

Article

# Berry Supply Chain Management: An Empirical Approach

Maria Segovia-Villarreal <sup>1</sup>, Raquel Florez-Lopez <sup>2</sup> and Juan Manuel Ramon-Jeronimo <sup>2,\*</sup>

<sup>1</sup> Department of Business Administration and Marketing. University of Seville, Calle San Fernando 4, 41004 Seville, Spain; marsegvil@alum.us.es

<sup>2</sup> Department of Financial Economics and Accounting, University Pablo of Olavide of Seville, Ctra. Utrera, Km. 1, 41013 Sevilla, Spain; rflorez@upo.es

\* Correspondence: jmramjer@upo.es; Tel.: +34-954-349-177

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**Abstract:** The aim of this study is to explore the strategy and supply chain management characteristics of berry-related companies to face the bargaining power unbalance that fosters the European fresh food supply chain; branding-differentiation strategies are particularly explored as mechanisms to create sustainable value for all players along the chain. To this end, a case study is deeply analyzed to find out the different supply chain management mechanisms used by an international berry marketer in order to strengthen the adoption of a commodity differentiation strategy through the creation and positioning of a high-value brand. Data were obtained through 15 semi-structured interviews. Findings suggest that strategic moves towards differentiation and positioning might be bolstered by the development and management of stable relationships with the different members involved in the supply chain. Additionally, supply chain risk-control mechanisms, rather than having a central role in the management of the various members of the chain, turned out to be support mechanisms that work together with corporate identity alignment and inter-organizational trust in order to ensure cooperation toward differentiation and positioning in the market.

**Keywords:** food fresh berry sector; brand differentiation; supply chain management; supply chain value; alignment; trust; risk

## 1. Introduction

The berry sector in Spain has experienced rapid growth, both in terms of kilograms of production and in Euros of exports to European markets, over the past few years. The sector is an important driver for economic growth and employment, especially in the Andalusia region of southern Spain, and has a strong orientation to export markets [1]. However, although the berry sector in Spain is a worldwide benchmark, important inefficiencies are observed in the implementation of strategies to overcome competition limitations of international markets, due to the undifferentiated product and production process. Such challenges are particularly significant in the berry international supply chain, where the implementation of product and process differentiation is blocked by the characteristics of the fresh produce chain. Since consumption markets show trends toward differentiated commodities based on the implementation of high-quality standards and corporate social responsibility policies [2–6], there is a potentially great opportunity to build differentiated berry brands that can be positioned in the most demanding international markets. To sustain brand positioning, such a differentiation strategic mix should be enforced in every step of the chain [6,7]. Furthermore, Spanish berry firms are usually involved in excessively fragmented international chains, with a preeminence of small and medium enterprises and a large number of intermediaries. As a result, large power imbalances appear in favor of large foreign buyers, which decide price, quantity, and delivery conditions in order to maximize their

own profit, paying limited attention to the overall supply chain performance [8–10]. As a result of the lack of bargaining power to defend against large operators, Spanish berry growers and intermediaries face a high risk of being driven out of international supply channels, so their proficiency, and even survival, could be seriously compromised in the long-term.

Abusive practices along food supply chains have been highlighted by the European Commission, which in December 2018 reached political agreement on a new legislation on “*unfair trading practices in business-to-business (B2B) relationships in the food supply chain*” (included in the legal document ‘European Commission, COM (2018) 173/final; proposal for a Directive of the European Parliament and of the Council’); such a Directive draft includes a new set of rules to limit 16 unfair B2B trading practices in order to protect food growers and other small and medium enterprises (SMEs operators. However, even though it is a significant step to control commercial conducts found to be contrary to fair dealing, the practical development of such regulation will depend on each European country and some of the riskiest practices (e.g., “loss sale”) are not included. Additionally, new political risks are emerging in non-European markets that increase berry exporters’ costs, such as the Russian crisis, the increasing US protectionism, or the potential consequences of Brexit.

In order to face such challenges, Spanish food firms need new, sustainable supply chain strategies to gain power in approaching international markets; while no magical solution has been provided, the European Union has started to recommend further development of innovative product and market positioning strategies (as branding development) (European Commission, EIP-AGRI Focus Group on Innovative Short Food Supply Chain Management, Final Report, November 2015), together nurturing collaborative relationships along the food supply chain. Both aspects have been largely, but separately, examined by strategy and management control literatures, respectively [2,6,7]. However, research on food supply chain management is still scarce, fragmented, and has focused on the use of operational tools by individual actors (e.g., balanced scorecard, budgeting, target cost) instead of establishing strategic management mechanisms to gain cooperation along the chain [9]. As a result, there is a lack of knowledge on the role of different management control mechanisms to build and maintain collaborative relationships among supply chain partners [9] in order to develop a stronger marketing position and, finally, to gain bargaining power and reduce imbalances in food supply chains [5,11–14].

Limited cooperation prevents actors from adopting a market-oriented strategy, since limited information from the market is used to plan production [6]; this environment leads to instability due to the mismatch between supply and demand aims, as well as to frequent market saturation and price depression. The rising demand for consistent food quality, together with concerns about food safety and traceability, provide further evidence on the need for coordination of fresh produce supply chain members [2,4,5,9]. The development of closer supply chain relationships would provide sustainable economies of scale, quality, and continuity, while confidential information sharing would improve partners’ planning, coordination, and design of organizational goals, which are critical for the survival of the first links of the supply chain (growers, packers, SME food processors). Such benefits would produce a better food product quality and a higher stability of price/returns, leading to an increased ability to exploit market opportunities, such as branding and product differentiation, to maximize customer satisfaction [9,12,14].

By virtue of the environmental changes exposed above, it might be observed how some marketers have started to assume a leader role in berry supply chain coordination and management, at the same time as implementing differentiation and positioning strategies. Marketers creating a differentiated brand should coordinate and manage all of the players involved in the supply chain in order to ensure outstanding quality of the final product and the processes [2,4,5,7,9,10,12]. In food markets, intermediate firms can play such a significant role by aligning goals of atomized partners along the chain, also providing growers with market information and management tools that help to balance the bargaining power [9]. However, formalization of collaborative supply chain relationships is at a developmental stage, so the general situation in fresh produce partnerships is “*informality, or at best loose agreement, as opposed to binding control and financial agreement*” [4] (p. 60). While such informality

triggers the use of traditional control management mechanisms [9,11,12], informal management mechanisms, such as trust, commitment, and quality control, could have a central role in coordinating close relationships within the fresh produce supply chain [7,11].

The purpose of this study is to explore the role of different management mechanisms (control-based and trust-based) to effectively coordinate supply chain partners in order to strengthen the adoption of a commodity differentiation strategy through the creation and positioning of a brand, as a way to prevent bargaining power abuse from large retailers in international food markets. A case-study methodology is employed, which focuses on a berry marketer that operates worldwide (over 95% of the company production goes to export markets), to explore the supply chain management practices being used to coordinate suppliers (growers) on the basis of collaborative relationships; aspects of the business strategy, the corporate strategy, the grower–marketer alignment process, the inter-organizational trust, the supply chain risk management, and the impact on these factors on performance are particularly analyzed. To our knowledge, our study is the first to empirically analyze the potential to exploit market opportunities based on differentiation (brand building) as a defense against bargaining power imbalances in international food supply chains and the role that different supply chain management mechanisms play. By identifying opportunities, such as new market trends towards differentiation, and by turning the obstacles resulting from the fragmented nature of the supply chain relationships into cooperation-based advantages, fresh produce companies can develop a sustainable value-creation process through long-term oriented relationships with the different players involved in the supply chain.

Empirical findings were obtained from fifteen semi-structural focused interviews with both growers that partner with the marketer and workers from the company itself. Using an “interpretation-building” methodology based on the previous identification of relevant data categories, a content analysis is done that suggests that strategic moves toward differentiation and positioning might be bolstered by the creation and management of stable relationships with the different members involved in the supply chain. Although quality control over the whole supply chain is presented as a critical factor for the successful implementation of the differentiation and positioning strategy [7], this case shows that other mechanisms might be used in order to manage the berry supply chain that can decrease the need for constant audits and controls. First, the marketer carefully selects those business partners with similar culture, objectives, and strategies so as to develop long-term, stable relationships. Second, several mechanisms are used in order to strengthen these corporate identity similarities and in order to better align interests over the whole chain, such as the on-boarding process, the “Pay for Quality” system, or the creation of internal pools of knowledge. Third, supply chain risks with a potentially strategic or operational impact are thoroughly analyzed and controlled through risk management mechanisms. Finally, trust acts as a “glue” between partners that is enhanced by means of continuous communication, cooperation, transparency, and aid provided to the different business partners; as a result, control mechanisms are only applied once alignment and trust prove to be inefficient in solving a particular problem.

The rest of the paper is organized as follows: In Section 2, a literature review is included to support the proposed conceptual model. In Section 3, the research methodology is described, together with data collection strategies. Empirical findings are presented in Section 4, including variable content analysis and graphical causal results. In Section 5, findings are discussed and managerial implications are highlighted; research limitations and further research lines are also included.

## 2. Theoretical Development

### 2.1. Brief Industry Description and Evolution

The Spanish horticulture sector is a driver for growth, development, and employment. According to the Spanish Food and Agriculture Ministry, the horticulture sector represented 18,547 million Euros in 2017, a total of 65% of final plant production, and a growing trend is foreseeable in the production of fruits and vegetables as a consequence of the increased export demand both in volume and in value [1].

In this way, the Spanish horticulture sector exported a total of 12,740 million Euros in 2017, of which 11,760 Euros (92.6%) went to the European Union [15], with Germany, the Netherlands, the UK, and France being the principal receptors, with an average annual increase in sales of 2–3%.

Within the exports, the berry sector growth is particularly highlighted [1]; main berry production comes mostly from the southern region of Andalusia, with the Huelva district being the main area of production and export. In the 2018 crop season, the area planted with berries in Huelva represented more than 95% of the production of berries in Spain, with a value of 410 million Euros in strawberries and 360 million Euros in other berries (such as cranberries, raspberries, blueberries, and blackberries) [16,17]. As a result, the Andalusian's Huelva District is the European berry production center par excellence, only surpassed by the US and Turkey on a global scale.

While Huelva has historically been considered a synonym of strawberry production, growers have progressively diversified crops to other berries like raspberries, blackberries, and blueberries; such a competitive strategy has allowed the control of dramatic overproduction and price drops (such as those observed at the end of the 1990s) and enabled the increasing demand for European berry imports from France, Germany, the United Kingdom, or Italy to be met [18]. Furthermore, the diversification of berry crops, together with increasing efforts in forecasting and planning, has entailed a continuous decrease in risks, an increase in economic stability, and the ability to move production and marketing of strawberries forward by a few months so that the rest of the crop season can be distributed amongst other berries [19]. As berry crops are labor intensive, the distribution of work throughout the year has produced a very positive impact in gaining stable employment contracts [20]. This also has a positive environmental effect, since Huelva growers need to use water from Doñana's National Park, which is limited in spring and summer, but increases in autumn and winter [17,20]; in this line, water disposal is a significant risk for berry growers, who are waiting for the government to approve a system of surface water so that they can get the water they need for the irrigation of the whole crops.

Moving from production to marketing policy, a distinction must be made between independent and associated growers [21]. Independent growers manage their own marketing policy by establishing relationships with customers or marketers, either directly or indirectly (through different intermediaries). Associated growers join in cooperatives, agricultural transformation companies, or producers' associations, which are in charge of managing customer relationships, orders (quantities and shipping), price negotiation, transport logistics, and relationships with other associated growers. These big cooperatives concentrate most of the Andalusian supply of berries, since they have the resources to make investments in research and development to create new varieties to adapt to market and environmental conditions, which most SME independent growers cannot [19,22].

According to [21], the competitive market environment in the Spanish berry sector is characterized by a general lack of interest in domestic markets, the excess of intermediaries in the sales channel, the low bargaining power with respect to the big international customers, the still-high seasonality of sales, the dependence on international prices, the scarce matching between production planning and market need, the geographical concentration of marketers and buyers, the proximity to European markets, and the high percentage of certified quality production.

## 2.2. Literature Review of Fresh Food Supply Chain Management: Collaboration and Differentiation

The fresh produce sector has specific, distinctive characteristics from other industries, which contradicts literature suggesting that firms coping with highly specific business requirements of quality standards, delivery times, and customer satisfaction should be more connected to other supply chain members [7,9]. These characteristics impact on the level of collaboration and marketing strategies along the supply chain [2,9,10,12]. Agri-fresh produce supply chain management is more complex than other supply chain management because of the perishability of the produce, the high fluctuations of demand and prices, the increasing concerns in food and safety, and the dependence on climate condition. However, the set of prices, quality, and varieties offered to final consumers have traditionally depended on the strategies carried out by actors in the final stages of the channel [8,9]. Since the fresh produce

supply chain is characterized by having a large number of intermediaries who are only concerned with their own revenue maximization [10], there is a lack of information sharing among the various players which leads to the mismatch of demand and supply (triggering market saturation and lowering prices) [23]. Moreover, due to the little and delayed information shared, growers lack efficient demand forecast systems which contribute to the mismatch [10], so they generally follow traditional product mix despite the change in consumption patterns. As a result of market misinformation, growers just focus on the issues that are closer to the production step of the supply chain, such as efficiency and cost reduction, by producing large amounts of fresh produce with no regard for market trends [3,9]. This whole environment contributes to the emergence of multiple commission agents that take the maximum benefit without adding market value [10].

