

# The Influence of Merchandise Requirements, Market Orientation and Brand Management on the Buying Behaviour of Horticultural Wholesalers

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Master thesis

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**Title:** “The Influence of Merchandise Requirements, Market Orientation and Brand Management on the Buying Behaviour of Horticultural Wholesalers”

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## Executive Summary

For growers it is important to know what makes a wholesaler decide to bid on a certain batch: once a grower knows what is important to his customers, he can try to influence their buying behaviour. This thesis reviews what is known about wholesaler buying behaviour, market orientation of growers and how growers manage their brands. The empirical research of this thesis looks at what is important for wholesalers in the decision to bid at auction.

In the literature review it was found that a wholesaler's decision to buy a product is influenced by merchandise requirements (everything that is related to a product, from the reputation of the producer to the quality and innovativeness of the product itself). The importance of a merchandise requirement is greatly influenced by the sales channel a wholesaler delivers to.

On market orientation and brand management it was found that while the flower growers have become more market oriented and have started to brand flowers, the knowledge and expertise within most growers' companies is still not sufficient to satisfy all customers' needs.

To test which merchandise requirements influences a wholesaler's decision to bid at auction a questionnaire was developed that was filled in by 38 wholesalers. Consistency and reliability were found to be the most important requirements to wholesalers when they buy at auction. When wholesalers think about their customers they find it most important that they can buy at auction what they promised their customers they would deliver and that they can supply their customers with a constant quality.

It is recommended to the auction that they pay heed to this need for consistency and reliability. The increased use of KOA (electronic buying from a distance) means that wholesalers need to rely on digital information when deciding to bid. This information needs to be reliable so wholesalers know exactly what they are buying. Developing a standardized way to photograph the products will help with creating reliable information.

It is also recommended that FloraHolland realises that because they are a cooperation of all flower growers, they can help flower growers become more market oriented. They already have a constant generation of market-intelligence by interacting with wholesalers. They can disseminate this information across their members and help them respond to it by educating them on for example the importance of brand management.

I would like to express my gratitude to the people that made my thesis possible.

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## Introduction

In the present international market it is unrealistic for consumers to buy a product directly from the source; the gap between the producer and the consumer is filled by wholesalers (Akerman et al., 2011). Reaching customers abroad is expensive for the producers because of the high fixed costs of establishing a distribution network. By using wholesalers, or other intermediaries, producers can avoid setting up distribution channels and focus on their core competence of production (Akerman et al., 2011). In France and the US only 15 and 17 per cent, respectively, of manufacturing firms export themselves (Eaton et al., 2004; Bernard et al., 2007). Wholesalers make it easier for these producers to access difficult and foreign markets (Crozet et al., 2011).

Wholesalers are important for the supply of fresh produce, as they source from producers in bulk before selling on to smaller retailers down the supply chain (Shaw & Gibbs, 1997). They essentially add value to the product by bringing it nearer the consumer (Syntetos, 2010). The relationships these traders have with their customers may vary from distant to close (Shaw & Gibbs, 1999). The smaller wholesalers differentiate by specializing, while larger ones offer a broad range of products to their customers. Traders are also competing by offering services or joining in strategic alliances with retailers (Shaw & Gibbs, 1999).

A wholesaler needs to source the right products to fulfil his customers' needs in an environment with rapidly changing supply and demand (Shaw & Gibbs, 1999). The wholesalers that are market oriented perform better than their competitors that do not (Yau et al., 1999). They look to buy from producers that can deliver the right products for their particular sales channels and therefore need to select their suppliers with care, basing their decision to source from a particular supplier on those characteristics that are most valuable to them (Skytte & Blunch, 2006).

Some traders will enter long-term relationships with their suppliers, which can decrease their overall costs and in some case could be a competitive advantage (Cannon & Homburg, 2001). A close buyer-supplier relationship can be used to differentiate, as these suppliers can provide the wholesaler with services and knowledge. This is why many buyers have started to work with 'key suppliers' (Uлага & Eggert, 2006).

For producers it can also be an advantage to enter a long-term relationship with wholesalers as it guarantees a buyer for their produce and a stable income. Other advantages include the opportunity to be involved in new product development and being protected from competition (Uлага & Eggert, 2006). Before a supplier can become a key supplier, he needs to understand what is valuable to his customers so he can provide just that (Anderson et al. 2006). A market oriented supplier will be able to increase his revenue by delivering value to his customers and increase his customer's loyalty, thus increasing his chances of becoming a key supplier (Sullivan et al. 2011).

Wholesalers buying behaviour is different from consumer and organisational buying behaviour because they purchase goods with the intention to sell, using their distribution network (Skytte & Blunch, 2006). The literature on wholesalers' buying behaviour is limited (Esjberg & Skytte, 1999; Germain & Dröge, 1990). Whether the suppliers realise what is important to wholesalers and, if so, whether they actively try to influence the perception these wholesalers have of them, differs per industry: manufacturers appear to be more actively managing their brands than the growers of fresh produce (Michell et al. 2001; Camanzi et al., 2011).

This thesis focusses on floricultural wholesalers that buy at auction and their suppliers, flower growers. Wholesalers source their products via FloraHolland, the Dutch flower auction. This means that supplier selection is a process floricultural wholesalers go through on a daily basis.

FloraHolland is a merger of several smaller Dutch flower auctions that joined forces over the past decades. The last major merger was in 2008 when the Bloemenveiling Aalsmeer and FloraHolland together continued under the name FloraHolland. The auction combines supply and demand in the flower industry. The Dutch flower production is dominated by growers that can be classified as small and medium enterprises (SMEs). Together these growers own FloraHolland.

FloraHolland has observed that there are growers for whose product the wholesalers are systematically willing to pay a premium when compared to a product that is similar in every measureable way but comes from a different grower (Personal Communication FloraHolland, 2012). These wholesalers can distinguish something that is intangible but that is important enough for them to pay a higher price.

For any company it is useful to know why customers are buying their products, and for flower growers it is very relevant to know what influences the decision of a wholesaler to pay a premium for a product. Knowing which points of differences (POD) play the most important roles in the decision making process will help flower growers to develop strategies that can influence the buying behaviour of their customers.

The criteria traders use to make a decision are called merchandise requirements and they cover everything that is related to the product, from the reputation of the producer to the quality and innovativeness of the product itself (Sheth, 1980; Hansen & Skytte, 1998; Esjberg & Skytte, 1999). These merchandise requirements are used by the wholesaler to evaluate whether or not they will bid for a batch.

The aim of this thesis is to help flower growers realise the potential of knowing what influences wholesaler's buying behaviour. This will be done by reviewing the literature on three elements of the horticultural companies, as can be seen in figure 1. The first part of the literature review will focus on wholesalers and the last two parts on flower growers. The literature review will answer the following research questions:

Q1. What points-of-difference do wholesalers perceive between flower growers?

Q2. Do flower growers know their brand positioning?

Q3. How do flower growers manage their brand?

Within the empirical research, the first part of the literature research plays a central role. The merchandise requirements that influence wholesaler buying behaviour are researched by answering the following question:

“On which merchandise requirements do horticultural wholesalers base their decisions to bid on certain batches at auction?”

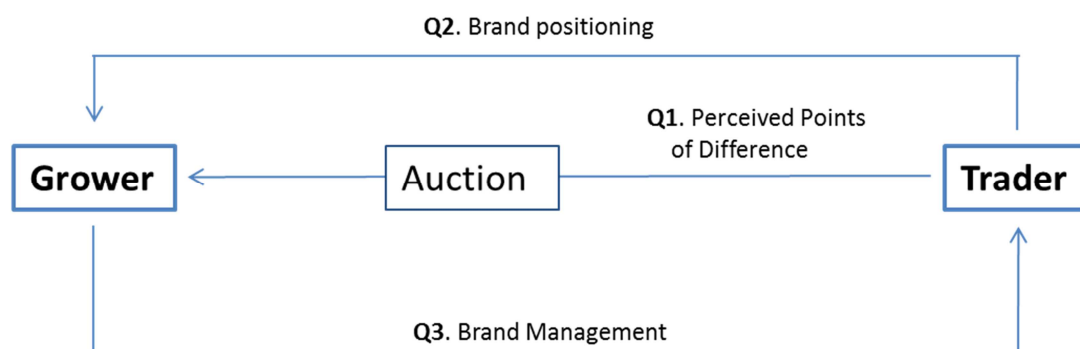


Figure 1. Literature research questions and their placing in relation to growers, traders and the auction.

## 1. Literature

Brand management attempts to move the position of a brand towards a distinct place on the perceptual map of the customer (Kalafatis et al., 2000; Keller, 2000). This brand positioning should be a major component of a business strategy, as good brand management will lead to a strong brand that can exert a positive influence on the perception of the product and company by the buyer (Bendixen et al. 2004; Spence, 2008). In turn, when the buyer has a positive perception of the supplier or product, this will play a non-negligible role on the businesses' purchase decision making process (Leek & Christodoulides, 2011; 2012; Lehmann & O'Shaughnessy, 1974; Crety & Brodie, 2007). Consequently, in the highly competitive markets many SME's operate in, brand management can make a difference (Kotler & Keller, 2009; Kapferer, 2008).

To distinguish the products of one supplier from other suppliers, buyers use the reputation and visual cues attached to the product (Aaker, 2004). This makes branding by far the most effective way to make sure customers can distinguish your product from competitor's (Aaker, 2004). Today, branding is even used for fresh produce like apples and tomatoes. Consumers now have 'PinkLadies' with their lunch and "Tasty Tom's" in their salad. The flower industry is lagging behind in this trend of branding commodity products. Many growers or growers' organisations still feel that it's not the package but the content that matters to their buyers (Van Holst, 2009).

