that can make it difficult to enter into the emerging market (Yener, 2014) ^[11] and to take advantage of the new opportunities provided by liberalization policies (Killick *et al*, 2014; Anandi, 2015) ^[12, 5].

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This paper intended to provide an in-depth knowledge of the challenges facing Bagamoyo Fruits Company Limited (BFCL) with focus on organic mango products in the Danish markets. This company was chosen because of its present in the Danish market. The results is expected to help the firms managers in the fruit industry understand the challenges facing the fruit companies in the emerging markets and on options to be to be undertaken in order to surpass those key issues. It is based on this foregoing that the study was designed to address two research questions: What challenges do BFCL face in the Danish markets? What are the approaches adopted by the BFCL to surpass the challenges? Answers to these questions are needed by managers of companies present or planning to enter into the emerging markets. This study was undertaken to examine the challenges BFCL face when internationalizing in the emerging markets and explore the factors for successful penetration in Danish markets.

Methodologies

Study design

A qualitative research design was used. It focused on words rather than quantification in the collection and analysis of data. The interviewees provided responses on their own terms and with their own words. Qualitative research provides rich, context specific description, insights, and explanations (Merriam, 2009; Bettis *et al.*, 2015) ^[13, 14].

Sampling techniques and sample size

A purposive sampling technique was used because this study required interviewees who entered the emerging markets with experience dealing with exporting for more than 10 years. Seven (7) participants were selected for this study at the company site, both at Bagamoyo, Tanzania and Aarhus in Denmark. Four (4) are the employees to BFCL and three (3) respondents external to the BFCL. Two (2) respondents out of three (3) works as managers in Tanzania based fruits companies who are doing business in Denmark while the third respondent from Tanzania, currently located in Denmark.

Data collection

The study covered a period of 12 months from June 2019 to May 2020. Interviews were used as the main data collection method for this study. An interview guide was used as a research tool to capture stories from the participants. The questions were open-ended, allowing participants' freedom to convey their experiences and views. Interviewing stopped when theoretical saturation was reached, that is, when no significant additional insights generated from additional interviews.

Method of Data analysis

Patterns and commonalities in responses from the qualitative interviewees were identified and coded. Coding included reviewing interviewee responses and giving label names to parts that appear to be theoretically significant. This allowed for easy data analysis and the identification of common themes. The coded data was then complemented with the notes from observations as well as informal talk.

Results and Discussion

Challenges towards internationalization of BFCL

Lack of consistency in quality

The need to comply with the quality standards emerged as

challenge in the Danish markets. This constitutes a further challenge related to farm level (production stage). The lack of standards might be attributed to the current production technology adopted by Tanzanian smallholder farmers such as frequent use of chemical insecticides e.g. Karate® EC as an immediate solution against major insect pests in mango orchard managements. It was further discussed that to export to the Danish markets should consider production of marketable varieties and appealing appearance (free from damages and pests and diseases). The damages caused by insect pests and disease infestations reduce quality standards. Infestation by insect pests such as fruit fly was reported as major mango export challenge. For the moment, penetration to the high value market is impossible due to environment concerns. Supermarkets in Denmark select suppliers based on certification (GLOBAL GAP, HACCP). The study revealed that there is less chance for Tanzanian Fruits Companies to enter the emerging markets in Europe without using IPM technologies and required standards. This challenge is amplified by unavailability of proper information in the host country. The results is in line with Jaffee and Henson (2005) ^[15] and Ghafoor (2010) ^[16] who argued that global standards and requirements restrict market access of developing countries' suppliers.

Insufficient volume of mango products to meet the demand

Analysis suggests that insufficient volumes of mango products from Tanzania are the challenge to internationalize because of lack of capacity dedicated to continuing supply of mango products. This challenge is related to value addition at processing stage. Currently, only 10-15% of mango is processed to meet the demand of big retailers in Denmark. Mango can be processed in many ways and used for many forms of products but Tanzania has only so far developed a few of them. This might be attributed to insufficient plant capacity, organizations for processing. The discussion also revealed that the mango trees are affected by pest and disease problems which reduce the quantity of produce and face loss to meet the market demand in the emerging markets. This challenge is also supported by Velavan (2004) ^[17] and Yamakwa (2008) ^[18] both observed the major production constraints in India were poor yield of cashew and value added products from the cashew were not available in the exports.

Lack of exportable mango cultivars

The absence of suitable exportable mango cultivars in Tanzania was found to be a challenge as expressed by employees internal to the company. The discussion further revealed that local varieties including Ngowe, Dodo, Bolibo, Viringe, Muyuni and Bonyoa are grown in Tanzania. The varieties which are preferred in the European markets including Denmark are Tommy Atkin, Kent, Keith, Haden and Van Dyke which are not grown in large quantities. This impedes internationalization in the emerging markets. The results conform to Yener (2014) ^[11] in Turkey who pointed out that the lack of suitable fruits varieties needed by the markets is great challenge to penetrate the overseas markets.

Restrictive business regulations

The study reveals that in order to internationalize, there is a need to undertake tests and have to supply the certificate

during the trade process according to strict European retailers. Delays of inspection by authorities in providing certification cause huge transactions costs. Due to this complication, exporters lose time and money and thus cancel intention to enter emerging markets. The findings echo Adda and Hinson (2006) ^[19], who pointed out that poor administration of laws relating to the issuance of licenses and permits, unequal access to public services and resources, delays in the delivery of public services, impede efforts to penetrate high value markets in the overseas.

Ways to overcome internationalization challenges

Technologies

Technologies were pointed out a means to address the challenges facing BFCL. The use of internet and telecommunications by BFCL save time in business. According to the general manager of BFCL, internet and telecommunications reduces the costs of the company in terms of accessing and leveraging network relationships.

Networks

The BFCL's penetration to the Danish market is because General Manager had personal contact that facilitated to develop relationships to meet business partners. Also BFCL hired managerial talent experienced in international business and communicating with experts outside the firm as a means to overcome the knowledge gap.

Producing mango varieties needed in the markets

Currently, the Associations of Mango Growers (AMAGRO) organize mango producers to produce collectively to meet the market demand. The association train and supply suitable mango varieties which has a lot of demand in the Danish markets such as Tommy Atkin, Kent, Keith, Haden and Van Dyke and other international markets. The steady increase in demand for these varieties has influenced the orchard owners to expand the area under mango cultivation. The increase in area dedicated to mango cultivation was mainly due to conversion of paddy fields into mango orchards because of relatively higher profitability of the crop.

Conclusions

The study explored the challenges faced by Tanzanian fruit companies in the Danish markets. In pursuing this objective, the study identified challenges experienced by Bagamoyo Fruits Company Limited (BFCL). Five challenges were identified in the current study: insufficient volume of mango products to meet the demand; quality standards to avoid food risks; business regulations; Devaluation of currency in the home country. Few challenges were valid in the case of BFCL out of 10 presented in the literature. Also the literature points out three ways to overcome the challenges: networking, the use of technology and unions (alliances). But, networking and unions are actually used by the BFCL. Un-favorable exchange rates erase the profit margin for the companies. Thus, the government of Tanzania needs interventions for the Tanzanian companies to enter into the emerging markets. Policy makers should understand and focus specific challenges and policy interventions required to enhance entry into high value markets. Tanzanian companies should be aware that venturing into overseas markets is not trouble free, because different kinds of challenges stand on their way. Hence, adequate preparations

and efforts to minimize the barriers are needed. The findings are interpreted in the light of one major limitation: the data were collected from the actor mango sub-sectors. This research can also be done in other related sub-sectors in Tanzania.

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