All these factors call for more information sharing, flexibility, and coordination within the chain [10,24]. This is why some recent studies show rising trends toward more stable relationships initiated mostly by retailers who select and establish long relationships with what they call “preferred suppliers” in order to ensure the best available resources. Nowadays, retailers demand continuous and consistent quality of their suppliers, bolstered by the legislative pressures on traceability [5,24]. Rising concerns about food safety is one of the main reasons why it is so important to secure the best available resources, due to the impact that an oversight in quality and food safety control could have on reputation. Traceability is a part of information management included either in logistic or strategic areas that involves coordination across the supply chain to ensure quality and food safety [2,24]. Canavari et al. found that the general diffusion of the International Standard Organization’s ISO 9000 norms made it easier for firms or supply chains to adopt a common tracing system [2]; they also found that the adoption of any instrument oriented to formalize, control, and improve the management of operations actually helps in creating a more effective and efficient traceability system. Traceability can, therefore, be improved through a better joint supply chain management characterized by regular meetings and communications which allow retailers to reduce inconsistency in the quality of the products and in their availability and delivery, often due to seasonal reasons [5,9].

Formalization of these relationships, however, is at a developmental stage and the general situation in fresh produce partnership is informality, or at best loose agreement, as opposed to binding contractual and financial agreement [4,9]. The informality of the relationships between fresh produce supply chain actors triggers the use of other contract-based coordination mechanisms in order to ensure the smooth functioning of the relationship [9,11,12]. As a result, trust and commitment seem to be key regulators of relationships within the fresh produce supply chain; however, the complexity of food supply chain business partnerships makes it critical to pay attention to the many facets that are involved in the trust that each part places in the other, which usually involve the implementation of quality control systems along the chain [11]. In this way, trust mechanisms are reinforced with quality control over the business models and products supplied by any upstream supplier, downstream customers, or logistic service firm. Quality control comprises thirteen dimensions that should be adopted by supply chain members in the way they manage their businesses [7]: Commitment, communication, product quality, continuity, satisfaction, information quality, leadership, training, environment factors, policy making, quality protocol, personal relationships, and financial support. As a result, a proper quality control system requires interaction and cooperation between supply chain members in order to facilitate a dynamic flow of information, products, and resources to support their activities and cooperation [23].

Benefits of close relationships within the fresh produce supply chain are proven to affect the whole supply chain. Growers who have worked closely with major multiple retailers have responded to a requirement for consistent, continuous quality in fresh produce and have developed relationships with retail customers, as well as seeing a corresponding growth in suppliers’ businesses [4,9]. Exclusivity is also believed to provide greater economies of scale, quality and source continuity, confidentiality, a reduction in search times and an increase in planning, coordination, and investment by all partners, facilitating a smooth and constant development of products and increasing all players’ bargaining

power [5,14]. The claim is made in Perez and Galdeano that “*cooperation strategies have positive effects on performance activities with clear benefits to the supplier that include market creation, promotion, quality, training, joint supply purchases and research ventures*” [13]. Moreover, competitive advantage within networks in the fresh produce supply chain might be created through the implementation of effective information managing procedures and by providing feedback to producers [2,14,23]. Furthermore, benefits of establishing closer relationships in the fresh produce supply chain can be sustainably used to overcome worldwide overproduction and also to seize opportunities presented by the industry environment, such as improved service, increased consumer satisfaction, improved communication, clarification of organizational goals, diminished transaction costs, stability of price/returns, and maximized market opportunities [9,12,14].

Moreover, there is a current pressure to differentiate in a fiercely competitive market in order to get the product out of the commodity category and to focus on factors other than prices. Branding and differentiating fresh produce appears to be an important part of guaranteeing quality and building customer loyalty [3,6]. Increasing trends in introducing differentiation in fresh produce, which is a relatively new phenomenon in world markets, encourages members to open up to international markets where more customers with the disposable income to choose differentiated products can be found; this is especially true for those countries involved in production where the consumption of differentiated fresh produce is not usual because of economic or cultural factors [9]. Hence, it makes sense to create exclusive, long-term supply chain relationships, with a greater degree of control and privacy, in order to focus on value-added features of those previously-called generic products, and to develop innovative and differentiated products [4–6,8]. As a result, the adoption of strategic management systems that address the development of strong brands, the creation of unique selling propositions, the formation of close relationships throughout the supply chain, the sharing of relevant information among partners, and the development of a market orientation in any step of the chain seem to be key factors for being successful in the future [3,6,25].

One example of a brand built according to previous factors is Zespri, a kiwifruit producer. Zespri carried out a differentiation strategy to market kiwifruit as a premium-priced consumer good. This was achieved by establishing a point of difference between Zespri’s kiwifruit and other kiwifruit and by identifying the global brand equity and the core values [3]. In addition, market orientation is presented as a key strategic point, together with continuous learning, knowledge acquisition, and collaborative network building strategies. Targeting specific groups of customers and improving their ability to learn about the innovations introduced to differentiate the product, as well as their commitment to a specific brand name, is also key [6].

Considering the potential of both collaboration and brand positioning as safeguards to increase the bargaining power of SME fresh produce firms, reduce power imbalances in EU fresh product supply chains, and face new political risks in non-EU markets, an integrative conceptual framework for the berry supply chain management is presented below (Figure 1). In Table 1, a summary of the theoretical definitions used throughout the next conceptual framework section is included).

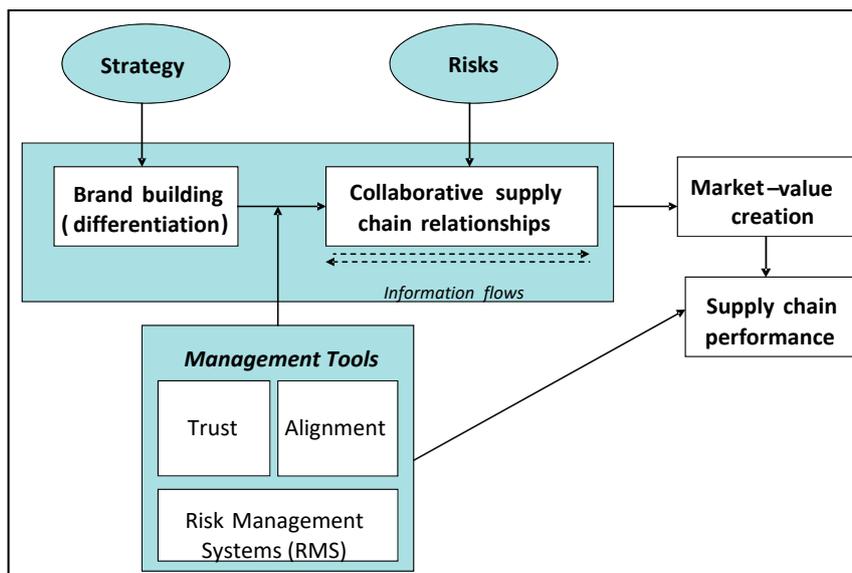


Figure 1. Conceptual framework; an integrative proposal.

Table 1. Strategy and supply chain management framework: Main definitions.

| Concept                 | Approaches   | Authors |
|-------------------------|--|---------|
| Strategy                | <i>Overall strategy:</i> The determination of the basic long-term goals and objectives of an enterprise and the adoption of courses of action and the allocation of resources necessary for carrying out these goals.  | [26]    |
|                         | <i>Framework:</i> Three generic strategies that can be applied to products or services in all industries and to organizations of all sizes. “Cost leadership” emphasizes minimization of research and development, advertising, and manufacturing costs in order to provide high standards and high volume goods at a lower price. “Differentiation involves the creation of uniquely desirable products and services by means of increasing advertising and promotion so that a strong brand reputation for quality can be created. “Focus” is the introduction of a specialized product or service in a niche market and it can be either focused on cost or on differentiation. | [27,28] |
|                         | <i>Corporate strategy:</i> The pattern of major objectives, purposes, or goals and essential policies and plans for achieving those goals stated in such a way as to define what business the company is in or is to be in and the kind of company it is or is to be. In a changing world, it is a way of expressing a persistent concept of the business so as to exclude some possible new activities and suggest entry into others.   | [29]    |
|                         | <i>Business strategy:</i> The primary objective is to develop and support a lasting competitive advantage in the business or businesses selected by the company in order to increase profitability by identifying opportunities in each market.  | [30]    |
| Supply chain management | <i>Supply chain management definition:</i> A set of approaches utilized to efficiently integrate suppliers, manufacturers, warehouses, and stores so that merchandise is produced and distributed at the right quantities, to the right locations, and at the right time, in order to minimize system-wide costs while satisfying service-level requirements.  | [31]    |
|                         | <i>Inter-organizational trust:</i> The extent to which members of one organization hold a collective trust orientation toward another organization or positive social expectations that increase individual willingness to trust members of an organization. It can be based on identity, rules, roles, or leadership actions.   | [32,33] |
|                         | <i>Alignment between two parties:</i> Occurs when goals, culture, and strategies are consistent and compatible and when they perceive and interpret the business context and the environment in similar ways.  | [34,35] |
|                         | <i>Supply chain risks:</i> Events that extend beyond the boundaries of a single firm and can adversely impact supply chain operations.   | [36]    |

Source: Adapted from previous literature discussion in [37–42].

### 2.3. Conceptual Framework: A Proposal for Analyzing Berry Supply Chain Management

As discussed above, the fresh produce market is currently giving incentives to complex and elaborated strategies and tactics toward a more differentiated and positioned kind of product, getting fresh produce out of the commodity category, and aiming for a different segment of the market consisting of consumers who are able to appreciate and to choose differentiated versus undifferentiated fresh produce and with the disposable income needed in order to purchase them [3,4,6,8]. In order to overcome the current limitations in profitability due to mismatch of supply and demand [9,10], a focus on the market must be implemented throughout the supply chain to have a better forecast and planning so that market saturation and price drop are minimized [3,6,10]. A reformulation of the current strategy of fresh produce supply chain members, both in terms of corporate strategy and business strategy, is presented as a key aspect to adapt to new market trends and to increase the profitability and the development of the supply chain as a whole [3,7,25].

In [43], it is claimed that companies with a market focus usually get more sustainable competitive advantages because they provide superior customer value propositions by having unique business systems (activities required to create, produce, and deliver customer value propositions) to ensure it. However, although the adoption of differentiation strategies could strongly benefit firms, it could not be well implemented without the correct management of other supply chain members; fresh produce supply chain members are strongly interrelated and individual actions in one step of the chain can have a huge impact on the final product [8,9]. Moreover, the coordination of production-related activities and market-related activities is key in order to successfully accomplish a differentiation strategy. As a result, supply chain management is widely acknowledged as strategic for companies, because of its contribution to create and to sustain a competitive advantage [44,45].

Within supply chain management, several mechanisms can be used to monitor members of the supply chain. According to previous studies in the fresh produce sector, inter-organizational trust building is one of the most important mechanisms [5,11]. Although inter-organizational trust can increase mutual benefits by creating an environment where firms' members endeavor to exceed the minimum requirements [46], trust levels are not constant over time. As [40] state, "*in any given relationship, levels of trust may rise and fall in an anticipated oscillation that doesn't seriously threaten its survival, or trust may be broken and relationships damaged in ways that are resistant to repair*".

Together with trust, alignment in buyer and supplier transactions is presented as a key supply chain management mechanism [13,14]. By means of the alignment of the corporate identity, a greater coordination can be achieved between members of the fresh produce supply chain. Evidence also suggests that having a high level of supply chain alignment leads to a better business performance due to the fact that there is a fit among objectives, structures, and processes within and between members [47,48].

Nevertheless, trust and alignment seem to be insufficient to guarantee the correct functioning of the supply chain. Increasing attention has been paid to the part of supply chain management that deals with risks within the supply chain [7]. The increasing dependence on suppliers exposes companies to supply risks [49]; at the same time, product competition is moving from an organizational level to a supply chain level [50]. Other reasons for the focus on supply chain risks are a larger uncertainty in supply and demand, a shorter product and technology lifecycle, the globalization of the market, and the increased use of outsourcing [51,52]. Important challenges have to be overcome to manage supply chain risks, such as positioning supply chain risk management as a key driver for maximization of opportunities and for minimization of losses, as well as incorporating it into daily business practice and thinking [53]. For this reason, [54] proposed four approaches to minimize the impact of supply chain risks: (i) Demand management and (ii) supply management, in order to collaborate with and to coordinate downstream and upstream partners to ensure efficiency and effectiveness; (iii) product management, in order to facilitate product and process design improving along the chain; and (iv) information management, based on partners' information sharing to improve coordination and collaboration.

As exposed above, supply chain management performance can be improved by enhancing mutual trust between members of the chain by motivating an alignment between supply chain members and by managing those risks that could affect the correct development of the supply chain activities. On top of that, market-oriented managers focus on using information obtained from customers, competition, and regulatory environments in order to achieve superior performance. Organizations, therefore, are able to gain a better understanding of what factors lead to higher value creation capability and superior performance [55]. Furthermore, it has been proven that there are interdependencies among supply chain characteristics and performance measures, as well as an established hierarchical nature and a dependency among the performance indicators [56–58].