This is not just limited to the flower industry; the owners of small and medium sized enterprises (SMEs) tend not to believe that brand management can contribute to the welfare of their firms (Wong & Merrilees, 2005). This is because they believe that brand management is only for large companies that have the budget for expensive advertising and impressive brand names (Wong & Merrilees, 2005). But even without an elaborate brand strategy, customers will form an opinion of both the product and the producer. Customers are able to distinguish between products from different producers. That means that, whether they want to or not, SMEs have a brand that requires managing (Kotler & Keller, 2009; Wong & Merrilees, 2005).

Before a company can shift the brand perception towards the desired position, it needs to evaluate the current position that its brand holds in the customer's mind. Market orientation can help SMEs discover this position and form a basis for changing brand management (Wong & Merrilees, 2005; Homburg & Pflesser, 2000).

This literature study will focus on a specific group of Dutch SMEs: flower growers and flower traders. The Dutch flower industry is very suitable for this because it consists mainly of SMEs. Branding and brand management are not common in this industry and that makes the flower growers and traders representative for many SMEs that operate in a business to business (B2B) context.

This literature review consists of three chapters, the first focussing on the buying behaviour of wholesalers and flower traders, the second on market orientation and the third on brand management, with the latter two focussing on flower growers.

## 1.2. Literature on Wholesaler Buying behaviour

This chapter gives an overview of wholesaler buying behaviour, both of general and horticultural wholesalers. This overview is used to create a framework that shows how wholesaler buying behaviour is influenced.

### 1.2.1. Wholesaler Buying Behaviour

The buying behaviour of wholesalers is underrepresented in literature (Esjberg & Skytte, 1999; Germain & Dröge, 1990), where the focus lies on organisational buying behaviour and consumer buying behaviour (e.g. Kauffman, 1996; Solomon et al. 2010). In this paper wholesalers are defined as “traders that sell products to other professionals” (Cadhilon et al, 2003). These wholesalers are companies and this means that their buying behaviour differs from consumer buying behaviour (Skytte & Blunch, 2006). However, they are also unlike other organisations in their buying behaviour because they buy products with the intent to sell, using their distribution network (Skytte & Blunch, 2006). Literature closest to the fresh produce wholesalers position focusses on food retailers (Dawson & Shaw, 1989; & Blunch, 2001; 2006; Hanssen & Skytte, 1998). Food retailers have become powerful players in the food supply chain, circumventing wholesalers and buying directly from producers and selling to consumer markets (Hansen & Skytte, 1998). Retailers and wholesalers use comparable criteria to base their purchase decisions on (Esjberg & Skytte, 1999).

Products a wholesaler considers buying need to fulfil a set of requirements, which may be influenced by many factors. These requirements are called merchandise requirements and consist of everything ranging from products characteristics and sales potential to the presentation of the salesman (Sheth, 1980; Hansen & Skytte, 1998; Esjberg & Skytte, 1999). Esjberg & Skytte developed a model to explain how merchandise requirements influence supplier and product choice. This model is shown in Figure 2. This figure illustrates that the wholesaler evaluates a combination of merchandise requirements, organisation of the buying function, and supplier accessibility to select a product and supplier. ‘Organisation of the buying function’ refers to the structure of the retailer/wholesaler’s organisation, who makes the decision, and where they get their information.

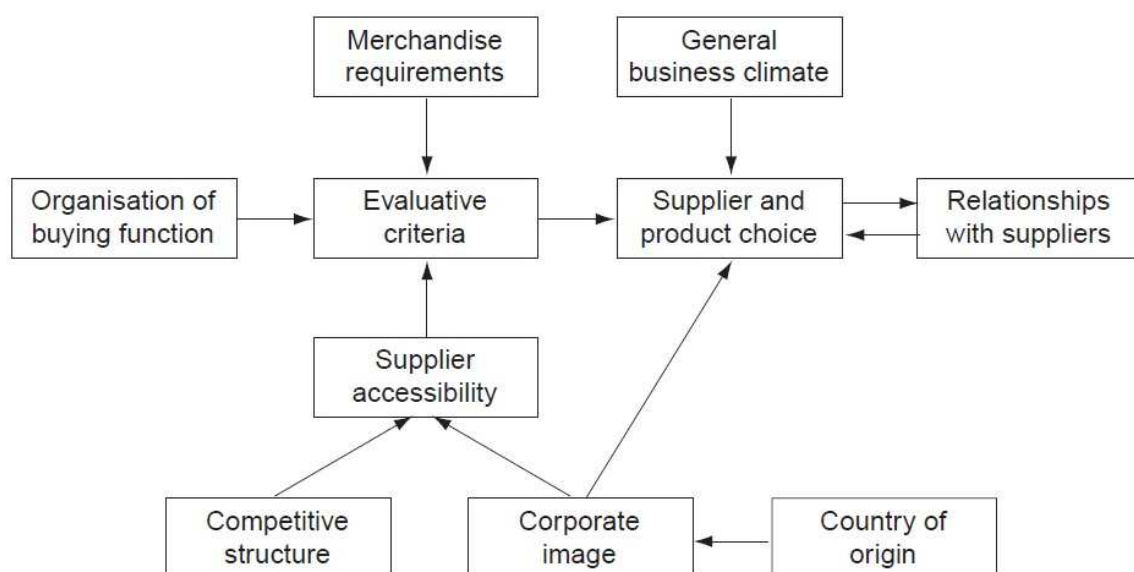


Figure 2. Simplified model of buying behaviour (Esjberg & Skytte, 1999, based on Hansen & Skytte 1998; Shaw et al., 1992; Sheth, 1980.)

Germain & Dröge (1990) looked at wholesalers' evaluation of their suppliers in several wholesalers' industries. They found that the most influential evaluation criteria are (in descending order of importance): price, service quality, good communication, on-time delivery, easy to work with, flexible, positive attitude, customer support, management quality, per cent of complete orders, willing to customize service, consistency of order cycle, early notification of disruption and short order cycle (Germain & Dröge, 1990). This was an exploratory study and because of the wide range of markets the wholesalers were operating and the 5.5% response rate, these findings are difficult to relate to agricultural products, but can be used as an indication of which merchandise attributes may play a role in the decision making process of wholesalers.

The most important merchandise requirements and supplier characteristics in the evaluation process of wholesalers in fish and cheese in Eastern Europe were found to be price, financial requirements, quality, reliability of the supplier and marketing support (Esjberg & Skytte, 1999). The evaluation criteria used by Eastern European retailers and wholesalers dealing in both fish and cheese were compared. On the differences for merchandise requirements between retailers and wholesalers they found that wholesalers tend to find the personal characteristics of the supplier less important than retailers when they are looking for a new supplier. Wholesalers also attached less value to the country of origin of their supplier and more to price of the product than retailers (Esjberg & Skytte, 1999).

Wholesalers and retailers in this study by Esjberg & Skytte (1999) were asked what they found the most important characteristics of their current suppliers, and again price, financial conditions were found to be the most important attributes. Another quality that was valued highly in suppliers was having a good relationship. Reliability, flexibility, fairness, compromising, effectiveness, honesty and trustworthiness were used to describe preferable suppliers (Esjberg & Skytte, 1999). This high emphasis on likeability of the supplier stems from bad experience that some retailers had with suppliers in the past and they do not want to be cheated again (Esjberg & Skytte, 1999).

Skytte & Blunch (2006) identified segments within the Western European retailers dealing with pork, fish and cheese, after questioning 669 retailers about the importance of merchandise requirements. The eleven variables used for the segmentation were: quality of product, product price, consistency, market information, traceability, sufficient quantities, promotion, wide range, long-term relationship, reputation and national/foreign (Skytte & Blunch, 2006).

They identified four segments for pork and cheese retailers and five for fish. The first segment focusses 40% of the weight on the attribute of long-term relationships, the second on quality and price, the third on long-term relationships and sufficient quantities and the fourth is the green segment where traceability, sufficient quantities and long-term relationships are most important. The fifth segment of fish only sources from local suppliers. Interesting is that some factors that have high utility in one segment, may be of little importance in another (Skytte & Blunch, 2006). An overview of the relative importance of attributes researched by Skytte & Blunch (2006) can be found in Table 1.

Table 1. Relative importance of attributes per segment (Source: Skytte & Blunch, 2006)

	Pork				Fish					Cheese			
Segment	1	2	3	4	1	2	3	4	5	1	2	3	4
Segment Size in %	5	20	54	18	2	37	25	28	7	50	19	22	10
Quality of Product	11	12	12	7	6	13	9	11	10	12	9	10	7
Product price	4	8	6	8	3	11	5	4	3	9	6	5	4
Consistency	2	6	5	3	2	6	4	4	4	10	5	6	2
Market information	1	5	6	4	4	5	5	3	5	6	2	6	3
Traceability	5	12	15	6	3	7	3	24	3	6	5	29	5
Sufficient quantities	8	10	13	8	10	13	17	15	8	13	27	10	11
Promotion	3	4	5	2	3	5	3	3	3	4	4	6	4
Wide range	1	2	3	4	5	5	4	3	2	5	3	2	3
Long-term relations	9	5	12	21	39	9	22	15	6	12	16	12	36
Reputation	5	4	2	4	3	3	6	2	7	5	5	0	4
National/foreign	35	21	6	17	10	10	10	7	34	11	8	5	6
Median number of outlets per chain	9	28	35	41	11	33	82	20	9	40	40	12	21

The segments that stress the importance of a long-term relationship consists of retailers that have large customers relying on them. The segments focussing on quality and price and the green segment deliver to delicatessen chains and discount chains (Skytte & Blunch, 2006). This means that the importance of merchandise requirements in relation to supplier selection, is heavily influenced by the type of customers the retailer (or wholesaler) delivers to.