### 3. Material and Methods

The purpose of this research is to study how different supply chain management mechanisms (alignment, trust, risk management systems (RMS) are used by fresh produce companies in order to strengthen the adoption of a commodity differentiation strategy through the creation and positioning of a brand and how it helps to create superior market-based value and higher supply chain performance. Our research can be classified as qualitative, since we aim to study the why and the how of the variables instead of the mathematical significance of variable relationships. Because of the explicative nature of this study, a case study methodology was selected, which allows the researcher an in-deep discovery of the most relevant characteristics of the specifically studied reality that led to the current scenario [59,60]. A data collection method based on semi-structured interviews was applied, in order to gain a deep understanding of the chosen variables [61]; as a previous stage, a literature review was performed to define the interview script used in each interview.

#### 3.1. First Step: Literature Review

In order to carry out this research, an initial literature review was developed regarding the fresh produce supply chain management. To do so, several databases were searched, including ABI/INFORM, Athenea, Google Scholar, and Journal Citation Reports (JCR)-Clarivate databases. The purpose of such a review was not to perform an exhaustive meta-analysis on the existing supply chain literature, but to identify the most interesting research on the topics included in the proposed conceptual framework, to refine their definitions, and to discover other potential topics being connected and relevant to the proposed model. By means of such a literature review, topics such as “strategy”, “strategic alignment”, “risks”, “risk management systems”, “trust” and “performance measurement” were identified as the most recurrent variables in order to study within the management of the fresh produce industry (Appendix A Figure A1). Furthermore, a trend in the fresh produce market literature was identified in relation to the analysis of the production and consumption of berries.

#### 3.2. Second Step: Case Selection

In the second step, a careful case selection process was performed in order to understand in depth how the conceptual framework actually functioned in the fresh produce supply chain. After analyzing the potential of several companies within the Andalusian fresh produce industry, a berry marketer, which is headquartered in Huelva and markets the products of several berry growers under its own brand name in Europe, was selected. The reasons for selecting this company and its supply chain are manifold. First of all, the company has a strong international focus, with more than 95% of its production being exported worldwide through international supply chains. Secondly, the firm is relatively new in the European markets and is carrying out a brand positioning strategy together with a product and process differentiation strategy in order to gain market share. Finally, the production is outsourced to growers in Huelva that have been working for many years in the fresh produce sector; retailing activities are also outsourced to the main supermarket chains of each European country in which the company operates, so that the desired consumer group, high-income buyers and differentiated commodity seekers, can be easily attracted.

As a result, the empirical analysis was focused on a company that follows a differentiation strategy, has a strong international focus, and faces several challenges in coordinating all the supply chain activities (own and outsources processes) between partners with different interests. Also, a considerable number of growers who produce for the company, together with managers working in the different departments within the company, were contacted and expressed that they were willing and able to participate in the study. This is particularly relevant for the case study methodology because, according to [60], the wider the variety of the sources the researcher uses, the larger the number of evidence and the better the corroboration of results.

### 3.3. Third Step: Data Collection

Empirical evidence about the conceptual framework proposal was obtained from fifteen semi-structured personal interviews conducted from December 2017 to February 2018; from them, eight growers were interviewed and seven different personnel inside the firm were interviewed. The objective of the interviews was to gain an in-depth understanding of the role of strategy and supply chain management techniques as instruments for improving the performance of international fresh produce supply chain companies, in particular those adopting a differentiated brand strategy to protect themselves from power imbalances.

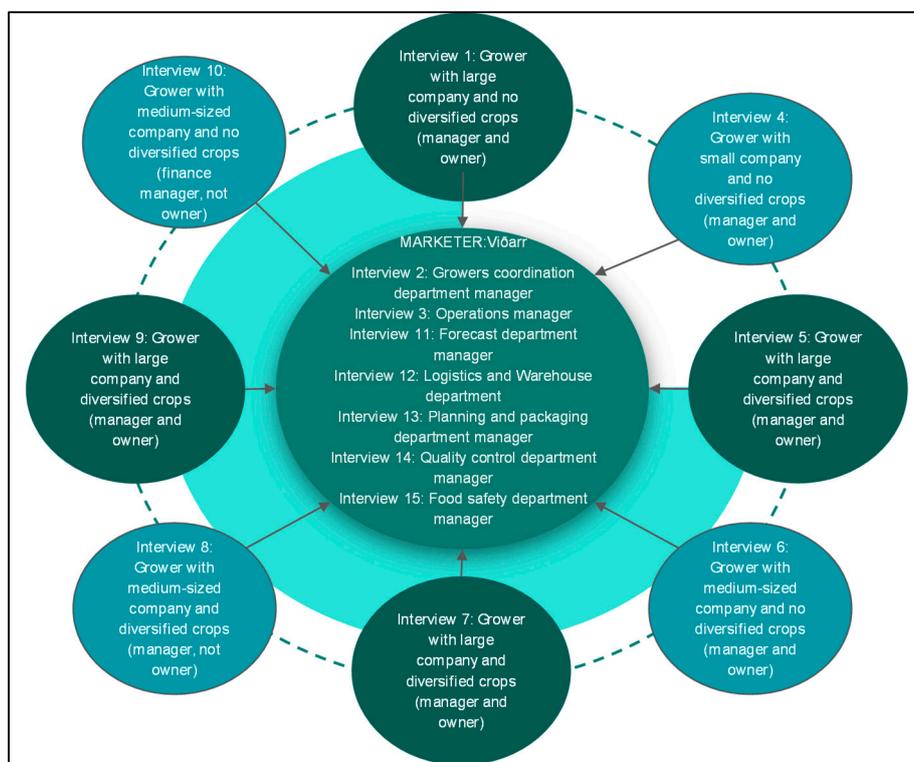
Departing from the previous literature review, a tentative interview questionnaire was drafted that included all of the factors mentioned above (overall strategy of the company, alignment, risks and risk management systems, trust, and performance evaluation) (see Table 2 for some examples); the interview was designed to be semi-structured and to last around one hour. It was recorded through a phone recorder and then transcribed in order to better process the information. The first point of the interview was devoted to ensuring the confidentiality, anonymity, and aggregated analysis of information for academic purposes. A larger set of respondents was theoretically considered, aiming at more representative and corroborative information (Figure 2). Interviews were conducted in Huelva within the three following months; they were conducted following a common structure, while creating an atmosphere of confidence and openness.

**Table 2.** Interview sample.

| Structure of the Interview and Theoretical Basis | Sample of Question Used   |
|--|---|
| Personal and company information                 | What are your company's key factors?  |
| Business strategy [62]                           | What is the future of your company?   |
| Alignment [63]                                   | What would be the strategy followed by your company?  |
| Risks [64–66]                                    | How would you say that your objectives and goals fit in with the ones of your client/supplier?                            |
| Trust [67]                                       | What control mechanisms do you share with your client/supplier as to avoid contingencies and to control daily operations? |
| Performance evaluation [68]                      | Are your clients/suppliers patient and understanding when facing sudden contingencies?                                    |
|  | How do you evaluate the company's result for each year?   |

The first interview was conducted with a grower who had been working with the company since it first started operating in Europe; the outcome proved to be very interesting when compared to the variables that were posed according to the literature. Furthermore, the interview lasted 100 min because the respondent was talkative and expanded upon the information as much as he could. The interview was then analyzed and processed by identifying the statements that referred to each of the variables proposed in the study. Factsheets were created for each of the variables, in which the main points and trends were discussed and argued with the different quotes from the interview; this first interview was also used as a pre-test, so the interview questionnaire was revised to include or remove some of the questions. It was also used to clarify or reformulate others to gain data consistency and reliability [60]. Finally, fifteen interviews were performed. To decide the number of interviews, a “theoretical saturation

process” was performed [69]; such a process considers picking enough representative evidence from interviews so that the process of data collection stops when new data do not include significantly new information.



**Figure 2.** Respondent description. Note: All growers are linked with all departments of the marketer’s firm. Growers act as providers of the fruits produced by plants supplied by the marketer.

Since the company does not require growers to produce exclusively for them (they can have other crops within their properties), eight *growers* were selected with the objective of creating a heterogeneous group whose crops were different in their size and diversity. Criteria for selecting workers inside the case company was also heterogeneity in terms of departments within the company. As a result, seven *workers* were picked from different departments. The aim of such heterogeneity of respondents was to give the research a greater depth in understanding all of the variables and their relationships. In Table 3, a summary is presented about the general characteristics of the interviews regarding each respondent.

**Table 3.** Additional interviewees information.

|               | Category | Department-Position                | Duration of the Interview | Size of the Company (Growers) | Diversified Crops (Growers) |
|---------------|----------|------------------------------------|---------------------------|-------------------------------|-----------------------------|
| Interview #1  | Grower   | Manager (owner)                    | 1:36:06                   | Large                         | NO                          |
| Interview #2  | Marketer | Growers’ coordination department   | 1:28:20                   | -                             | -                           |
| Interview #3  | Marketer | Manager (not owner)                | 1:10:53                   | -                             | -                           |
| Interview #4  | Grower   | Manager (owner)                    | 1:00:28                   | Small                         | NO                          |
| Interview #5  | Grower   | Manager (owner)                    | 1:29:14                   | Large                         | YES                         |
| Interview #6  | Grower   | Manager (owner)                    | 1:08:27                   | Medium                        | NO                          |
| Interview #7  | Grower   | Manager (owner)                    | 0:52:50                   | Large                         | YES                         |
| Interview #8  | Grower   | Manager (not owner)                | 1:07:59                   | Medium                        | YES                         |
| Interview #9  | Grower   | Manager (owner)                    | 1:30:59                   | Large                         | YES                         |
| Interview #10 | Grower   | Finance manager (not owner)        | 1:11:32                   | Medium                        | NO                          |
| Interview #11 | Marketer | Forecasts department               | 1:07:10                   | -                             | -                           |
| Interview #12 | Marketer | Warehouse and logistics department | 1:15:54                   | -                             | -                           |
| Interview #13 | Marketer | Planning and packaging department  | 0:50:47                   | -                             | -                           |
| Interview #14 | Marketer | Quality control department         | 1:15:31                   | -                             | -                           |
| Interview #15 | Marketer | Food safety department             | 1:04:45                   | -                             | -                           |

### 3.4. Fourth Step: Data Analysis

In order to analyze the case data, two different stages were performed: (i) A descriptive step, where data were classified in relation to the previous defined categories; and (ii) an interpretative step, where significant information was extracted from data, causal relationships were established, and main conclusions were obtained; in particular, an “explanation-building” interpretative technique was followed [60], which aims to build an explanation of the case through establishing causal links between categories. To do so, once each interview was performed and transcribed, different word documents (“factsheets” or “memos”) were created for each of the studied variables in order to identify the main concepts present in the data, different subcategories inside each concept, and the relationships between them. To do so, each factsheet included different parts [70]: The first part was called “*key points*” and contained the different characteristics observed in the specific respondent company in relation to each variable; in the second part, called “*main trends*”, the key points were further developed, including all the observed trends and singularities. Finally, every point or trend included in the facts was supported by several *quotes* from different interviews, ranging from 10 to 50 quotes. This data analysis method proved to be particularly useful for the “explanation-building” of the case, since it was the same person who conducted the interviews, had other informal conversations with the respondents, analyzed recorded data, and reported the findings.

## 4. Findings

Following the previous process, the findings are presented according to the main variables being identified in the data collection and also related to the proposed conceptual framework: Business strategy, corporate strategy, supply chain members alignment, inter-organizational trust, risk management systems, and performance. Furthermore, an initial section was added to inform on the environmental and market perception showed by both growers and workers of the company. In the following, the company will be denoted as Viðarr for anonymity issues.

### 4.1. Environmental Characteristics of the Berry Sector in Huelva

Although questions about the environment were not explicitly included in the interview questionnaire, all respondents spontaneously mentioned relevant information concerning how the environment deeply affects all the decisions and ways of operating; Table 4 summarizes the main environmental and market concerns, which are explained below.

**Table 4.** Environmental characteristics of the berry sector in Huelva.

| Item   | Growers  | Marketers  |
|--|--|--|
| Competitive environment                      | <p>Large number of growers in Huelva (geographically concentrated production).</p> <p>Generally public berry varieties (undifferentiated product).</p> <p>Similar harvesting and handling techniques.</p> <p>Low bargaining power.</p>   | <p>Geographical concentration of different cooperatives, associations, and marketing companies.</p> <p>Increasing investments in researching and developing private varieties of berries (differentiation of the commodity).</p> <p>Increasing investments in the creation of a strong brand image and reputation (differentiation and positioning).</p> |
| Berry supply chain characteristics           | <p>Little coordination between supply and demand due to the great numbers of growers, intermediaries, and retailers.</p> <p>A mismatch between supply and demand that usually leads to market saturation and lower prices.</p> <p>No fixed relationships; purchase agreements are negotiated on a daily basis.</p> <p>Players other than growers take advantage of market saturation and speculation in order to cut down the prices they pay to growers.</p> <p>Unstable relationships allow intermediaries to switch between growers according to the prices.</p> <p>Increasing differentiation and positioning trends call for the creation of stable relationships between members of the channel.</p> |  |
| Obstacles to differentiation and positioning | <p>The instability of prices and relationships prevents growers from investing profits in differentiation strategy. Profits and margins are saved in order to face leaner times.</p>   | <p>Fragmented nature of the supply chain.</p> <p>Preference for the speculative environment where they earn more money without having to make large investments.</p> <p>Focus on own interests and earnings rather than on developing an integrated supply chain management.</p>   |
| Major production risks and threats           | <p>Problems derived from weather conditions (usually affect all the growers at the same time).</p> <p>Labor shortage and high employee turnover.</p> <p>Government contracts and agreements on agriculture aggravate the situation.</p> <p>Water allocation is shorter every year due to the proximity to Doñana's national park.</p>  |  |
| Major marketing risks and threats            | <p>The product is exposed to different factors such as climate, wildlife, or humans that can affect the food safety or quality of the berries at any point.</p> <p>Food safety procedures are somehow new.</p> <p>Instability of prices and relationships.</p>   | <p>The profound impact of neglects of food safety and quality control on brand image and reputation.</p> <p>Constant innovation towards differentiation and positioning (rapid competitive moves in order to lead the market).</p> <p>Balancing interests between growers and retailers.</p> <p>Instability of prices and relationships.</p>             |
| Product limitations                          | <p>Berries' limited shelf life, the huge initial investment needed, and large costs incurred in harvesting and handling (much higher in comparison with other crops)</p>   | <p>High price needed to compensate growers for the large costs incurred in production.</p>   |

The growing environment in Huelva is characterized by the geographical concentration of many similar berry growers who commonly grow public undifferentiated varieties. Such growers have no regard for market trends due to the poor communication between members of the channel who focus on their own various interests. Growers are generally owners and managers of their businesses and have historically managed the growing process following traditional methods and tools. Once the berries are harvested, they focus on allocating them into the market as fast as possible due to the limited shelf life, by means of negotiating daily purchase agreements with the many intermediaries, marketers, and retailers of the fresh produce supply chain.

Growers find trouble with speculation and lack of commitment of clients, distributors, or supermarkets, who usually take advantage of fluctuations of prices and demand in order to

buy fruits at a lower price by not engaging in fixed relationships with producers. On the other hand, marketers know that they have a huge bargaining power over those undifferentiated growers because these growers have a perishable product that they need to place into the market.

This whole fragmented environment, with limited information sharing about the present and future supply and demand levels in the market, leads to frequent market saturation and price depressions as growers focus on maximizing production in order to decrease spare capacity and to capitalize on investments. Growers need to lower the prices at which they sell the berries in order to get a deal with other members of the supply chain, even though growers bear the highest risks and face the hardest challenges when growing, harvesting, and handling the berries. Moreover, when market saturation occurs, intermediaries and retailers usually make unfounded claims so that they can pay less or directly not buy their products because they have another grower that sells their product for a lower price.

Growers usually get the lowest profit margin of the whole chain because they are the ones with the smallest bargaining power, due to the undifferentiated product and the perfect competition. Growers complained that when they worked with these intermediaries and retailers: *“We came from a free market in which you sent your production to the client and then they complained about quality or other issues in order to pay us a lower price, but they were unfounded allegations”* and *“we, as growers, are used to suffering and we want to be on good terms with clients because having a misunderstanding with them could prove costly but they usually do as they like because they know they run the show”*.

Nowadays, however, increased food safety and quality standards (both in product and processes), as well as trends towards differentiating products that have traditionally been considered undifferentiated commodities, have triggered a change in the characteristics of the berry environment. Marketers are increasingly investing in researching and developing new, unique, and private varieties of berries in order to get a differentiated product. They also invest in creating a strong brand image and reputation in order to position themselves in the market. This makes both growers and marketers working together more resilient to perfect competition challenges such as market saturation or price wars.

However, obstacles do currently exist when implementing differentiation strategies: On the one hand, growers would need to create a differentiated process or product in order to stand out from competitors and to stay out of price wars. However, due to the price changes and the instability of purchasing agreements, growers cannot invest the margins obtained from one transaction into creating differentiated products or processes, so they usually save almost all of the earnings in order to face leaner times. On the other hand, marketers and other related intermediaries usually have more resources due to larger margins and lower risks, in order to make investments in differentiation and positioning strategic moves. Nevertheless, due to the fragmented nature of the chain, they usually focus on their own interest rather than developing an integrated supply chain management based on these principles.

The increasing demand for higher quality products, nevertheless, implies that a greater cooperation and joint control of the berry supply chain must exist. In this context, some strong market-based companies have started to arise in order to achieve a better supply chain management at the same time as they strive for differentiation and positioning. These companies' main objectives are: (1) To create their own private varieties of berries with specific attributes regarding taste, appearance, or productivity by means of huge investments in research and development; (2) to ensure the great quality of the berries as well as the integrity, reliability, transparency, and sustainability of all the processes involved in producing the fruit and delivering them to the final customer; (3) to create and maintain strong brands to position themselves in the market and to differentiate from other berry producers; and (4) to procure a better fit between supply and demand for their product by means of a good supply chain management.

Additionally, risks and threats also have to be considered in order to implement the differentiation and positioning strategies. Due to the characteristics of the berries, the production is seasonal and

subject to many weather conditions which usually affect all growers at the same time. Problems derived from weather conditions can be predictable or unpredictable; for the predictable ones, such as growing in an area of extreme heat, cold, or wind, growers can develop risk management strategies in order to minimize the impact. However, unpredictable risks, such as the new effects of global warming, sudden torrential rain, or fires, usually need to be managed as they occur. Furthermore, the labor shortage is a major problem for growers. They face a massive lack of workers willing to accept a job in the agricultural sector. Growers need to go to Morocco or eastern countries to find the labor that they need according to the size of the crops (berries are extremely labor intensive). Moreover, growers cannot develop proper selection processes because of the labor scarcity and workers usually move freely to the grower paying the highest wages because they know that they have the power to do so. Training, therefore, cannot be depreciated by growers. On top of that, government contracts and agreements regarding agriculture usually aggravate the situation by not providing facilities in order to find workers and not creating a framework to regulate available workers according to the needs of the growers. Also, the amount of water in liters granted by authorities to each grower is not enough to cover the needs of the crops; due to the proximity to Doñana's national environmental reserve, authorities rule with an iron fist.

For those marketers who do not create stable relationships with growers, previous risk factors do not have a huge impact on their profitability: In most of the cases, they can even take advantage of a generalized price drop due to market saturation in order to get supplies at a lower price. However, for those marketers that choose to engage in more stable relationships with members of the supply chain, all factors affecting the correct development of the production stage, such as weather conditions, labor shortage, and government regulations have a huge impact on the marketer's strategy implementation and daily operations. Weather conditions, for example, usually lead to increases or decreases in the forecasted daily or weekly production. Because of the fact that growers are geographically concentrated, they are all affected by hazards. This means that a great mismatch between supply and demand can happen from one day to another. Furthermore, if growers do not have enough labor or management tools for organizing the workforce, they would also have problems with supply and demand forecasts. This interdependence calls for a joint supply chain management.

Apart from the risks affecting production, the berry growing process takes place on the outside, on big plantations. This means that plants and berries are both exposed to different factors such as climate, wildlife, or human actions that can affect the food safety or quality of the berry at any point. This is increasingly dangerous considering that people that works on plantations have been working there for many years and things used to be different in the past: they didn't have toilets, animals were free to walk around plants, they didn't have many food safety procedures ... so there is a risk of workers not being rigorous when applying food safety issues. Also, unhappy employees can even sabotage the harvest in many ways, such as by introducing earrings into the finished package. These neglects of food safety and quality control have a profound impact on brand image and reputation of the marketer, which also encourage more marketers to work closely with growers.

Despite previous risks, the differentiation and positioning strategy is proving to be successful in gaining market share. More companies are following the same strategy, which is said to be a threat for other competitors: *"Competitors are coming up with really good varieties and they are making similar strategic moves, you really have to focus on innovating in order to lead the market"*.

#### 4.2. Business Strategy and Corporate Strategy

The company on which this case study focused, Viðarr, has recently started operating in Europe (Huelva headquarters) as a result of the observed change in market trends and the potential for differentiated branding strategies. Data analysis from the fifteen interviews with workers and growers show Viðarr have allowed the depiction of both their business strategy and corporate strategy.

#### 4.2.1. Business Strategy

As Viðarr is new in European markets, its business strategy is focused on creating a strong brand by investing in brand awareness and brand equity communication, so that both European retailers and final customers can develop strongly favorable perceptions about Viðarr. In order to build this positive relationship with stakeholders, Viðarr focuses on ensuring premium quality and food safety standards and on providing a reliable and timely supply. By creating and maintaining this retailer's relationship management, Viðarr can have an enhanced reliance on long-term, stable relationships with retailers. This provides Viðarr with a stability and a margin in order to grow and to make significant investments, which are rare in this sector.

Another important strategic move, apart from the brand positioning, is the differentiation strategy based on premium quality products and processes. First, the quality of the products needs to be outstanding in terms of taste. Viðarr creates its own private varieties and the key driver is always "delight". They want consumers to be delighted with the excellent quality of the berries. Second, they focus on maintaining high corporate social responsibility standards throughout the whole supply chain. Enriching all of the stakeholders is a top priority when dealing with internal processes and supply chain management. The manager stated that they want to be a reference brand so that everyone can relate it to a sustainable value-creation environment.

In the pursuit of this differentiation strategy, Viðarr analyzed the whole process needed to create, produce, and distribute the berries in order to find out which key factors or activities would give the company a competitive advantage over similar offerings. The manager of Viðarr's Spanish headquarters explained these activities in depth:

*"The process starts with the development of our own genetic program. We develop our own berry varieties and our growers are the only ones who can access them. The common principal driver when coming up with genetic programs is taste. We believe that the fruit should be delightful because then we are able to create more demand and to increase market share, that is always a top priority. Obviously, we also have to take into account other factors such as the appropriate portability of the berries in order to distribute them to the different markets, the productivity of the plants in order for them to be profitable for our growers . . . But the major factor is the quality. The second step in our value chain is to grow, spread, and proliferate the plants that have been developed within the genetic program. This process is carried out either in own or outsourced nurseries. Once the plants are ready, they are given to the different associated growers who grow the plants and harvest and handle the berry production (although production, per se, is outsourced by the marketer, they manage the association with growers by means of various supply chain management mechanisms as well as performing exhaustive controls over the whole process, growers can focus on profitability; at the same time the marketer creates a series of procedures to ensure quality through the supply chain management in order to ensure that the interests of all the players in the supply chain are aligned). Once the berries are harvested and handled, the marketer buys the production back and it markets and distributes it to the main European retailers".*

It might, therefore, be asserted that Viðarr focuses on three key points to get competitive advantages and to differentiate from competitors: (1) They invest in the research and development of their own varieties in order to create a differentiated product with unique attributes; (2) they develop a series of certifications of premium quality both in products and processes throughout the whole chain, which also contributes to the brand management. As several workers said, the company focuses on ensuring the good quality of the berries, suitable and appealing packaging, an excellent and continuous service and supply, several quality controls and food safety inspections, the use of worker welfare, and environmental (corporate social responsibility) policies; finally (3) they create and maintain stable relationships with those retailers that attract the specific market segment or niche of consumers that are able to buy differentiated, fair-trade, premium-priced commodities.

#### 4.2.2. Corporate Strategy

Corporate strategy involves the selection of the business or businesses where the firm is or should be operating in, while also determining the scope in terms of the range of products, geographical

markets, and vertical integration degree. According to the interviews, the corporate strategy of Viðarr must be analyzed around three different dimensions:

(a) *Range of products*: Viðarr prefers to specialize in berries rather than operating with a wide range of fruits. In particular, the company focuses on the marketing of four berries: Strawberries, raspberries, blackberries, and blueberries. The use of different berries allows Viðarr to provide a more consistent supply over the year because they create different varieties that can be grown in different months. Varieties are private rather than public and have been crafted according to the specific value proposition of Viðarr. As a result, they are able to offer berries when other companies are not producing any and they are also able to maintain a continuous supply for retailers.

(b) *Geographical scope*: In order to sustain this continuous European supply of berries all year round, Viðarr is producing in several countries, such as Spain, Portugal, and Morocco. By virtue of this, they are able to combine different production curves that depend on different environmental conditions in order to provide business partners with reliability and continuity, as explained by one of the workers: *“This is a revolutionary concept of service delivery: we produce the four berries and we also take advantage of the synergies between producing countries because retailers and clients want to be supplied over the whole year”*. Although the Moroccan, Portuguese, and Spanish production areas seem to be close together, Viðarr has created one headquarter for each of them in order to have a closer supply management. Thanks to this closeness, several coordination mechanisms such as alignment, trust, and supply chain risk management might be well implemented.

(c) *Vertical integration degree*: As explained by a Viðarr manager, the company outsources production and the retail activities. In this line, several workers stated that *“we try to align the interests of the supply side of the chain with the interests of the demand side. Growers want profitability while retailers and final consumers want a differentiated, safe, high-quality product. What we do is align both sides of the chain through our services which ultimately provide a competitive advantage to all players in the supply chain. And it is proving to be very profitable for us as well because we are creating value by aligning the whole chain”*. In the production stage, Viðarr makes sure that growers not only focus on profitability and cost reduction, but also focus on quality, food safety, and sustainable generation of value through worker welfare and environmental policies. In the distribution/retail stage, Viðarr safeguards the value created through all the previous stages by placing the products into the correct market segment and by developing promotion campaigns together with retailers. The final premium price obtained thanks to the value created compensates the efforts of the many players involved.