### 1.2.2. Horticultural Wholesalers

There are more than 2500 traders active at the auctions of FloraHolland and together they bought almost 5 billion euro's worth of flowers and potted plants in 2010 (FloraHolland, 2010). There is a great diversity in type of traders: shipping exporters, linedrivers, importers, trader nurseries, brokers and cash & carry's. VGB (the Dutch trade associations for horticultural wholesalers) defines three segments of wholesalers based on turnover, which can be found in Table 2 (Van Willigen & Ensink, 2012). The Pareto principle is applicable for horticultural wholesales, with 23% of wholesalers representing over 80% of total turnover (Van Willigen et al., 2010).

Since 2005 the number of wholesalers in the segment with the lowest turnover has decreased from 799 to 546 in 2011, while the segment with the highest turnover increased from 17 in 2005 to 28 in 2012 (van Willegen & Ensink, 2012). Information about the total turnover and distribution per segment and changes since 2005 can be found in Table 2. Interesting is that while the number of companies is decreasing, the total turnover is increasing.

Table 2. Information per segment horticultural wholesaler, based on Van Willegen et al. (2010) and Van Willigen & Ensink (2012). mln: million

Segment turnover	Number of companies in 2011 (Δ 2005)	Total Turnover 2011 (Δ 2005)
€ 0-5 mln	546 (-253)	€ 658 mln (-230)
€ 5-40 mln	155 (-9)	€2.375 mln (-27)
> € 40 mln	28 (+11)	€2.210 mln (+649)
<b>Total</b>	<b>729 (980)</b>	<b>€5.243 mln (+392)</b>

Wholesalers sell their products through different sales channels. By far the largest sales channels are sales to importing wholesalers (36.1% all turnover in 2011) and to supermarkets and warehouses (21.3% of turnover in 2011). The other channels are in descending order of importance: florists (12.3%), garden centres (9.2%) and cash-and-carry (8.9%) (Van Willegen & Ensink, 2012). A schematic representation of the Dutch flower market and the flows that go through the wholesalers can be found in Figure 3. Wholesalers can either deliver to specialised or mixed channels. They are specialised when 60% of sales go through a specific channel, and mixed when 60% of sales go through at least two channels that each represent a minimum 20% of sales (Van Willegen & Ensink, 2012).

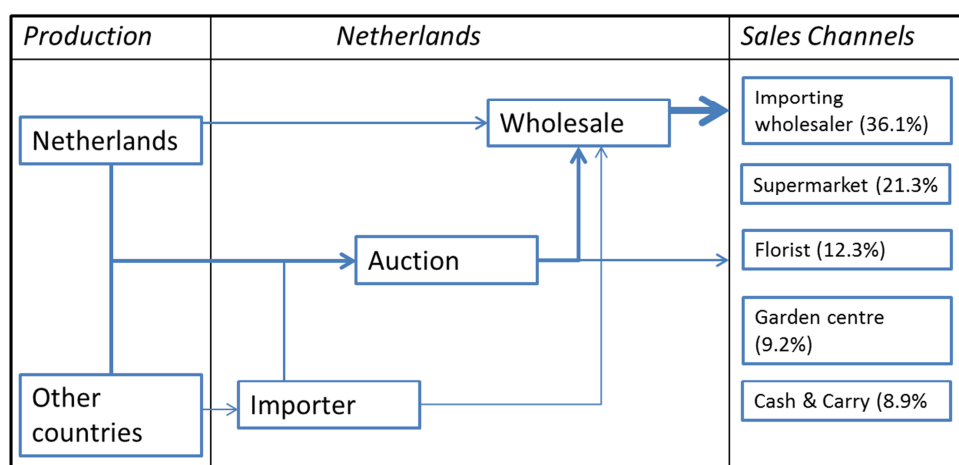


Figure 3. Schematic representation of the Dutch flower market with the sales channels and the percentage of each channel contributing to the turnover of wholesalers (adapted from Van Willegen & Ensink, 2012). Remainder 12.2% is distributed via very small sales channels or is unknown.

### 1.2.3. Wholesalers and Sales Channels

The sales channels wholesalers deliver to have their own merchandise requirements. These merchandise requirements are based on their own customer's wishes and needs. This means that the differentiation strategy of a wholesaler not only depends on his customers' needs but also on his customers' customers' needs. Customers that purchase flowers in supermarkets, for example, have other needs than those that go to specialised florists and supermarkets and florists respond to these needs.

For customers of supermarkets the most important reasons to purchase flowers are convenience and price (HDB, 2011). Quality is of secondary importance in the decision making process at supermarket, although a certain standard quality is expected (HDB, 2011). There is also an increased need with these customers for a transparent supply chain; customers want to know where the product comes from and how it was grown (Zoumpoulis-Verbraeken, 2008). Some supermarkets

are responding to the needs of their customers by offering a consistent 7 days fresh guarantee for a competitive price (Jumbo, 2012). They are also increasing the amount of fair trade and organic flowers in their offerings (Koenen, 2010). Wholesalers that deliver to supermarkets must therefore be able to deliver high volumes of consistent quality at reasonable price to their customers. For these wholesalers transparency of the supply chain will become increasingly important (Zijverden, 2011; Zoumpoulis-Verbraeken, 2008).

Customers that buy at florists have different expectations of their flowers; they expect quality, a large assortment, reasonable prices and good service (HDB, 2011). Florists may offer services like guaranteeing on-time deliveries, personalise bouquets to the wishes of their customers or offering superior quality compared to supermarkets. They can offer these services because they possess skills and knowledge on flowers that staff in supermarkets do not (Zoumpoulis-Verbraeken, 2008; Vandaflowes, 2012).

Florists can also attract customers by offering innovative cultivars and special varieties (Scholtes & Fleura Metz, 2010; Stofbergen & Mol, 2010; Zoumpoulis-Verbraeken, 2011). Just like the customers in supermarkets, the customers visiting florists have an increased interest in the origin of the products they purchase, even though differentiation via selling certified environmental friendly flowers has not yet been a successful differentiation strategy (Van Dam et al., 2004; Zoumpoulis-Verbraeken, 2010).

The wholesalers that supply flowers to florists need to be able to deliver flowers with a long vase life and of high quality. They require a large assortment with novelty products and need to be able to react quickly to the flexible orders from florists, that will come from the ever changing requests of the florists' customers. On-time and accurate delivery is a valuable service that these wholesalers can offer to florists, as is a transparent supply chain and labels that show place of origin.

Another option for consumers is to go to garden centres; mainly for the diverse and large assortment that comes at a relative cheap price. The quality of the flowers and convenience are secondary reasons to visit garden centres (HDB, 2011). On differentiation strategies of garden centres no information was found, but wholesalers that deliver to garden centres would logically need to offer a wide assortment of flowers at reasonable prices.

Importing wholesalers and Cash & Carries are wholesalers that may source from the auction or from other wholesalers and deliver to other channels. Their needs depend on their customers, importing wholesalers have customers that value traceability and the convenience of buying many high quality products at one centralised place at flexible prices (Zoumpoulis-Verbraeken, 2008). Cash & Carries need to offer a large assortment at relatively cheap prices (Zoumpoulis-Verbraeken, 2008). The wholesalers that deliver to importing wholesalers and cash & carries need to be able to deliver quality, high volumes, a wide assortment at relative cheap prices. Innovativeness is valued higher by importing wholesales than it is by cash & carry, and both value traceability (Zoumpoulis-Verbraeken, 2008).

In Figure 4 the needs of these three levels are summarized into a framework. Merchandise requirements that may be important to wholesalers delivering to a certain sales channel are shown. A list of definitions merchandise requirements that may influence wholesalers' buying behaviour can be found in Appendix A.

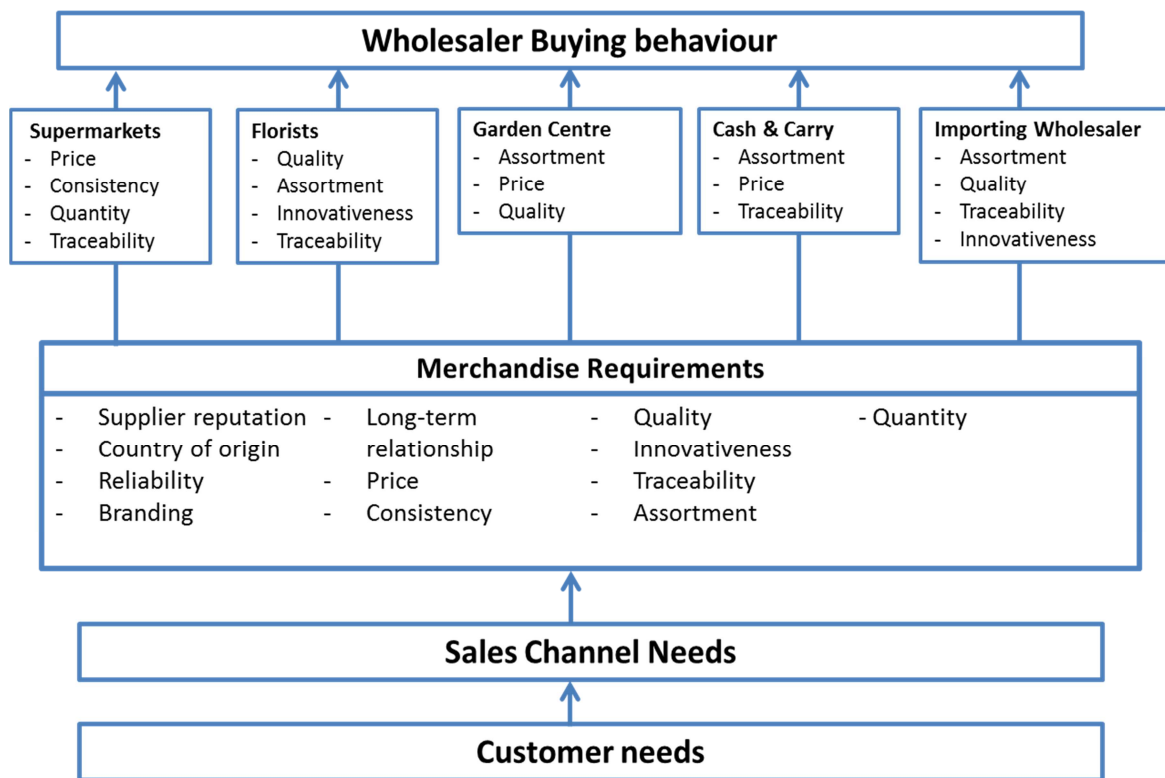


Figure 4. Framework summarizing the needs of the needs of wholesalers based on their sales channels

In conclusion, whether or not a merchandise characteristic of a flower grower's product is perceived as a POD the trader is willing to bid more for at auction, depends on the needs of their own customers. Most wholesalers deliver to a specific segment of customers and they want to differentiate themselves by standing out with their own PODs. That means that flower traders that deliver to, for example, florists will perceive novelties as a POD, whereas those supplying to supermarkets will value large quantities. A merchandise requirement is therefore perceived as a POD when it can create value for the trader's customers and these requirements will differ per sales channel.