As a result, it might be seen that the business model proposed by this company contradicts the fragmented nature of the traditional berry produce supply chain; Viðarr and its different business partners, growers, and retailers focus on a sustainable value creation through the creation of stable and collaborative relationships that benefit all the players involved. The coordination of players from different steps of the supply chain is achieved thanks to different supply chain mechanisms, which will be explained in the following sections. These supply chain mechanisms implemented together with the strategic mix used by Viðarr has proven to be successful in improving performance, as discussed in the last section of the results.

#### 4.3. Supply Chain Management

Viðarr uses different supply chain management mechanisms in order to broadcast and ensure premium quality and sustainable value creation within all the steps of the supply chain. Evidence derived from the interviews suggests that supply chain management mechanisms are mostly used in regulating the relationship with growers rather than the one with retailers. This is due to the fact that Viðarr creates different headquarters for each producing area, but it only has one headquarter that deals with retailers. The only key aspects that retailers have to agree upon or communicate about are the volume of orders, the prices, the forecasts for following periods, and the information referred to the promotional campaign of the berries in each of the countries.

Management of the relationship with growers requires significantly greater efforts, though. It involves ensuring the correct development of the business activity of every grower in terms of worker welfare and environmental policies as well as food safety and quality controls. It requires regular analysis of the forecasted supply of berries in order to plan the orders for each retailer. Moreover, an important grower support service is offered in order for growers to have continuous assistance and the possibility of growing and investing in innovations for their businesses.

The internal processes or mechanisms created by Viðarr in order to deal with the different challenges when managing supply chain members might fall into three different categories: Grower–marketer alignment, trust, and supply chain risk management.

#### 4.3.1. Grower–Marketer Alignment

Several policies are used in order to align both marketer and grower corporate identity factors such as culture, vision, values, philosophy, strategies, and interests. These policies are progressively introduced into daily operations so as to increase cooperation and similarities in the way of operating, which result in a drawdown of further exhaustive control mechanisms. This process of alignment and the different mechanisms used by Viðarr are exhibited in Table 5.

As it can be derived from Table 5, the process of alignment is consciously implemented by Viðarr since even before the beginning of the relationship. Huelva is riddled with all kinds of growers. Some of them are focused on speculative ways of operating and are used to working with changes in prices and with unstable relationships with intermediaries and retailers. However, as explained above, these growers have the opportunity of earning a lot of money when the market has supply disruption, but then the margin obtained cannot be reinvested in the company because they usually feel the pressure to save money for periods when market saturation takes place and prices fall below production costs. Viðarr focuses on selecting growers with a culture, interests, and values that go beyond the idea of taking advantage of speculation. These growers are interested in stability and in creating a sustainable business model. What Viðarr offers these growers is the possibility of working with smooth production curves (that have historically been concentrated on the most important supply–demand peaks in four or five months, demanding a large number of workers for such a short period of time) and with a minimization of fluctuation both in prices and in demand. Furthermore, Viðarr is now investing in positioning and differentiation strategies which gives growers the assurance that the relationship between marketer and grower will be long-lasting. Some of the growers and the workers of the marketing company stated that: *“Viðarr does not start a relationship with any grower, they need a specific grower with specific skills and with a particular philosophy”* and *“we have had lots of changes in the way of operating, we had to implement quality in all our processes and to introduce new standards and regulations . . . It is a really radical change but we have also moved forward in so many aspects because I really liked their ideas and now I can see that the farm has gotten much better . . . Even workers can appreciate it and they feel better”*.

Viðarr carries out an exhaustive selection process in order to select those growers that have similar culture, values, mission, vision, and strategies with respect to those of the marketer. Every time a grower joins the company, they launch an onboarding program in order to strengthen these similarities. Through the onboarding process, growers joining the group gain a thorough understanding of the characteristics of the relationships in terms of what is expected from them or the advantages of maintaining a relationship with Viðarr. Additionally, the business model that Viðarr proposes can be considered as revolutionary in terms of the way of operating and the outcomes obtained when compared with the traditional one, therefore everything is explained in detail from the very beginning so as to base the relationship on transparency. Some workers of Viðarr asserted that *“you have to work on showing growers how the system works and you have to prove to them that it is really worth it even though it is completely different from what they used to have”*.

**Table 5.** Grower–marketer alignment process.

| Alignment Stage   | Alignment Mechanism  | Viðarr  | Viðarr’s Growers  |
|---|--|---|---|
| Selection of growers and beginning of the relationship                | Selection of business partners   | An exhaustive selection process in order to select those growers with similar culture, values, mission, vision, and strategies. Onboarding process for new growers so as to strengthen the similarities.  | Growers look for options to minimize market risks. Viðarr offers a suitable business model for those growers who share similar corporate identities.  |
|   | Upgrading of growers’ assets and business models with the assistance of Viðarr’s departments | Viðarr devotes many resources to the different departments devoted to food safety, quality control, agronomy, and growers’ support.   | Upgrading and accommodation of growers’ businesses to Viðarr’s standards.   |
|   | Opening up to cooperation and collaboration  | Viðarr commits to marketing the whole daily production of each grower. This implies that constant communication and cooperation must be established.  | Growers are not required to produce a certain volume so they can harvest as many berries as they want per day.  |
| Strategies carried out once growers start operating with the marketer | Pay for Quality (PFQ) system   | Viðarr establishes a pay for quality (PFQ) system in which growers are paid depending on the percentage of quality of the berries that they supply, according to different parameters.  | Growers feel more motivated to achieve a greater quality percentage in order to receive larger compensation.  |
|   | Encourage growers to continue upgrading their businesses                                     | Viðarr motivates those growers who are aligned with the concept of quality management and sustainable value creation, to obtain certificates of quality such as Sedex Members Ethical Trade Audit (SMETA).  | Growers are satisfied with the improvements that the relationship with Viðarr brought to their companies and they usually feel the need to go one step further and certify the quality of their management.   |
|   | Encourage growers to invest in innovation  | Creation of internal know-how platforms that are continuously updated<br>Rewards for growers that come up with groundbreaking innovations or improvements.  | Growers develop a sense of belonging and are encouraged to continue investing their revenues to further grow in terms of quality and innovation.  |
|   | Alignment of interests of the various members of the supply chain                            | Viðarr creates long-term relationships with growers, which decreases their risks, and offers a constant profitability level.<br>Viðarr creates private varieties in order to be able to provide berries to the main retailers all year round. Forecasts and planning reports are developed by Viðarr so as to better manage supply chain relationships and to protect interests of the various players. | Growers use different Viðarr varieties of berries in order to smooth production curves and to be able to maintain a constant workforce.<br>Thanks to the accurate forecasts provided by the marketer about future production and demand levels, growers can allocate resources and anticipate future trends. They have the opportunity to look for more employees or to increase capacity in order to satisfy future demand levels. |
|   | Continuous flow of information in order to ensure alignment of interests.                    | Viðarr gets information from supply and demand sides of the chain and uses it to improve the overall supply chain management and alignment of members’ interests and objectives.  | Growers continuously communicate with the Viðarr and the information is used to improve the supply chain management while keeping a balance between different players’ interests.   |

Growers with culture, interests, values, or goals differing from those of Viðarr will not feel drawn to the business model that Viðarr proposes because it implies additional effort is required in order to do things according to high-quality standards. By virtue of this, the marketer is able to select those growers that show similar culture and values and an interest in maintaining a long-term relationship with the marketer. Several growers claimed that: *“The values that I want to promote in my business are*

*the same ones than those of Viðarr . . . We work together towards improving the quality of our products and processes and it is extremely rewarding”.*

Apart from the onboarding process, Viðarr devotes many resources from the diverse departments, such as food safety, quality control, agronomy, and growers' support, in order to help new growers to upgrade their farms and crop areas in order to meet requirements that usually extend beyond legal requirements. With the assistance of these departments, growers have to adapt their farms to Viðarr's standards of food safety and worker welfare, among others. Upgrading the farms is a top requirement in order to start operating under the brand. Some of the changes made during the upgrading process are: Revising human resources management and employment contracts, implementing food safety procedures in both the harvesting and the handling of the berries, placing signs and boarding, incorporating portable bathrooms, etc.

Once growers pass the selection and onboarding processes, both the grower and the marketer sign a contract. Viðarr commits to marketing the whole daily production of berries that each of the growers delivers to Viðarr's facilities. Viðarr performs a continuous analysis of production forecasts and market trends so that the whole berry production is allocated to different selected retailers. Viðarr provides growers with the necessary amount of plants according to the hectares available and a contract is signed containing information about the ownership of the plant and the legal implications of using, giving, or selling the plants to outsiders. The contract only contains legal information about the ownership of the plants and none of the required volumes open the path for constant communication and collaboration between grower and marketer.

Once grower and marketer start working together, several mechanisms are implemented in order to maintain a proper alignment level. One of them is the pay for quality (PFQ) system, in which growers are paid depending on the percentage of quality of the berries that they supply, according to different parameters. Growers usually feel more motivated to achieve a greater quality percentage in order to receive larger compensations. Without this system, they generally would only focus on getting large volumes of berries and on minimizing costs with no regard for quality.

Moreover, Viðarr motivates those growers who are aligned with the concept of quality management and sustainable value creation to obtain certificates of quality such as Sedex Members Ethical Trade Audit (SMETA). Thanks to the previous selection and onboarding processes, Viðarr can make sure that those growers who they partner with will be motivated to fit in with Viðarr's business model and will also feel encouraged to progressively interiorize the culture and improve on their own companies. Those growers who, after the whole process, decide to start a relationship with Viðarr are intrinsically motivated to move toward a greater alignment due to the fact that they like the business model and the outcomes that it provides them. Through the implementation of changes in the way of operating, growers acknowledge and confess that they started to feel rewarded when they saw all the improvements and increased quality in the way that their companies adapted to these standards. In addition, a quality management of all the areas of the production process gives them different opportunities to solve some of the most important threats to the agriculture sector. Growers are proud of the outcome of their work, i.e., the great quality berries. They are less worried about problems with food safety happening on a daily basis. They can offer a better job position to workers so that labor rotation amongst different growers is avoided because they want to continue working for that particular grower. They can focus on reinvesting revenues in creating mechanisms to fight against contingencies so that they no longer determine their daily production. These growers' motivation levels start rising and they start looking for their own initiatives in order to improve their business by investing the revenues in growth and innovation. They also look for ways in which they can certify their quality, not only in terms of final products but also in terms of worker welfare or environmental policies.

On top of that, innovation plays a key role in maintaining a leadership position in the market, mostly when competitors are always trying to get into the same position. Viðarr is aware of it and it invests a lot of money in research and development and in improving internal processes. However, Viðarr also knows that innovation must take place in other steps of the supply chain, especially in

the production stage. This is why they create international know-how platforms that are updated on a continuous basis thanks to the constant communication that they have with all business partners. Growers are encouraged to keep growing, both in size and in innovation. Viðarr is continuously communicating with growers and visiting their farms looking for innovations that can be useful for other growers. Some growers are even rewarded for these breakthroughs, either with a monetary compensation or with worldwide recognition within the group, and they are also invited to conferences or symposiums to share their knowledge. This way, Viðarr creates an international know-how platform with great information pooling at the same time as growers develop a sense of belonging and are encouraged to continue investing their revenues to further grow in terms of quality and innovation. Some of the main innovations found among growers working with this marketer are the use of hydroponic plots, the development of their own Enterprise Resource Planning (ERP) in order to control operations, preliminary steps into the organic farming, the creation of variable retribution systems, etc.

Another important challenge once the relationship is created is to align the various interests of the different players. Viðarr is completely aware of the fact that the alignment of the different interests of clients and growers must be central to their operation planning. They are increasingly and continuously investing in new systems, methods, or procedures that help both clients and growers and help to align their interests. One example is the creation of forecasts and planning. By closely studying the expected volumes of production, Viðarr can plan how many resources they need to deliver the whole berry production expected for that day and they can also tell retailers how many berries they are going to deliver so that supermarkets can accommodate resources and promotion campaigns. This is a key aspect used to sustain the strategy because by forecasting and planning supply they can control market saturation (which is the main reason for price depressions) and they can also charge higher prices because of an agreed and forecasted level of supply. Additionally, thanks to the accurate forecasts about future production and demand levels, growers can allocate resources and anticipate future trends. They have the opportunity to look for more employees or to increase capacity in order to satisfy future demand levels.

These systems have proven to be extremely successful in aligning the interests. However, several inefficiencies can be found that demonstrate the difficulty of creating and successfully implementing these mechanisms. For example, there is currently a huge inefficiency regarding when Viðarr asks growers about their expected production for that day, because they are not usually well prepared to answer that question and they answer whatever they estimate in that very moment. Growers cannot realize the impact of a wrong forecast on the relationship with retailers or the impact on prices. Furthermore, there is now also an issue about the evenness of the quality criteria in order to decide the money paid to each grower. Viðarr usually takes a sample of each pallet and performs a quality analysis based on several features. Growers commonly complain about the difference in results when different quality analysts perform the tests. They demand greater uniformity from one analyst to another.

In fact, growers in Huelva have historically worked under certain market conditions characterized by short-term relationships with marketers and distributors, usually with no brand, establishing agreements on different prices and quantities in a daily basis, which created a huge instability for growers. Under these conditions, growers could not use revenues to reinvest in the business because they may have needed to use them to survive unexpected periods of low demand or low prices. However, with Viðarr they can overcome these uncertainties thanks to stable prices and demand, the certainty of collecting the money that both parts agreed on, the strong back up of having a differentiated brand, good marketing strategies, research and development of private genetics to create their very own registered and protected plant varieties, and several departments devoted to helping growers with their contingencies and risks. For all these reasons, growers usually reinvest earnings to create the basis for a long-term relationship with Viðarr, aligning their businesses, increasing production levels, and working on long-term strategic plans.

#### 4.3.2. Interorganizational Trust

One of the terms included in the values of Viðarr is trust. Viðarr strongly believes in and opts for establishing stable relationships with the different players in the berry supply chain. In order for these relationships to be successful, an environment of trust and transparency has to be created because partners need to share information and to close deals on a daily basis. The different players need to rely on others in order to sustain the value proposition. Moreover, Viðarr is extremely interested in creating this trust with all the stakeholders because it contributes to the brand positioning and differentiation strategies. Alignment mechanisms used by Viðarr to deal with supply chain members lay the foundations for stable and trustful relationships. The trust mechanisms that are implemented by Viðarr in order to deal with the different business partners are displayed in Table 6.

**Table 6.** Trust enhancing mechanisms implemented by Viðarr in the supply chain management process.

| Trust Enhancing Mechanisms   | Viðarr  | Viðarr's Grower  |
|--|---|--|
| Strong brand, successful business model, and long-term orientation | Viðarr focuses on creating long-term oriented relationships guaranteed by the strong brand positioning and differentiation strategies.<br>The fact that different headquarters exist for each of the production areas makes it easier for Viðarr's workers and growers to create more personal trustworthy bonds.   | Growers stated that Viðarr is extremely transparent with all kinds of information. This makes growers believe and invest in a long-term relationship with Viðarr. Growers working with Viðarr have collection security, stable prices, and huge back-up from a recognized brand.                                   |
| Supportive departments   | Viðarr creates different departments in each of the producing areas in order to deal with the specific needs of the growers and in order to align interests from different members of the supply chain.   | Growers rely upon the comments and recommendations of members of these departments. The departments work hand in hand with growers to control food safety, quality, worker welfare, agronomy, forecasts, or planning in the various steps of the growing process in order to minimize the impact of contingencies. |
| Information pool creation  | The creation of different headquarters also promotes trust, feedback, information sharing, and the creation of bonds.<br>Viðarr creates platforms with all the know-how derived from the information sharing.   | Growers usually feel free to talk about anything with Viðarr's workers. They know that information and feedback is always well received and it will ultimately bring progress and improvement for the whole companies involved.  |
| Forecast and planning  | Forecasts and planning are used to regulate the supply and demand side of the chain.<br>The information derived from the forecast and planning report is communicated to all the members of the chain so as to coordinate the different relationships and interdependencies. This creates reliability and transparency.   | Growers use production, demand, and price forecasts in order to allocate resources and to control costs.<br>In the long-term, they are able to be proactive by anticipating market needs.  |
| Cooperation and communication                                      | The proximity of Viðarr's headquarters, the nature of the linking contract, and the presence of the many support departments create a climate of confidence, fluent communication, and cooperation between partners.<br>Viðarr's workers try to collaborate with growers based on passion, humility, and trust.<br>Viðarr is said to be as flexible, transparent, communicative, flexible, and cooperative as it can considering the limits of damaging growers' interests, clients' interests, or brand image. | Growers are able to express themselves in an open and transparent way.<br>They usually contact Viðarr when something happens in order to jointly solve the problem.<br>They also reach out to workers from the different departments looking for some pieces of advice and guidance when making decisions.         |
|  | In order to create this information-sharing environment, both grower and marketer have constant communication with different departments or people involved using various devices and tools available, such as email, phone, or WhatsApp.<br>Decentralization is key to start cooperating with growers as soon as something goes wrong so each department has the autonomy to manage certain situations.  | Growers said that Viðarr has really evolved in order to respond in a more rapid way to the different contingencies that growers face.<br>Decentralization and elimination of bureaucracy of the different departments have been key in order to achieve more flexibility.  |

As shown in Table 6, Viðarr provides growers, and the other business partners, with an unusual stability offered by the creation of long-term oriented relationships and guaranteed by the strong brand positioning and differentiation strategies. Moreover, growers stated that Viðarr is extremely transparent with all kinds of information. The trust that this way of operating creates in growers' minds makes them feel safe in the relationship and makes them want to invest in long-term improvement and innovation. Growers know that they have collection security, stable prices, and a huge backup from a recognized brand, so they are usually willing to reinvest earnings. Growers said that they know that Viðarr is always making sure that value is not lost in any of the steps of the value chain. Additionally, the fact that the company is decentralized in the various growing countries makes it easier for workers to create more personal and trustworthy bonds. For all these reasons, growers usually reinvest earnings to create the basis for a long-term relationship with Viðarr, aligning their businesses, increasing production levels, and working on long-term strategic plans.

In addition to the long-term orientation of the relationships created, Viðarr creates different departments in each of the producing areas in order to deal with the specific needs of the growers and in order to align interests from different members of the supply chain. These members appreciate the creation of the departments and this contributes to building trust. Some of the departments, as mentioned in the previous sections, are worker welfare, food safety, quality, agronomy, growers' support, forecast, and planning. These departments provide various services that are extremely valuable for growers so that they do not get penalized at the last minute in quality or food safety controls once they cannot do anything to fix whatever happened. Growers rely upon the comments and recommendations of members of these departments.

In order to increase the level of trust created by the previous mechanisms, Viðarr's headquarters in each of the production areas focus on promoting information sharing. Growers know that information and feedback is always well received in the relationship and that it will ultimately bring about progress and improvement. They appreciate having a headquarters next to the crops because the communications are fluent and they usually create strong emotional bonds with most of Viðarr's workers. Viðarr, then, creates statistics, comparisons, and platforms with all the know-how to create information pooling within the channel. Viðarr also rewards growers' innovative ideas that can be beneficial for other growers and then they invite growers to share their knowledge in conferences, symposiums, or speeches. Growers, then, have the opportunity to feel recognized and to feel that they are part of the firm and develop a sense of belonging.

Additionally, Viðarr has two departments devoted to aligning the different interests of the members of the supply chain. The department devoted to forecasting carries out an in-depth analysis of each and every crop that produces the marketer's berry varieties. Workers from the forecast department then elaborate complex daily, weekly, monthly, and yearly previsions with the objective of being as exact in the estimations as possible. These forecasts are then used by Viðarr in order to regulate supply and demand by developing promotional campaigns or by creating relationships with more growers or retailers if needed. The forecasts are also used, in the short-term, for allocating resources in order to prepare the orders with all the berries expected for that specific day. In addition, Viðarr also computes an estimation of the weekly price of the berries in the market. Obviously, all of the information derived from the forecast and the planning departments is extremely useful for all the members of the supply chain. For example, growers said that they find it critical to know the expected production, demand, and prices in order to allocate resources and control costs. In the long-term, they are able to estimate the resources needed for future campaigns in terms of employees or innovations in order to cut costs. Having the possibility of adopting a proactive attitude toward changes in the environment provides growers working with Viðarr with an extremely powerful competitive advantage. Moreover, in the short-term, having an estimation of the price allows growers to adjust costs according to market prices.

Trust is also enhanced by creating a climate of confidence, fluent communication, and cooperation. Viðarr's workers acknowledge that they firmly believe in the values of the company. They usually try to collaborate with growers based on passion, humility, and trust. They usually deal with changes in

forecasts caused by any contingency by adjusting supply and demand, as long as growers share these problems as soon as possible. Moreover, members of the planning departments said that it is more important to maintain constant communication with the marketer than trying to provide the perfect exact forecast for the day.

All of the mechanisms exposed in the table are said to improve the relationship and the level of trust between the different members of the supply chain in general. By implementing a long-term orientation, providing guidance, encouraging information sharing, and enhancing communication and cooperation, the different members can develop a sense of belonging and confidence. However, some inefficiencies have been identified when implementing trust mechanisms that can have damaging effects on the relationship and trust levels. Some of them have already been mentioned in the previous section and are also related to alignment. These inefficiencies are caused either by growers or by Viðarr and they need to be studied and solved so that further alignment and trust are achieved. For example, an issue discussed by various growers is the fact that the various packages that are introduced for particular events or parts of the year are usually not tested before giving them to growers. Some of them are difficult to fill and growers have to spend more money, time, and resources on completing the particular order. However, Viðarr tries to learn from these mistakes and makes changes or adjustments based on growers' recommendations.

Furthermore, the recent action of establishing a deadline for delivering berries to Viðarr's facility in order to plan orders, perform quality controls, and cool the berries has not been well received by growers who consider that it is a lack of understanding of the various contingencies and problems that they face. Additionally, quality criteria are said to significantly change from one supervisor to another. Growers perceive no consistency and this clearly damages trust. On top of that, the relationship between the grower and the marketer, as well as trust, is significantly affected by the return that growers receive. Growers usually bear the largest risks in the supply chain but they usually complain about the price that they receive compared to the risks or efforts that they confront. Claims made by retailers are usually aimed at errors made by growers. Supermarkets and marketers are said to gain the highest margins of the final price.

While trust and alignment are said to significantly reduce the need for iron fist-like ruling, it is important to note that trust in growers is fostered by the many audits, controls, procedures, documents, initial requisites, onboarding, and initial upgrading of their crops that growers confront in the daily relationship with the marketer. Viðarr needs to closely supervise everything done through the growing process in order to identify problems with quality, worker welfare, food safety, or other issues that may have an impact on brand image, reputation, positioning, or differentiation strategy.

#### 4.3.3. Supply Chain Risk Management

In line with the last point stated in the previous section, the need for further control mechanisms becomes evident in order to strengthen both alignment and trust mechanisms. Viðarr, as exposed in previous sections, positions the company as an intermediary between grower and retailer and strives for the alignment of both players' interests. This implies that risks from both parts of the supply chain have to be closely examined and risk management systems should be implemented in order to minimize the impact of those risks on the successful implementation of Viðarr's strategy. The risk management systems implemented by Viðarr in order to deal with supply chain risks are shown in Table 7.

Table 7. Supply chain risk management systems.

| Risks                         | Viðarr's Supply Chain Risk Management System  | Viðarr's Growers   |
|-------------------------------|---|--|
| Market risk                   | Speculation and fluctuation of prices and demand are managed through the creation of a differentiated brand in order to regulate supply and demand and to establish stable relationships with the main selected retailers.  | Engaging in a relationship with a marketer is a risk management action itself by which growers minimize market risks. The main risk that is minimized is the fluctuation of demand and prices thanks to the reputation and brand positioning of Viðarr in international markets.   |
| Brand reputation damaged risk | Alignment of growers' corporate identity with Viðarr's standards.   | Growers aim at maintaining long-term relationships with Viðarr and so they endeavor to achieve higher levels of quality.   |
|                               | Quality control in order to ensure the premium features of the business model and of the final product. Constant audits, controls, protocols, and communications in order to be consistent and to respond to contingencies or irregularities as fast as possible.                                     | Daily meetings and communications with Viðarr's workers. Pay for quality system forces growers to care about quality and food safety. The stability provided by the long-term oriented relationship allows growers to invest in minimizing risks and threats. By virtue of this, growers also reduce the probability of a scandal occurring. |
| General supply chain risks    | The information sharing system created by Viðarr allows the different partners to make corrections and improvements, to understand others' difficulties and feelings, and to be more flexible, thanks to the constant communication and cooperation.  | Thanks to the flow of information that growers receive from Viðarr, from other growers, and from the market, they try to anticipate and prepare for new trends.  |
|                               | Management of the different members' interests by the creation of forecast and planning.  | Growers use forecasts in order to plan resources and control costs.  |
|                               | Viðarr encourages workers to have open and resolute attitudes, in most of the cases communicating and cooperating with the different business partners (which is essential due to the many sudden contingencies that can have a detrimental effect on operations if not managed timely and properly). | Growers acknowledge that whenever sudden contingencies threaten to damage operations, they get in contact with the different departments in order to cooperate and minimize the impact of the contingencies.   |

Table 7 shows the mechanisms used by Viðarr in order to minimize the effect of supply chain risks in performance and strategy implementation. One of the mechanisms is the strategic mix used by Viðarr. Thanks to the differentiation and positioning strategy, Viðarr is able to provide growers with a more stable price line that allows them to avoid speculation. Moreover, growers have the assurance of a great back-up and the possibility of a long-term relationship with a brand that is growing at a high speed. Growers know that Viðarr is working on expanding in Europe and stimulating demand for consuming berries not just as a snack but also in other recipes. Moreover, Viðarr carefully selects retailers and supermarkets that target a high-income group of customers so that they can charge higher prices for an increased quality. Viðarr is also very concerned about getting a continuous supply of berries throughout the year in order to maintain those stable and reliable relationships with retailers. They are creating new varieties of berries that growers can use in combination with different crops so production does not have to stop.

The availability of berry varieties that can be combined in order to have a constant production level all year round is a great advantage for growers because they get the opportunity to maintain a stable workforce and they also get to exploit the hectares. However, growers can minimize risks

by engaging in the relationship with Viðarr in many other ways. For example, there is a reduction in the fluctuation of demand and prices thanks to the reputation and brand positioning of Viðarr in international markets. Growers can stop worrying about allocating production because Viðarr buys the whole berry production and gives growers a stable price so that they just need to focus on costs and on innovating to decrease other risks. Furthermore, innovation and other risk management actions are usually made by growers thanks to this stable price and the reliability of a long-term relationship with Viðarr. This way, growers are encouraged to make long-term investments in the business thanks to the payment collection security, the stable prices, and the choice of continuing to grow with Viðarr.