### 1.3.Liteature on Market Orientation

In this chapter and overview is given on market orientation and how it is relevant to SMEs and flower growers in particular.

#### 1.3.1. Market Orientation

Market orientation is defined in this paper as *“the organisation-wide generation of market-intelligence, dissemination of the intelligence across departments and the organisation-wide responsiveness to it”* (Kohli & Jaworski, 1990 p.6). This means that there are three steps in market orientation: looking for the information, getting the information to the right place within the company, and doing something with it. The responsiveness is the degree to which companies adapt their marketing strategies to match market intelligence (Verhees & Meulenbergh, 2004). Market intelligence encompasses any information on both customers and competitors (Heiens, 2000).

In a market oriented company, the market intelligence is not only generated through the contact that the front-line people have with the customers. All layers of the organisation, including top-management should interact and meet with customers (Kotler & Keller, 2009). Market orientation therefore goes beyond the marketing department of a firm as it requires all departments and employees to work together efficiently and effectively to actively respond to opportunities and threats in the market (Kohli & Jaworski, 1990; Hult & Ketchen, 2001).

Market orientation can be a potential source of sustainable competitive advantage (Kohli & Jaworski, 1990). It has been shown to increase market performance, financial performance and return on investment (Narver & Slater, 1990; Slater & Narver, 2000; Cano et al. 2004; Kirca et al. 2005; Hult et al. 2005; Homburg & Pflesser, 2000; Shergill & Nargundkar, 2005). Good market orientation opens the way to effective knowledge management, an effective competitive strategy and new product success (Wang et al. 2009; Ge & Ding, 2005).

#### 1.3.2. Market orientation in SMEs

Most research focuses on market orientation in large organisations (for example, Slater & Narver, 2000) but it is doubtful if these results can be extrapolated to SMEs (O'Dwyer & Ledwith, 2010; Coviello et al. 2000). In research on market orientation and success of large firms, the focus lies on factors in the internal structure (Laforet, 2008). SMEs usually have a more simple and informal structure and 'dissemination across departments' is often not necessary, which has as an advantage that the owner will often be in touch with customers directly (Spence & Hamzaoui Essoussi, 2008; Coviello et al., 2000). Large firms have large marketing departments with trained professionals that develop strategies, whereas in SMEs, the owner is often the only one involved in the company's marketing (Krake, 2008). This can be a problem, as many entrepreneurs do not have a background in marketing (Hisrich, 1992; Carson, 1990).

Size is not the only difference between large organisations and SMEs; large organisations have the resources to benefit from expensive R&D or economies of scale (Raju, 2011). SMEs often do not have the financial resources for R&D and competitive pricing as a strategy does not seem to give SMEs a sustainable advantage, as competitors may easily copy price-oriented strategies. This is supported by the lack of an association between performance and low-cost strategies in SMEs (Pelham & Wilson, 1996). Because many of the strategies that are available to large organisations are not relevant for smaller firms, market orientation may be the only way to gain a sustainable competitive advantage (Pelham & Wilson, 1996). It has been shown to increase innovativeness,

creativity and long-term business focus in SMEs (Laforet & Tann, 2006; Laforet 2008; Appiah-Adu, 1998).

Market orientation can focus either on customers or competitors (Heiens, 2000). Customer orientation seems to be most beneficial when SMEs are active in an industry in the first stages of the product life-cycle. In these markets customer orientation can be a source of inspiration for innovation (Acs & Audretsch, 1987; Heiens, 2000). This is because there is not yet a standardised format for the product, and creativity and skilled labour are assets (Acs & Audretsch, 1987). When the industry reaches the maturity and decline phase of the life-cycle, innovation is no longer necessary and economies of scale begin to play a larger role, reducing opportunities for SMEs (Acs & Audretsch, 1987). This means that in industries that are in the early phases of the product life-cycle, market orientation that is especially focused on the customer's needs can give SMEs a competitive advantage because of their flexibility and skills (Heiens, 2000; Laforet & Tann, 2006). In more mature and stable markets, it may be necessary to focus more on competitors than customers in order to 'beat the competition' and increase market share (Day & Wensley, 1988; Heiens, 2000).

### **1.3.3 Market Orientation in Dutch Horticulture**

The flower market has been changed from a supply to a demand market and in recent years Dutch flower growers have become more market oriented (Heezen & Baets, 1996). They want to know who their customers are and where products end up (Van der Zwet, 2010:1). Growers have started aiming their products at specific market segments and want to align their production with demand, (Knaap, 2009; Van der Zwet, 2010:1). Flower growers do not have a marketing department and for information on where their products end up they depend on the auction, which has recently reorganised their services to meet with increasing demand for market information (Van der Zwet, 2010:1)

Flower growers that strive to be more independent of the auction may join forces with exporters or traders. Several growers and traders have begun developing cultivars together, combining knowledge of flowers with knowledge of the market (Van der Zwet, 2010:3). The trader then tests the products through his own connections, without using the auction. These joint ventures have the benefit of immediate feedback of the market and the small scale reduces the risks for both partners (Van der Zwet, 2010:3).

Not all growers are capable of using market information to their advantage. After implementing a brand for their products, many do not receive a premium (Knaap, 2009; Neefjes, 2010). Some even limit the market for their brand considerably by accidentally choosing a brand name that only works in Dutch (Van der Zwet, 2010: 2). When a brand is successful and a premium is paid, not enough market research is available and it is difficult to pinpoint what exactly created the added value (Van der Zwet, 2010:2).

In conclusion, there is a high diversity in how market oriented flower growers are. There are those that know their customers and communicated with wholesalers on market trends, but there is a large group of flower growers that still needs to realise the benefits of knowing exactly what the customer wants.

## 1.4. Literature on Brand Management

This chapter describes how brand management is used in SMEs and flower growers.

### 1.4.1. Brand Management

That strong brands contribute to a company's success has been shown in many studies (Aaker, 1991; Chaudhuri & Holbrook, 2001; Ailawadi et al. 2003). It has also been shown that good brand management is essential for building a strong brand (Kaperer, 2012; Keller, 2010; Keller et al. 2008) and they cease to exist without continuous management (Tybout & Calder, 2010). Companies that have strong brands, have made brand management and brand strategy daily components of their marketing policies (Krake, 2005; Inskip, 2003). This paper will use the following definition of brand management: "... brand management involves the design and implementation of marketing campaigns and activities to build, measure and manage brand equity" (Keller, 2008).

### 1.4.2. Brand Management in SMEs

Most of the literature on brand management focuses on large organisations in business to consumer (B2C) context (e.g. Kaperer, 2012). There are two problems with this: (1) many business supply to other businesses and not to consumers. Brand management has been shown to be less high on the marketing agenda in companies that operate in the B2B context (Wise & Zednickova, 2008). (2) 95% of all businesses can be categorised as small or medium (Krake, 2005; Ahonen, 2008; Wong & Merrilees, 2005; Spence, 2008). SMEs have a different type of brand from large companies, as their brands are often intertwined with the personality and reputation of the owner (Gilmore et al. 2001; Spence, 2008; Ambibola et al., 2007). This means that it is questionable if the results of the research on large organisations in the B2C context can be extrapolated to SMEs and especially to SMEs operating in the B2B context.

The most relevant differences between small and large companies are not related to their size, but to "*objectives, management style and marketing*" (Carson, 1990). This means that, contrary to larger organisations, SMEs often focus their operations locally, they have a very small market share and are managed directly by their owner (Carson, 1990; Gilmore et al. 2001). In most SMEs the owner is the only one making strategic decisions (Spence, 2008).

The owners of SMEs are, in most cases, specialists without a background in marketing (Hisrich, 1992). Marketing and branding decisions are therefore often made without structure and in informal ways. Owners base these decisions on experience and learn to make the right decision by trial and error (Carson & Gilmore, 2000).

### 1.4.3. Brand Management in Dutch Horticulture

In floriculture one of the few ways for a company to differentiate is through creating a brand image. This is because floriculture is a mature market in which differentiation through quality or pricing has become difficult (Van Der Zwet, 2009). The flower market is struggling with a commodity trap (Neefjes, 2010). Commodity products are products that are widely available and consumers make no distinction between products from different suppliers (D'Aveni, 2010). Commoditization of a product may occur when demand falls and suppliers are tempted into competing through price. Heavy competition undermines points of difference and eventually the products will become a commodity, leaving the consumers used to receiving more product for their money and the company with even

smaller profit margins (D'Aveni, 2010). In practice this means that floricultural firms face cost-driven expansion, mass production and competitive pricing, making survival a challenge.

FloraHolland has created an initiative called "FlorConcepting" that helps growers to find and exploit a niche within their branch. FloraHolland also supports growers with developing and implementing marketing activities in order to better meet customer needs (FloraHolland, 2012; Van der Zwet, 2007). The auction began offering these services after their growers expressed a need for advice on how to strengthen their market position. They realised that different growers have different needs and now offer services that can be customised per grower (Van der Zwet, 2010:1).

Flower growers have also formed growers organisations in which they together form a brand. These organisations try to increase awareness with the consumer for their particular flower. For example, the Dutch growers organisation for lilies has baptised June to be the month of lilies and has recruited florists to promote their flowers (Bloemenbureau Holland, 2011). These organisations consist of several growers combining their efforts to benefit from an increase in demand for their particular flower with the consumer (Van den Berg, 2008). In some cases the organisations go to the next level and try to create a pull for their particular brand, using logos and stories to form a connection with the customer (Knaap, 2009; Van der Zwet, 2009; 2010:2).

The ways organisations try to reach the end customer differ per organisation. Most have a custom slipcover in which the flowers are packaged, to show that they come from a certain grower or growers organisation and to emphasise a point of difference (van Holst, 2009). These points of difference can be quality, but also heritage, country of origin or even health benefits (Knaap, 2009; Van der Zwet, 2010:2). Some growers go even further, they not only design a new slipcover but a whole new style throughout all aspects of the company. This is done to send out a consistent message not only to the consumer, but also to the traders (Elstgeest, 2009; Van den Breukel, 2009).

Growers are lagging behind compared to other industries when it comes to actively managing their brand (Kamminga, 2009). Growers that realise that a brand requires constant reinvention are more exception than rule (Van den Breukel, 2009). Many growers and growers organisations invest in a new cover, but feel that it is the content of the cover that matters in the end (Van Holst, 2009). Growers often do not realise how branding works and sometimes just decide on a name, invest in a new cover, and only then realise that the name is already registered somewhere and cannot legally be used for their flowers (Kamminga, 2009).

Growers assume that buyers know who they are and what kind of product they deliver (Van Holst, 2009). Growers that sell their flowers at auction have a unique VBN-product code. This product code is used in every transaction the grower is involved in. All financial and logistical settlements of the auction are based on the VBN product code system (VBN, 2012). Traders can recognize a grower by this number when using KOA, the remote clock buying system of the auction. It is an online computer program that connects buyers to the flower auctions of FloraHolland that provides information and allows online bidding (KOA, 2012). Growers can use KOA to provide information and pictures of their products to potential buyers, but it is surprising that only very few growers take advantage of this opportunity: the buyer often needs to do research himself to find out who the grower is and what he is selling (Neefjes, 2009).

In conclusion, brand management is a growing trend among flower growers. They have to become more market oriented, find out what their customers want and play into those needs by actively managing their brands. Because their brands are intertwined with reputation it is crucial that they discover what gives them a good reputation and use their image to increase demand for their product.

## 2. Methods

In this chapter is described how the data was collected and how the data was used to calculate measures for the merchandise requirements.

### 2.1. Sample

For this research two methods of data collection from Dutch horticultural flower traders were used. FloraHolland provided a database with the names, telephone numbers and e-mail addresses of around 300 flower traders. The flower traders located in Aalsmeer and De Kwakel were contacted to schedule an appointment for an interview, during which the trader would be asked to fill in the questionnaire on a tablet computer. If the trader did want to participate but was unable to schedule an interview, he was asked to fill in the questionnaire online and a link was sent to him via e-mail.

Flower traders not in the Aalsmeer area were approached to fill in the questionnaire online. The companies were called and the researcher asked to speak to the person in charge of the sourcing strategy. The researcher asked if they would be willing to fill in an online questionnaire and if they did, which e-mail address to send it to. The e-mail addresses were asked because the addresses provided by FloraHolland turned out to be outdated in some cases.

The interviews took place in August, a time that is relatively quiet for most flower traders. This is because the sales of flowers go down when the weather is good and many people go on holiday and thus don't buy flowers. The disadvantage of interviewing the flower traders in August was that because it was such a quiet time, the traders were very busy in the morning because of the auction and sending off their orders as quickly as possible and then took the afternoons off. All interviews were therefore scheduled between 10.00 and 14.00, which limited the amount of traders that could be interviewed per day.

In the Aalsmeer area 106 traders were contacted and eventually 19 traders were interviewed over a time span of two weeks. A further 8 traders in the Aalsmeer area were sent the questionnaire via e-mail. Of the 19 traders, 16 filled in the questionnaire on the tablet computer. Two did not because it was impossible to establish an internet connection and one did not because he did not like modern technology. During all interviews the researcher took extensive notes.

The traders that were not from the Aalsmeer area were contacted during the same time as the interviews were scheduled. Eventually 121 traders were called and 53 traders gave their e-mail address so they could fill in the questionnaire. In the end 30 traders filled out the questionnaire online to some degree of whom 21 finished the entire questionnaire. Reasons for not participating included going on holiday, being too busy because colleagues were on holiday, the company no longer existed and the large number of surveys they had already participated in.

Combined the interviews and the online questionnaires resulted in 38 respondents which were used for the analyses. Even though any sample size under 50 must be considered poor for the amount of measurements used, the analyses will still be performed (Comfrey & Lee, 1992; Osborne & Castello, 2004).

### 2.2. Measures

The concepts of the model were measured by a questionnaire. The questionnaire was developed in English because of the terms used in the literature. The questionnaire was then translated into Dutch by the researcher and corrected by a professional translator. The questionnaire was pre-tested on three horticultural flower growers, whose contact details were provided by FloraHolland.

In the questionnaire the wholesaler was asked to what extent they agree with statements about the importance of merchandise requirements. This was done using a 7 point Likert-scale ranging from complete agree to complete disagree. For each merchandise characteristic multiple importance statements were made.

The measures of the concepts were evaluated using PCA (principle component analysis) and Cronbach's alpha, a reliability analysis. The PCA is used to find support for a one-component solution per measure. To find this support, first the scree-plot was checked for a large difference between the first and second component and a gradual decrease after the second component in latent roots. Second, the second component's latent root was checked to be smaller than one. Third, the first component should explain for at least 60% in the variance. As a fourth check, all items of a measure should load more than 0.6 on the first component before rotation. And fifth, the reliability of the measures will be indicated by a Cronbach's alpha that should be higher than 0.70 (Verhees et al., 2011; Hair et al., 2010, as cited by Verhees et al., 2011). In Table 4 the measures for each concept can be found and a list of the measures used is available in Appendix B.

**Table 4. Measurement scale properties**

Measure	Number of Items	Latent Root Second Component	Variance Accounted for	Lowest Item Loading	Cronbach's Alpha
Quality	2	0.77	61%	0.78	0.36
Branding	3	0.70	69%	0.78	0.76
Price	2	0.60	70%	0.84	0.57
Reliability	2	0.50	75%	0.87	0.55
Country of Origin (Inc. Dutch)	4	1.20	51%	0.40	0.67
Country of Origin	2	0.58	71%	0.84	0.57
Dutch Flowers	2	0.22	89%	0.94	0.88
Reputation	5	1.09	67%	0.75	0.88
Long-Term Relationship	3	0.55	70%	0.79	0.78
Consistency	2	0.58	72%	0.85	0.60
Innovativeness	3	0.48	77%	0.82	0.84
Assortment	2	0.54	73%	0.85	0.60
Traceability	3	0.64	62%	0.76	0.70
Quantity	2	0.10	95%	0.97	0.94

### 2.3. Measuring merchandise requirements

Quality was measured by two questions and with a latent root of the second component of 0.77, a one component models seems appropriate. The reliability of this measure is, however, poor with a Cronbach's alpha of only 0.36. This can be explained by the different ways the traders determine quality. As there is a high variety in quality within the different quality groups that are used by the auction, the quality label 'A1' is often only used as a guideline.

Branding was measured by three questions. This measure has a latent root of the second component of 0.70 which explains 69% of variance by the first measure and lowest item loading 0.78, which suggests a one-component solution. A Cronbach's Alpha of 0.76, suggests that the three items reliably assess the importance of branding in the wholesalers' decision making process.

Price was measured by two questions. This measure has a latent root of the second component of 0.60 which explains 70% of variance by the first measure and lowest item loading 0.78, which suggests a one-component solution. A Cronbach's Alpha of 0.57, suggests that the two items are not very reliable at assessing the importance of price in the wholesalers' decision making process.

During the interviews the wholesalers indicated that price was only sometimes important. When they have a specific order from a customer, the price is less important than when a customer has an unspecified order. The reliability may be low because wholesalers may have thought about different kind of orders while answering the questions.

Reliability was measured by two questions. This measure has a latent root of the second component of 0.50 which explains 75% of variance by the first measure and lowest item loading 0.87, which suggests a one-component solution. A Cronbach's Alpha of 0.55, suggests that the two items are not very reliable at assessing the importance of reliability in the wholesalers' decision making process.

The reliability index, as used by the auction, is often not used by the wholesalers. Several wholesalers indicated that they have never looked at the reliability index and two had never even heard of it. The wholesalers did, however, indicate that they use a 'personal' reliability index that is based on their experience with growers. If not all wholesalers are aware that FloraHolland gives all growers a reliability index, they may have thought about their personal reliability assessment of growers when answering the question, decreasing Cronbach's alpha.

Country of origin was originally measured by four questions that included questions about a preference for Dutch flowers. This measure had a latent root of the second component of 1.2 which explained 51% of variance by the first measure and lowest item loading 0.40, which suggests a two-component solution. A Cronbach's Alpha of 0.67, suggests that the four items are not very reliable at assessing the importance of country of origin in the wholesalers' decision making process.

After inspecting the items it was decided that country of origin could be split up into the importance of knowing the country of origin of the supplier and product as these both loaded on the same component. In addition, a measurement for a preference of Dutch flowers and Dutch growers was done, as these items together loaded on a different component.