Apart from the minimization of market risks, Viðarr also invests in the creation of systems that deal with those irregularities that can damage brand image and reputation. Alignment of business partners, and especially growers, is risk management system per se. By selecting those growers whose corporate identity fits in with Viðarr's corporate identity and standards of quality, they are making sure that similar strategies regarding value proposition are being followed in all steps of the supply chain. This significantly reduces the probability of a scandal impacting brand image and reputation. On top of that, as growers aim at maintaining long-term relationships with the marketer, they endeavor to achieve higher levels of quality. The trust and the ties of friendship created thanks to the regular meetings and the willingness to cooperate with each other also contribute to growers striving to strengthen Viðarr's brand image and reputation.

In addition to alignment, quality control is used by Viðarr as a risk management mechanism that benefits the whole supply chain, in order to ensure the premium features of the business model and of the final product. Quality control is not only performed in the final product but also in every step of the growing process. Viðarr has several departments devoted to food safety, workers' welfare, or growers' coordination that carry out periodic controls and audits to make sure everything works according to legal requirements and, most of the time, higher standards.

The risk of a scandal negatively affecting brand image and reputation is also managed through constant audits, control, revisions, initial requirements, alignment with workers and partners, protocols, safety standards, and interdepartmental communication and cooperation in order to be consistent and to respond to problems as fast as possible. Additionally, thanks to the stability provided by the long-term oriented relationship with Viðarr, growers can be proactive to risks and threats, turning them into opportunities by investing in innovation, research, development, and improvement systems. By virtue of this, growers also minimize the probability of a scandal happening.

Risks related to the brand and to the market are not the only ones that have an impact on all the members of the supply chain. The berry supply chain performance is extremely influenced by sudden contingencies that lead to a lack of coordination between the different players. The creation of processes that are based on communication, cooperation, and coordination between members allows for a greater degree of flexibility. It also constitutes an important supply chain risk management mechanism and a competitive advantage when considering the fragmented nature of the berry supply chain. Moreover, the fact that stable relationships are created encourages the creation of fluent communication and information sharing. The information sharing allows the different partners to make corrections and improvements, to understand others' difficulties and feelings, and to be more flexible thanks to the constant communication and cooperation.

Therefore, the supply chain risk management system that allows the marketer to minimize the impact of daily unforeseeable contingencies is having open and resolute attitudes, in most cases communicating and cooperating with different business partners. This is essential due to the many sudden contingencies that can appear and that can have a detrimental effect if they are not managed properly and in a timely manner. The unexpected contingencies management system is based on constant communication, cooperation, and transparency. Both growers and marketers are clear that when something happens, everyone involved should also take part in devising a solution. Because of this, there is usually an immediate communication with the people or departments affected to solve the problem with speed and flexibility.

Furthermore, managing stable supply chain relationships inspired Viðarr to create the forecast department and the planning department. These departments, as commented above, enable precise regulation of supply and demand sides of the chain. By sharing constant information about expected volumes, prices, market trends, threats, and opportunities, the different members are more coordinated. Inefficiencies regarding disappointments in terms of these factors are minimized and the different players have the advantage of working with reliable future forecasts.

Forecasting the expected production is also critical in order to plan for the necessary workforce with enough time for growers to go to different countries to get the number of workers that they need. Growers also set up houses or modules that they provide to workers from other countries because there would be not enough housing for all the workforce that every grower need.

In conclusion, as it can be seen, the main supply chain risk management mechanism is the creation of stable relationships between chain members. Furthermore, Viðarr establishes itself in a central role, striving toward aligning interests and managing interactions in the most successful way as to create the maximum value through the supply chain coordination. Trust and alignment mechanisms reduce the need for further supply chain risk management mechanisms due to the fact that it eliminates the fragmented nature of the supply chain and it reduces the mismatch of the various objectives and strategies of each player. We could say that by creating these relationships based on trust and alignment and by managing supply chain actions toward the same direction (differentiation, positioning, quality), a smooth and successful supply chain dynamic can be achieved.

By using the different supply chain risk management, trust, and alignment methods exposed in Sections 4.2–4.4, respectively, Viðarr is able to cover many of the gaps that can cause problems in the relationships between various supply chain players when strategies, such as differentiation or positioning, that require the coordination of the whole chain are implemented.

#### *4.4. Performance Analysis*

In order to study whether or not the implementation of a differentiation and positioning strategy based on the quality of products and processes actually leads to improved performance when used together with supply chain management mechanisms such as alignment, trust, and supply chain risk management, an analysis of the performance evolution of the company is also developed. A series of evidence presented by both quotes from the interviews and by the exponential growth in terms of size that Viðarr has experienced since it started operating in Europe are exposed in Table 8, in order to prove the improved performance of the company.

Arguments exposed in Table 8 ascertain the evolution and improvement of Viðarr's performance since it first started operating in Spain and in Europe. The improvement of performance can be analyzed in accordance with different dimensions. First of all, the most obvious sign of improved performance is the rapid growth in terms of volumes and profits. Viðarr entered the European market with its revolutionary business model and it took advantage of the advantages and opportunities posed by the new trends in the berry industry. As explained in Section 4.1, new European market segments called for differentiated commodities. These consumers wanted recognized brands supplying exquisite quality goods and they did not mind paying a premium price in exchange for increased quality and food safety standards. Although the fragmented nature of the berry supply chain constituted an important obstacle in implementing differentiation and positioning strategies in order to attract those markets segments, Viðarr invested numerous resources in order to overcome that obstacle. The coordination and cooperation of the various members of the supply chain were needed in order to create a sustainable value-creation process throughout the whole chain. Viðarr created and adopted many mechanisms in order to achieve an optimal supply chain management at the same time that the differentiation and positioning strategies were implemented. Viðarr succeed in doing so as it can see the steep growth experienced by the company. Moreover, the increased brand loyalty of both customers and business partners encourages Viðarr to increase capacity at the same time as maintaining the current corporate identity, which is considered a challenge by the various respondents.

**Table 8.** Viðarr’s performance analysis.

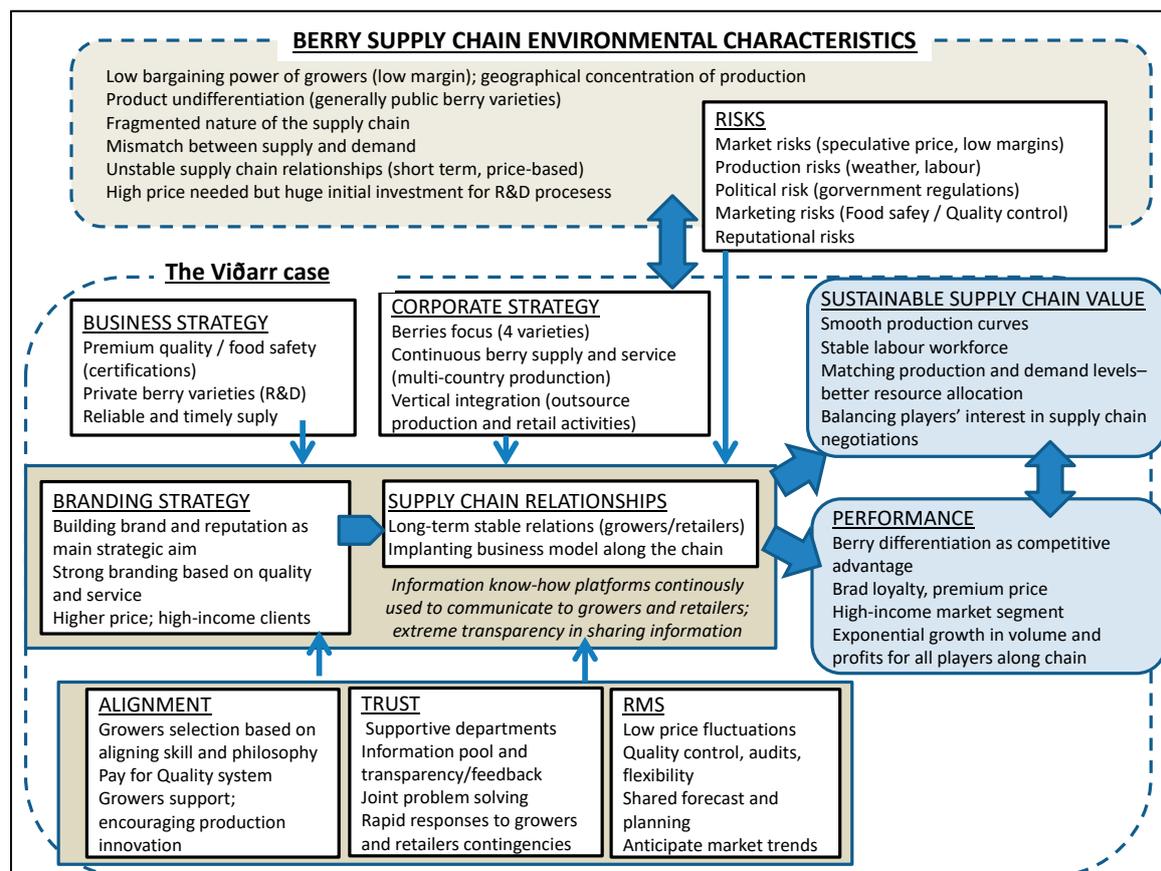
| Successful Performance Criteria  | Quotes  |
|--|---|
| The differentiation and positioning strategies implemented by Viðarr have stimulated a sustainable value-creation throughout the whole channel. The marketer encourages corporate social responsibility policies related to the environment and to worker welfare. Moreover, business partners acknowledge that the differentiation of the berries, although challenging, has been the best option in order to gain a competitive advantage in the sector. | <p>“We have had lots of changes in the way of operating, we had to implement quality in all our processes and to introduce new standards and regulations . . . It is a really radical change but we have also moved forward in so many aspects because I really liked their ideas and now I can see that the farm has gotten much better . . . Even workers can appreciate it and they feel better.”</p> <p>“We work with exquisite quality, and yes, it costs more money, generally to the grower, but it is true that it makes your products different . . . Nowadays there is a fierce competition so volume differentiation or cost advantage would not be viable options . . . The best is to differentiate in quality of processes and in taste.”</p> |
| Viðarr and the other associated members of the supply chain are experiencing brand loyalty and price premium in the main European markets as a result of the brand equity created through differentiation and positioning strategies.  | <p>“When the market is so speculative, we prefer to offer our growers a stable price through the brand positioning strategy . . . We are not interested in large sudden profits but we want to work on a sustainable value-creation”</p> <p>“As Viðarr has a positioned and differentiated brand, they are able to get stable prices . . . There is mutual trust, stable and high-quality levels and a stable and good line of prices.”</p>   |
| As well as gaining market share, Viðarr has also inspired brand loyalty from other business partners. Differentiation strategy has been successfully broadcasted to business partners and they recognize the increased quality of the marketer’s business model and final products. Most of them desire to keep on working with them in the future.  | <p>“When looking at future strategic plans, we surely want to keep on growing with Viðarr.”</p> <p>“I really like Viðarr’s strategy, they have just one single purpose and that is to delight the most demanding customers . . . For me, that is an excellent purpose and it drives their whole way of operating.”</p> <p>“We are now being pressed by our retailers to increase the volume of production at an exponential rate because they want to continue growing with us, they like our strategy and our business model.”</p>   |
| Europe is not the only continent in which the marketer has started operating. In fact, they are now operating in more than 40 countries and they are usually successful in attracting high-income, differentiation-seeking market segments in each of the countries.   | <p>“Viðarr is focused on differentiation and this idea has a lot of development potential . . . Nowadays they are expanding in China and Russia which are two markets with a lot of potential.”</p>   |
| Performance is characterized by an exponential growth in terms of volume and profits as a result of the increased brand loyalty of both customers and business partners who encourage Viðarr to increase the size of the business.   | <p>“This business has great potential . . . Six years ago we started operating in Spain and we were only a few workers operating with one and a half million kilograms of berries . . . Six years later we operate with eleven million kilograms and we are much larger in terms of workers and business partners . . . The best thing is that as we grew, we maintained the idea of sustainable value-creation as well as culture and values.”</p>   |

Source: Authors.

This increased brand loyalty, created through differentiation and positioning, allows Viðarr to sustain a business model in which corporate social responsibility, sustainable value-creation, and high-quality standards are the centerpieces. The different business partners show signs of admiration for this business model and they also wish to continue operating with Viðarr in the future. Furthermore, risks of the various business partners have been significantly reduced by engaging in the relationship with Viðarr thanks to the supply chain risk management.

Considering all available evidence derived from the interviews, it might be stated that the implementation of a differentiation and positioning strategy based on the quality of products and processes in the berry sector requires the adoption of suitable supply chain management mechanisms in order to ensure the creation of value in each of the different stages. Viðarr has used mechanisms and strategic mixes, discussed over this whole section, that have proved to be successful according to both workers from the company and other business partners.

Figure 3 summarizes some of the main findings of this case research and shows contents for each individual concept; causal relationships between them are further discussed in Section 5. This information is organized in line with the previous conceptual framework proposal.