Country of origin was measured by two questions. This measure has a latent root of the second component of 0.58 which explains 71% of variance by the first measure and lowest item loading 0.84 which suggests a one-component solution. A Cronbach's Alpha of 0.57, suggests that the two items are not very reliable at assessing the importance of knowing the country of origin of the producer and product in the wholesalers' decision making process.

This may be explained by the experience of wholesalers with different countries. Some wholesalers indicated that they preferred to buy some flowers that were grown in specific countries because their customers asked for those, but that for other flowers, the country of origin was not important.

Dutch flowers was measured by two questions. This measure has a latent root of the second component of 0.22 which explains 89% of variance by the first measure and lowest item loading 0.94 which suggests a one-component solution. A Cronbach's Alpha of 0.88, suggests that the two items are reliable at assessing the importance of sourcing from Dutch growers in the wholesalers' decision making process. The interviews confirmed this with many traders being very adamant about whether or not they cared about the producer being Dutch or not.

Reputation of the grower was measured by five questions. This measure has a latent root of the second component of 1.09, which is slightly bigger than one. However, because it accounted for

67% of the variance and the lowest item loading was 0.75 the measure still suggests a one-component solution. With a Cronbach's alpha of 0.88, these five questions appear to reliably measure the importance of reputation in the decision making process of the wholesalers.

Long-Term relationship was measured by three questions. This measure has a latent root of the second component of 0.55 which explains 70% of variance by the first measure and lowest item loading 0.79 which suggests a one-component solution. A Cronbach's Alpha of 0.78, suggests that the three items are reliable at assessing the importance of having a long-term relationship with the producer in the wholesalers' decision making process.

Consistency was measured by two questions. This measure has a latent root of the second component of 0.58 which explains 72% of variance by the first measure and lowest item loading 0.85 which suggests a one-component solution. A Cronbach's Alpha of 0.60, suggests that the two items are not very reliable at assessing the importance of consistency with the producer in the wholesalers' decision making process. This is interesting because the questions are very similar, but it may be that the context in which they were asked differs: one question was asked under the topic "quality" and the other one under the topic "consistency and reliability". A different mind-set when answering the questions could explain the different answers.

Innovativeness was measured by three questions. This measure has a latent root of the second component of 0.48 which explains 77% of variance by the first measure and lowest item loading 0.82 which suggests a one-component solution. A Cronbach's Alpha of 0.84, suggests that the three items are reliable at assessing the importance of innovativeness in the wholesalers' decision making process.

Assortment was measured by two questions. This measure has a latent root of the second component of 0.54 which explains 73% of variance by the first measure and lowest item loading 0.85 which suggests a one-component solution. A Cronbach's Alpha of 0.60, suggests that the two items are not very reliable at assessing the importance of consistency in the wholesalers' decision making process.

A possible explanation arose during the interviews; the wholesalers indicated that it is a fact that the assortment that was auctioned was different each day. Some wholesalers indicated that having a predictable assortment at the auction every day would be very convenient but practically impossible because of seasonal variations. The reliability of the questions may have been decreased because the some wholesalers see the assortment at auction as a fact and not something that can influence decision making, whereas others may have seen it as important because it is something they would like in an ideal situation.

Traceability was measured by three questions. This measure has a latent root of the second component of 0.64 which explains 62% of variance by the first measure and lowest item loading 0.76 which suggests a one-component solution. A Cronbach's Alpha of 0.70, suggests that the three items are reliable at assessing the importance of traceability in the wholesalers' decision making process.

Quantity was measured by two questions. This measure has a latent root of the second component of 0.10 which explains 95% of variance by the first measure and lowest item loading 0.97 which suggests a one-component solution. A Cronbach's Alpha of 0.94, suggests that the three items are reliable at assessing the importance of traceability in the wholesalers' decision making process.

### 3. Results

In this chapter the statistical analysis of the data is described and the results are discussed.

#### 3.1 Data collection methods

Because the data was collected both during the interviews and via-email, an independent samples t-test was used to check for significant differences between data collection methods. Levene's Test for Equality of Variances indicated that there was no significant difference between any of the variances. These tests were done for the importance statements of the measurements and of the questions that measured the importance of several aspects of buying at auction to the wholesalers' customers.

A significant difference was found between the data collection methods for the measures: Dutch, long-term relationship and assortment (Table 5). The respondents that filled in the questionnaire on the I-pad during the interviews found it significantly more important that the product and producer were Dutch, they were more inclined towards long-term relationships and found assortment to be less important. Using General Linear Models (GLM) to test the difference across all variables, the significance level was 0.046. This shows that there is a slight significant difference in the answers between the two data collection methods .

**Table 5. differences between methods of data collection for standardized (Z) results per measurement. Significant differences are indicated with an \*.**

Measurement	(Z)Mean difference (sd)	(Z)Sig (2-tailed)
Quality	0.16 (0.21)	0.465
Branding	0.26 (0.24)	0.287
Price	0.05 (0.23)	0.836
Reliability	-0.08 (0.20)	0.696
Country of Origin	-0.38 (0.21)	0.081
Dutch	-0.64 (0.23)	0.007*
Reputation	-0.00 (0.15)	0.990
Long-term relationship	0.61 (0.21)	0.007*
Consistency	0.07 (0.14)	0.640
Innovativeness	0.12 (0.19)	0.508
Assortment	-0.48 (0.20)	0.018*
Traceability	-0.23 (0.18)	0.193
Quantity	0.12 (0.23)	0.602

The same analysis was performed for the questions that were asked specifically about what is important to the wholesalers' customers. A list of the complete questions can be found in Appendix C.

A significant difference was found between the data collection methods for the importance of delivering ethical products to customers and buying the product as cheaply as possible at auction (Table 6). Ethical products were more important to the customers of the wholesalers that filled the questionnaire in on the I-pad while the wholesalers indicated via e-mail that sourcing as cheaply as possible was more important. After testing the difference across all variables using GLM, the

significance level was 0.054. This shows that overall the differences between the two data collection methods do not differ significantly for the questions about the importance to the sales channels.

**Table 6. Differences between methods of data collection for standardized (Z) results per question about the importance of aspects of buying at auction for wholesalers' customers. Significant differences are indicated with an \*.**

Question	(Z)Mean difference (sd)	(Z)Sig (2-tailed)
Buy what was promised	-0.00 (0.15)	0.995
Constant quality	0.21 (0.18)	0.245
Large assortment	-0.19 (0.13)	0.165
Deliver what promised	-0.23 (0.21)	0.285
Consistent assortment	0.16 (0.17)	0.165
Reliable product	0.32 (0.30)	0.292
Novelty	0.40 (0.24)	0.098
Flexible deliveries	-0.43 (0.29)	0.146
Cheap	-0.87 (0.36)	0.020*
Large volumes	-0.01 (0.35)	0.972
Superior quality	-0.10 (0.31)	0.757
Ethical	0.65 (0.19)	0.002*
Nice logo	-0.34 (0.27)	0.240

## 3.2 Ranking of importance

### 3.2.1 Ranking Measurements

The ranking of importance of the measurements was calculated (Table 7). The measurements were also ranked per data collection methods to check for differences per method (data not shown). No differences were found for the ranking of any of the three measures that significantly differed in the independent samples t-test. Both methods were therefore combined for this analyses.

The unstandardized data is displayed to show the average score on the scale used in the questionnaire. The questionnaire used a 7-point likert scale that ranged from 1 (completely disagree) to 7 (completely agree). There were slight differences in the order of importance between the standardized and unstandardized data. The standardized data switches assortment and reliability, and quantity and reputation. This can be explained by the very small difference between the measurements.

**Table 7. Importance ranking of the measurements for both non-standardized and standardized (Z) results**

Ranking	Measurement	Score	(Z) measurement	(Z) Score
1	Consistency	6.04	Consistency	0.56
2	Reliability	5.96	Assortment	0.50
3	Assortment	5.95	Reliability	0.49
4	Reputation	5.59	Quantity	0.30
5	Quantity	5.52	Reputation	0.29
6	Innovativeness	5.51	Innovativeness	0.24
7	Quality	5.21	Quality	0.09
8	Origin	4.82	Origin	-0.14
9	Branding	4.62	Branding	-0.22
10	Long-term relationship	4.18	Long-term relationship	-0.51
11	Price	4.17	Price	-0.57
12	Traceability	3.74	Traceability	-0.74
13	Dutch	3.13	Dutch	-1.07

As can be seen in Table 7, consistency is ranked most important by the traders, with an average score of 6 (agree), closely followed by assortment and reliability. The importance of assortment illustrates that wholesalers are customer oriented and aim to fulfil what their customers ordered, whereas consistency and reliability illustrate that wholesalers find it important that they know exactly what they bid for.

The importance of consistency and reliability may have an underlying reason that became apparent during the interviews. All but one of the wholesalers that were interviewed expressed their concern about KOA (remote clock buying) and the pictures that accompany these lots.

KOA is meant to open up the market and make it possible for everyone to bid at auction, independent of their location. The disadvantage of buying from a distance though, is that it becomes impossible to visit the cooling cell and personally ascertain the quality and true appearance of the product. As a consequence, the pictures that accompany the lot become more important; visual cues from the picture are the buyers' only way of determining what exactly he is buying. If a wholesaler buys a product with an accurate picture, this picture will then also be used in the wholesalers' online shop, saving him the trouble of having to photograph the product himself.

Flowers and plants are living products and quality and appearance may differ greatly from the standard picture in the auction guide. When a wholesaler knows exactly what he can expect when he bids for a lot that decreases the risk he takes. Several wholesalers indicated during the interviews that they work with preferred growers, because they know that they can rely on the information these growers provide and on the consistency of the quality of the product.

The importance of price, traceability and buying Dutch products score the least high. Traders indicated during the interviews that price is of secondary importance; they do want to get good value for their money, but if they need to fulfil an order of a customer, the price becomes less influential to their buying behaviour.

The traders pointed out during the interviews that traceability was only important for exporting to specific countries. They named Switzerland and the Scandinavian countries as those that do appreciate knowing where the flowers came from and how they were transported to the auction. Most customers in other countries do not value traceability of flower. This is supported by Van Dam (2004), who researched the added value of environmental labelling of flowers.

Environmental labelling makes the traceability of the flowers visible to the customer, and while customers appreciate this, it did not create enough value to be a feasible business strategy.

It is no surprise that buying only Dutch flowers ranked the lowest, as several of the traders that were interviewed were importers. Finding it important to buy Dutch flowers would be illogical for these companies as their core business is importing flowers from outside Europe.

### 3.2.2 Ranking the Importance for Customers

The ranking of importance of the questions about the importance to the wholesalers' customers was calculated (Table 8). These rankings were also compared per data analyses method, where no differences in ranking was found (data not shown). Both methods were therefore combined for this analyses.

The only difference between standardized and unstandardized ranking of the questions is the placing of large volumes and superior quality. In the unstandardized data the importance of being able to buy large volumes and being able to buy superior quality receive the same score. Superior quality scores higher in the standardized data, which means that relative to the importance of the other questions, superior quality scores higher than being able to buy large volumes. As they are indicated to be not very important in both the standardized and unstandardized ranking and the difference is very small, this difference in ranking will be ignored.

**Table 8. Importance of questions about bidding at auction with a specific customer in mind for both non-standardized and standardized (Z) results.**

Ranking	Question	Score	(Z) Question	(Z) Score
1	Buy what was promised	6.54	Buy what was promised	0.70
2	Consistent quality	6.40	Consistent quality	0.57
3	Large assortment	6.37	Large assortment	0.56
4	Deliver what promised	6.29	Deliver what promised	0.51
5	Consistent assortment	6.29	Consistent assortment	0.46
6	Reliable product	6.03	Reliable product	0.28
7	Novelty	5.74	Novelty	0.12
8	Flexible delivery	5.56	Flexible delivery	0.02
9	Cheap	5.46	Cheap	-0.18
10	Large volumes	4.78	Superior quality	-0.43
11	Superior quality	4.78	Large volumes	-0.49
12	Ethical	3.91	Ethical	-1.04
13	Nice logo	3.31	Nice logo	-1.46

The five most important questions are the same for both unstandardized and standardized answers, which shows that it is important to wholesalers that they can buy and deliver what they promised their customers they would and that they want the assortment they have on offer to be large and consistent in both composition and quality.

### 3.3 Sales Channels

The means per measure were compared per sales channel. The traders were categorized by the sales channel that was responsible for most of their turn-over, at a minimum of 40% of sales. If a respondent had two sales channels that were similarly responsible for turnover, the respondent was omitted from this analyses, as it would be unclear which sales channel was most important to that trader. Respondents with sales channels that were all below 40% and those delivering to 'other' sales channels were also omitted. Twenty-five respondents were used for this analyses.

The results per sales channel can be found in Table 9. As there was no difference in the ranking between the standardized and unstandardized results (data not shown). The results of the unstandardized data are shown because the average answer on the likert-scale is still visible in those results.

**Table 9. measurements per most important sales channel. Three highest scoring measurements are indicated in bold with <sup>1,2</sup> and <sup>3</sup>. The measurements are shown in order of overall-importance as is indicated in Table 7. Statistically significant differences between sales channels are indicated with an \*.**

Measurement	Supermarkets N= 5	Cash&Carry N=6	Garden centre N=4	Importing wholesaler N=8	Florist N=3
Consistency	<b>6.00<sup>2</sup></b>	<b>6.25<sup>3</sup></b>	<b>6.13<sup>2</sup></b>	<b>6.07<sup>2</sup></b>	5.17
Reliability	<b>6.30<sup>1</sup></b>	5.17*	<b>6.38<sup>1</sup></b>	<b>6.07<sup>3</sup></b>	<b>6.83<sup>2*</sup></b>
Assortment	<b>5.60<sup>3</sup></b>	6.08	5.88	5.93	<b>7.00<sup>1</sup></b>
Reputation	4.72*	6.03*	5.35	5.71	<b>6.40<sup>3*</sup></b>
Quantity	5.10	6.00*	<b>6.13<sup>3*</sup></b>	<b>6.14<sup>1*</sup></b>	4.50*
Innovativeness	4.60*	<b>6.50<sup>1*</sup></b>	5.58	5.76	5.44
Quality	4.40*	<b>6.17<sup>2*</sup></b>	4.88	5.36	4.83
Origin	5.00	4.92	4.00*	4.36 *	6.33*
Branding	3.20*	4.61	3.00*	5.67*	4.00
Long-term relationship	4.13	4.61*	4.42*	4.9*	2.44*
Price	3.80	4.25	4.00	4.07	3.50
Traceability	3.60	4.17	3.67	3.62	2.56
Dutch	3.00	3.83	2.63	3.79	3.00

The means per question about the customers of the wholesalers were compared per sales channel. The traders were sorted by the sales channel that they answered the questions for. As the questions were asked specifically for sales channels that contributed at least 40% to the company's total turnover, several respondents answered the questions for two channels. As a result the number of respondents used in this analyses is 32, slightly higher than the number of respondents in the previous analysis.

The results per sales channel can be found in Table 10. As there was no difference in the ranking between the standardized and unstandardized results, the results of the unstandardized data are shown because the average answer on the likert-scale is still visible in those results.

Table 10. Questions per sales channel responsible for at least 40% of turnover. Three highest scoring questions are indicated with <sup>1,2</sup> and <sup>3</sup>. The questions are shown in order of overall importance, as indicated in Table 8. Statistically significant differences between sales channels are indicated with an \*.

Question	Supermarkets N= 7	Cash&Carry N=6	Garden centre N=5	Importing wholesaler N=11	Florist N=3
Buy what was promised	6.14 <sup>2</sup>	6.67 <sup>3</sup>	6.40 <sup>1</sup>	6.82 <sup>1</sup>	6.67 <sup>3</sup>
Constant quality	6.14 <sup>3</sup>	6.33	6.20 <sup>2</sup>	6.63 <sup>3</sup>	6.67
Large assortment	5.86*	6.50	6.00	6.64 <sup>2*</sup>	7.00 <sup>1*</sup>
Deliver what promised	6.57 <sup>1</sup>	6.50	5.20	6.63 <sup>3</sup>	6.67
Consistent assortment	5.86*	6.33	6.00	6.45	7.00 <sup>2*</sup>
Reliable product	5.28*	7.00 <sup>1*</sup>	6.20 <sup>3</sup>	6.18	6.5
Novelty	4.71*	6.17	5.80	6.45*	5.00*
Flexible deliveries	5.00	7.00 <sup>2</sup>	6.00	5.36	5.33
Cheap	4.86	5.17	6.20 <sup>3</sup>	5.18*	6.67
Large volumes	5.00	5.00	5.80	4.45	3.50*
Superior quality	4.14	3.50	5.40	5.72*	4.67*
Ethical	3.71	4.50	4.00	4.64	3.75
Nice logo	2.86	3.50	3.40	3.90	3.33

For the wholesalers that deliver to *supermarkets*, consistency, reliability and assortment are most important. They also find it most important for their customers that they buy and deliver the products they promised at a constant quality. Reputation, innovativeness, quality and branding are significantly less important than for the other sales channels. Being able to offer supermarkets large assortments or novelties is less important than for other sales channels.

The expectation, based on the literature, was that price, consistency, quantity and traceability would be most important to wholesalers delivering to supermarkets. The difference between the expectation and the results from the questionnaire may be caused by the relative low percentage of products that is on average bought via the clock (58%). Supermarkets plan very far ahead with their assortment and the wholesalers that deliver to them can take advantage of this by sourcing these flowers via mediation (27%) or other sources (15%). Price and quantity may be more important via other supply channels compared to clock buying, where reliability and assortment play a bigger role.

For the wholesalers that deliver to *Cash&Carries*, innovativeness, quality and consistency are most important. Reliability scores significantly lower for Cash&Carries than for the other sales channels. Innovativeness, quality and long-term relationship score significantly higher. They also find it important for their customers that they have can offer flexible deliveries of a reliable product that they promised to deliver.

The expectation, based on the literature, was that assortment, flexibility, price and traceability would be most important to wholesalers delivering to Cash&Carries. The difference between expectation and the results from the questionnaire may be explained by wholesalers that export to Cash&Carries abroad. Quality becomes increasingly important when flowers need to travel further to their final destination, even though the quality needs not be of a superior standard.

The importance of innovativeness was explained during the interviews, where some wholesalers indicated that in order to keep customers, they need to be able to deliver a certain standard assortment that all wholesalers have (point of parity) and something attractive and special

(point of difference) that lures a customer to place an order for both the special product and the standard assortment with you. This is also supported by an average score of 6.17 (between agree and completely agree) on question about the importance of being able to offer Cash&Carries novelties.

For the wholesalers that deliver to *garden centres*, quantity, consistency and reliability are most important. Origin and branding score are less important to garden centres than for the other sales channels, while quantity is more important. They also find it important to cheaply buy at auction what they promised they would deliver to their customers, at a reliable and constant quality.

The expectation, based on the literature, was that assortment, price and quality would be most important to wholesalers delivering to garden centres. The difference between expectation and the results from the questionnaire are not that large. Being able to offer a large assortment is important, scoring a 6.00 on average (agree) and although the quality need not be of a superior standard, it does need to be consistent. The importance of being able to offer consumers cheap products is reflected in the importance of sourcing the products cheap at auction.