**Figure 3.** Case findings. A brief summary. Note: R&D is Research and Development; RMS is Risk Management Systems.

## 5. Discussion and Conclusions

The objective of this study was to explore the strategy and supply chain management characteristics of an international berry-related company that operates in Huelva, as a case of developing a branding-differentiation strategy to face the bargaining power unbalance that fosters the European fresh food supply chain. The main factors considered were the business strategy, the corporate strategy, the grower–marketer alignment process, the inter-organizational trust, the supply chain risk management, and the effect that these factors have on performance. The findings were obtained from fifteen semi-structural focused interviews with both growers and workers from a berry marketer who has an operational headquarters in Huelva.

The research was conducted to analyze how different supply chain management mechanisms can strengthen the accomplishment of a commodity-differentiation strategy through the creation and positioning of the brand and how such mechanisms can produce a better bargaining power balance among payers that support sustainable value-creation along the chain. Departing from previous literature, this study adds evidence to the way that trust, alignment, and risk management can be integrated as key regulators of fresh produce supply chain relationships; since previous research generally agrees that stable and cooperative relationships could lead to improved performance and development of all the supply chain members involved [2,4,5,13,14], in-depth analysis of the mechanisms that sustain these relationships had not yet been exploited. From a managerial point of view, these empirical findings could help managers to better design management control mechanisms along the supply chain, enhancing the importance of alignment and trust as key mechanisms to maintain cooperative, high-value, and sustainable relationships along the supply chain that produce better performance on the basis of differentiation strategies, as deeply discussed below.

### 5.1. Findings Discussion

The analysis of the environment, based on both growers' and marketers' remarks, suggests that there are several characteristics specific to the berry industry that should be considered in order to make proper decisions regarding strategy and supply chain management. The production and retailing of berries are characterized by the great number of producers, intermediaries, marketers, and retailers involved who focus on the maximization of their own profits with no regard for the overall supply chain management. The information sharing between the different players is limited and purchase agreements are usually negotiated on a daily basis. Intermediaries and retailers take advantage of the unstable nature of this relationship in order to benefit from speculation. Growers have the least bargaining power in the chain and usually receive the smallest part of the value generated by the whole chain, even though they face the greatest challenges and risks. These environmental characteristics have also been studied by several authors when considering the overall fresh produce industry and they provided similar statements [2,8–10,12].

From the findings obtained, it might also be derived that the market is now responding positively to differentiation and positioning strategies applied to products that have historically been considered undifferentiated commodities. Several European market segments exist which look for differentiated and reliable brands that supply fruits and vegetables of outstanding quality. The implementation of these strategies, however, requires the management and coordination of the various members of the berry supply chain in order to fulfil the continuous consistent quality demanded by retailers and customers. If the strategy is not carefully broadcasted to all players involved in the berry supply, a market focus would be very difficult to adopt [7,9]. Improved communication and coordination between supply chain members can be achieved by means of the creation of stable relationships with the different players involved in each of the steps of the chain, as presented by previous studies [2,4,5,9] and as confirmed by this research. Viðarr establishes and manages stable relationships with business partners in each stage of the chain in order to ensure differentiation over the whole process. This increased long-term orientation and cooperation have also bestowed improvements in planning, coordination, quality levels, source continuity, reduction of search time, and smooth and constant operations with all members involved. The benefits from stable relationships were also acknowledged by [5,9,12–14].

These stable and cooperative relationships between members of the supply chain have been managed by Viðarr by virtue of different supply chain management mechanisms related to alignment, trust, and risks. Some authors suggested that trust and quality control could be used in order to manage cooperative relationships within fresh supply chains [7,11]. Although quality control over the whole supply chain is presented as a critical point for the successful implementation of the differentiation and positioning strategy [7], evidence derived from this research suggests that other mechanisms can be used in order to manage the berry supply chain that can decrease the need for constant audits and controls. First, Viðarr carefully selects those business partners with similar culture, objectives, and strategies so as to create long-term, stable relationships. Second, several mechanisms are used in order to strengthen these similarities in corporate identity and in order to better align interests over the whole chain, such as the on-boarding process, the Pay for Quality system, or the creation of internal pools of knowledge. Third, trust is enhanced by means of continuous communication, cooperation, transparency, and aid provided to the different business partners. Finally, supply chain risks that may have an impact on strategic or operational moves are thoroughly analyzed and control and risk minimization mechanisms are implemented. Control mechanisms, though, are applied once alignment and trust have proven to be inefficient in solving the particular problem.

### 5.2. Managerial Implications and Conclusions

The strategic importance of food supply chain management is a focal point presented by this research. Appropriate management of fresh produce supply chain members, especially in the berry sector, allows companies to maximize the value delivered to final customers. It can be observed that, due to the rise in food safety and quality concerns, competition is no longer between companies,

but between supply chains. Berry companies strive to increase their competitiveness and to differentiate themselves from competitors via product customization, increased quality, cost reduction, and decreased time to market. In doing so, added emphasis is placed on supply chain management. Managers of fresh produce companies might significantly benefit from making suppliers partner in the firm's strategy to satisfy new market trends toward differentiated brands. Closer relationships with few suppliers might provide fresh produce marketers and retailers with a significant competitive advantage. Not only that, there are also many ways in which supply chain management can support the implementation of differentiation strategies in the berry or fresh produce sector. When companies develop closer relationships with other members in the channel, they can jointly develop strategies with a clear market focus in order to overcome the limitations posed by the perfect competition and price wars of commodity markets.

However, supply chain management may be one of the costliest activities within companies. Fresh produce managers may prefer to vertically integrate many of the activities, such as the growing activity, rather than investing resources into maintaining the relationship with multiple external players. Despite this, Viðarr chose to outsource growing and retailing activities in most of the headquarters located in Europe, as explained above. The reasons are manifold and can guide fresh produce managers' decision-making when considering vertical integration. Both growers and retailers have certain technical and managerial abilities because they have been developing the growing and retailing activities, respectively, for a long time. Viðarr is able to find suitable and adequate suppliers for these two steps of the chain. Viðarr, therefore, by outsourcing these activities to external professional companies is able to focus on those activities that can provide them with a competitive advantage, such as research and development of new products, creation and positioning of a brand, and management of supply chain partners' relationships. The marketer then can achieve higher efficiency levels that come with specialization.

This research also suggests that marketers such as Viðarr choose to have fewer suppliers. Historically, marketers and retailers worked with many suppliers in sporadic relationships or agreements. This situation plays one grower against another and places a heavy burden on them. Viðarr prefers to develop long-term relationships with fewer suppliers considering factors other than short-term attributes such as low cost. The members of the long-term relationships understand the broad objective of Viðarr and the end customer. This way of managing supply chain members creates value because it allows suppliers to have economies of scale and a learning curve that yields both lower transaction and production costs. The long-term relationships also provide technical expertise and stable quality.

Consequently, the integration of the supply chain members can provide substantial efficiencies to fresh produce companies because it adds more economic value, maximizing the total content of the product. Nevertheless, adequate supply chain mechanisms should be implemented in order to achieve these efficiencies and improvements. Companies developing a long-term relationship should have compatible organizational cultures as well as a mutual agreement on goals and a sense of trust. The presence of these factors allows partners to develop joint activities such as end-customer research, sales analysis, forecasting, and production planning. Moreover, the marketer is able to ensure that growers have an appreciation of quality requirements, engineering changes, schedules and delivery, purchaser's payment system, and procurement policies. Additionally, fresh produce companies developing long-term relationships with members of the channel are able to overcome the local optimization that occurs when members are inclined to focus on maximizing local profit or minimizing immediate costs based on their limited knowledge. Local optimization causes magnified fluctuations and worsens the position of various members of the chain.

The development of long-term relationships also encourages the marketer to create information databases with "pull" data about the market. Members of the supply chain, therefore, can easily adopt a market focus in their operations. The information is shared by means of internet-based resources which are inexpensive and provide flexibility and fluent communication. Viðarr places itself in the middle of

the communications and deals with monitoring and managing activities thanks to its understanding of the demand patterns and its well-managed forecasting and distribution system.

However, benefits from adopting a differentiation and positioning strategy that involves the coordination and management of supply chain members are not exclusive to the fresh produce company implementing them. Several stakeholders might also perceive an improvement in the conditions. First, the creation of long-term relationships between channel members offers more stability to the workforce. Second, it might be observed how the act of creating a brand in order to market the berries enhances food safety and quality standards, which results in a better product for customers. The positioning of the brand also encourages Viðarr and its partners in the supply chain to implement higher standards in terms of corporate social responsibility. Third, stable relationships, the chosen strategic mix, and resource-sharing trigger technical innovation and growth for all members of the supply chain.

In conclusion, this study suggests that by identifying opportunities, such as new market trends toward differentiation, and by turning the obstacles resulting from the fragmented nature of the supply chain members' relationships into competitive advantages, fresh produce companies can develop a sustainable value-creation process through long-term oriented relationships with the different players involved in the supply chain. Moreover, these relationships can be managed through alignment, trust, and supply chain risk management mechanisms, as discussed in Section 4.3.

### 5.3. Limitations and Future Research

Several limitations can be found in this research. Theoretically, this study analyzes joint concepts which had been previously analyzed for the supply chain and management control literature in a separate matter, so a pure theoretical framework was not used; while a conceptual framework was proposed instead, the absence of a robust theoretical foundation is a limit of this research and should be revised in the future. In this line, resource-based theory [23] and John Rawls' theories of "justice as fairness" [9] have recently been used to explain how collaboration between supply chain players fosters power balance along the chain, allowing the creation of sustainable supply chain value in food markets. Also, a grounded-theory strategy could be considered to build a new theory from our empirical evidence [69].

Methodologically, our qualitative data comes from a single case, so findings are not as generalizable as they could have been if quantitative methodologies were used, as surveys; while these methods were rejected in the fear of hindering the attainment of in-depth information about the researched problem, valuable information could be obtained if primary data was triangulated using secondary information from alternative sources, such as document analysis.

Taking this into account, the research was, therefore, focused on a berry sector company. Berries represent one of the most challenging supply chains to manage due to the complexity of the differentiation, harvesting, handling, and transportation processes. As a result of the focus on one branch of the fresh produce sector, some of the findings could be applied to other fresh produce products or activities; however, not all of them could be generalized to other non-related industries. Furthermore, evidence from other cases should be added to obtain a more complete picture of the proposed conceptual framework, following a multi-case approach to the case study methodology.

Finally, this research opens the door for future studies that can analyze the use of the differentiation and positioning strategy together with trust, alignment, and risk management mechanisms in order to coordinate the supply chain with other products or activities within or outside the fresh produce industry.

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## Appendix A Literature Review: Main Results and Tendencies

| VARIABLES               | STUDIES THAT RECOGNIZE ITS IMPORTANCE  |
|-------------------------|--|
| STRATEGY                | <ul style="list-style-type: none"> <li>● Canavari et al. (2010)</li> <li>● Beverland (2001)</li> <li>● Hingley (2001)</li> <li>● Hingley and Lindgreen (2002)</li> <li>● Hingley et al. (2008)</li> <li>● Iliopoulos et al. (2012)</li> <li>● Jekanyika and Oly (2009)</li> </ul>  |
| STRATEGIC ALIGNMENT     | <ul style="list-style-type: none"> <li>● Iliopoulos et al. (2012)</li> <li>● Jraisat and Sawalha (2013)</li> <li>● Pérez and Galdeano-Gómez (2015)</li> <li>● Silva-Domingo and Canet-Giner (2010)</li> <li>● Tamas (2000)</li> <li>● Wilson (1996)</li> </ul>   |
| RISKS                   | <ul style="list-style-type: none"> <li>● Christopher (2016)</li> <li>● Christopher and Lee (2004)</li> <li>● Christopher and Towill (2001)</li> <li>● Jraisat and Sawalha (2013)</li> <li>● Micheli et al. (2008)</li> </ul>   |
| RISK MANAGEMENT SYSTEM  | <ul style="list-style-type: none"> <li>● Bredell and Walters (2007)</li> <li>● Canavari et al. (2010)</li> <li>● Ellram et al. (2002)</li> <li>● Hofstede et al. (2010)</li> <li>● Jack et al. (2018)</li> <li>● Kumar et al. (2000)</li> <li>● Mol (2003)</li> <li>● Wang and Chen (2017)</li> <li>● Wilson (1996)</li> </ul> |
| TRUST                   | <ul style="list-style-type: none"> <li>● Hingley and Lindgreen (2002)</li> <li>● Hofstede et al. (2010)</li> <li>● Jraisat and Sawalha (2013)</li> <li>● Wilson (1996)</li> </ul>  |
| PERFORMANCE MEASUREMENT | <ul style="list-style-type: none"> <li>● Canavari et al. (2010)</li> <li>● Cai et al (2013)</li> <li>● Hingley (2001)</li> <li>● Jack et al (2018)</li> <li>● Pérez and Galdeano-Gómez (2015)</li> <li>● Rosales et al. (2012)</li> <li>● Wang and Chen (2017)</li> <li>● Wilson (1996)</li> </ul>                             |

**Figure A1.** Main Results and Tendencies. Sources: ABI/INFORM, Athenea, Google Scholar, Journal Citation Reports (JCR)-Clarivate databases. 2017. Note: Previous studies were identified in the literature review to exhibit the importance of each variable. Referenced authors may not use exactly the same terms as those in this research, but they applied the same concepts used in the proposed theoretical framework.

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