For the wholesalers that deliver to *importing wholesalers*, quantity, consistency and reliability are most important. Origin is less important to importing wholesalers than to the other sales channels, while quantity, branding and long-term relationship are more important. They also find it important to buy the large assortment they promised they would deliver at a constant quality. Novelties are very important for importing wholesalers.

The expectation, based on literature, was that assortment, quality, traceability, flexibility and innovativeness would be most important to wholesalers delivering to importing wholesalers. This is very similar to what was found with the questionnaire. Only traceability is not considered important, as it is not (yet) a profitable strategy (Van Dam et al., 2004). The importance of being able to offer importing wholesalers novelties may be same as for Cash&Carries: as a way to entice customers.

For the wholesalers that deliver to *florists*, assortment, reputation and reliability are most important. Long-term relationship and quantity are less important to florists than they are for the other sales channels, while reliability, reputation and origin are more important. They also find it important to buy and deliver what they promised, to have a consistent assortment the florist can choose from and deliver constant quality as cheaply as possible.

The expectation, based on the literature, was that quality, assortment, innovativeness and traceability would be most important to wholesalers delivering to florists. The difference between expectation and results from the questionnaire may be explained by the difficult situation in which many florists find themselves. One of the wholesalers that worked closely together with florists claimed that over the past few years the number of florists in the Netherlands has decreased by 25%. Florists have needed to become more economical and market oriented, which makes it surprising that novelties score only a 5 (a little agree) on average. The number of respondents delivering to florists is only three, which means the results may not be representative.

### 3.4 Segments

The data has now been analysed per sales channel as the expectation is that these greatly influence the wholesalers' buying behaviour. This hypothesis is also tested by using a cluster analyse to find segments within the wholesalers that find similar measurements important. At four components the eigenvalue is above 1 (1.116) and these four components together explain over 60% of the variance (data not shown). These four components were used to categorise each respondent into one of four clusters. The average importance of each measurement was ranked per cluster (Table 11).

**Table 11. The importance of measurements per cluster. The measurements ranked most important per segment are indicated in bold with an <sup>1,2</sup> and <sup>3</sup>. Statistically significant differences are indicated with an \*.**

Cluster	1	2	3	4	Total
Number of Cases	N=17	N=7	N=3	N=11	N=38
Consistency	<b>6.35<sup>1</sup></b>	5.50	<b>5.67<sup>3</sup></b>	<b>6.00<sup>2</sup></b>	<b>6.04<sup>1</sup></b>
Reliability	<b>5.97<sup>2</sup></b>	<b>6.29<sup>2</sup></b>	<b>5.83<sup>2</sup></b>	5.77	<b>5.96<sup>2</sup></b>
Assortment	<b>5.97<sup>3</sup></b>	<b>6.50<sup>2</sup></b>	<b>6.00<sup>1</sup></b>	5.55	<b>5.95<sup>3</sup></b>
Reputation	5.39	<b>5.74<sup>3</sup></b>	3.33	<b>6.42<sup>1</sup></b>	5.59
Quantity	5.88	5.64	3.83	5.36	5.53
Innovativeness	5.63	4.90	4.67	<b>5.94<sup>3</sup></b>	5.51
Quality	5.41	5.14	2.67*	5.64	5.21
Origin	4.50	5.64	5.17	4.73	4.83
Branding	4.14	4.19	4.89	<b>5.58*</b>	4.62
Relationship	3.51	3.86	3.67	5.55	4.18
Price	4.41	<b>3.14*</b>	4.83	4.27	4.17
Traceability	3.16	4.14	3.89	4.33	3.74
Dutch	2.91	4.07	2.67	3.00	3.13

The number of respondents per segment is quite low, especially in segment 3. This makes it difficult to draw hard conclusions from this analyses. In general, it can be stated that consistency, reliability and assortment are considered to be most important. This implies that these merchandise requirements are important to all wholesalers, independent of their background or sales channel. Making sure that the needs wholesalers have concerning consistency, reliability and assortment are satisfied when they buy at auction will therefore increase the customer satisfaction of many wholesalers.

A noticeable difference between segments are the emphasize of the fourth segment on reputation and branding. This indicates that there is a segment within the wholesalers that finds the branding and reputation of the grower important. Building a strong brand and reputation will be appreciated by this segment.

Predicating which company belongs to which segment proves difficult as different types of companies are equally distributed among the segments, as are the different sales channels (Appendix D). Segment two is the only segment in which considerably more is sourced via the clock, as compared to mediation and other sales channels. In this segment on average 92% of products is sourced via the clock, opposed to 60-70% with the other segments.

That there is no simple explanation for the buying behaviour of wholesalers is also confirmed by a cluster analyses of questions per sales channel (Table 12). For the questions per sales channel, 5 clusters were found. The expectation would be that the cluster analyses and the segmentation per

sales channel would show similarities, because these questions were asked per sales channel. There are large differences between the two rankings though, indicating that sales channel alone is not a prediction of what is most important.

Possible explanations for the differences in importance of the questions within sales channel could be the different countries to which wholesalers deliver. The expectations per sales channel were based on the Dutch market. There may be large cultural differences between countries and most wholesalers export products to companies outside The Netherlands. Another explanation may be a large variation in needs within sales channel. Just like each wholesaler, each company within a sales channel will have a differentiation strategy. It seems logical therefore that there will be differences in needs between companies within a sales channel, as well as differences between sales channels.

**Table 12. The importance of questions per cluster. The measurements ranked most important per segment are indicated in bold with an <sup>1,2</sup> and <sup>3</sup>. Statistically significant differences are indicated with an \*.**

Cluster	1 N=8	2 N=6	3 N=4	4 N=9	5 N=3	Total N=30
Buy what was promised	6.38	<b>6.33<sup>1</sup></b>	<b>6.25<sup>1</sup></b>	<b>6.78<sup>1</sup></b>	<b>7.00<sup>1</sup></b>	<b>6.53<sup>1</sup></b>
Consistent assortment	6.50	<b>6.00<sup>2</sup></b>	<b>6.00<sup>3</sup></b>	<b>6.78<sup>2</sup></b>	<b>6.67<sup>3</sup></b>	<b>6.43<sup>2</sup></b>
Reliable product	<b>7.00<sup>1</sup></b>	5.33	6.00	<b>6.56<sup>3</sup></b>	6.33	<b>6.33<sup>3</sup></b>
Deliver what promised	<b>6.75<sup>2</sup></b>	5.50	6.00	6.33	6.67	6.27
Novelty	<b>7.00<sup>3</sup></b>	<b>5.67</b>	6.00	6.00	6.67	6.27
Superior quality	6.50	5.00	4.75	6.33	<b>7.00<sup>2</sup></b>	5.97
Constant quality	5.38	4.17	<b>6.25<sup>3</sup></b>	6.44	5.67	5.60
Ethical	6.75	4.67	2.50	6.11	6.33	5.53
Large assortment	6.25	<b>6.00<sup>3</sup></b>	4.50	4.89	4.67	5.40
Flexible deliveries	4.38	5.50	3.75	5.00	4.67	4.73
Cheap	3.38	4.33	3.25	6.56	5.33	4.70
Large volumes	3.38	2.33	3.50	4.89	4.67	3.77
Nice logo	2.38	2.50	3.00	3.56	<b>5.67</b>	3.17

## 4. Conclusion and Future Research

A wholesaler's buying behaviour is influenced by merchandise requirements. The importance of a merchandise requirement is determined by the needs the wholesaler's customers have. Depending on the wholesaler's differentiation strategy, different aspects of buying at auction will become more influential and different merchandise requirements will become a point-of-difference. The merchandise requirements that are overall the most important are consistency and reliability, which means it is important to wholesalers that they know what to expect when they buy a product. This is especially important with the increased use of KOA.

Flower growers are increasingly becoming market oriented, although actively doing market research is not yet high on the agenda of all growers. In the flower industry, however, being market oriented is not only something that should concern flower growers, it is also something that concerns the flower auction. FloraHolland is in a unique position that they represent most Dutch flower growers and that means that FloraHolland holds the key to making the industry market oriented. FloraHolland is in touch with all the traders and thus constantly generates market-intelligence. They have also begun with the dissemination of the market-intelligence to the growers, but as not all members are responding to the market information they have. That means that because not all its members are market oriented, FloraHolland is not yet a completely market oriented company. To become market oriented, all members must use the react to the intelligence they have on their customers and satisfy their needs.

That there is still room for improvement when it comes to brand management is related to the unresponsiveness of the growers to market-intelligence. Presentation of the product and the company plays a bigger role than some growers realise. Especially when the product is sold via KOA, presentation via the picture is very important. The impression the wholesaler gets from the picture strongly influences their buying decision. There appears to be a large segment within the group of wholesalers that values the reputation and brand of a grower. As consistency and reliability are the most important merchandise requirements a grower may be able to create a competitive advantage by building a strong brand based on these qualities

FloraHolland can offer the expertise on market orientation and brand management that the flower growers need but often do not possess. They will first need to convince the growers of the importance and then educate them on how to use the information. This will result in more market oriented, and thus more successful, growers.

## Limitations and Future Research

One of the major limitations of this report is the small sample size. This means that the results derived from these analyses may not be representable for the populations. A larger sample size may yet show how a sales channel influences the buying behaviour of a wholesaler, but with the current respondents there no robust evidence as to how the needs of a sales channel are translated into buying behaviour of the supplier.

In the questionnaire the measurement for quality is not very reliable because term quality is interpreted in different ways by the wholesalers. In order to measure the actual importance of quality this measurement in the future, it will need to be defined to the respondent to make sure every respondent uses a similar definition of quality.

There are very small differences between the data collection in person, via a tablet computer and digital, via e-mail. This means that the presence of the researcher did not influence the answers the wholesalers gave. It also means that for future research it is recommended to reach more respondents via e-mail, which is cheaper and more efficient. This does not mean that no interviews should be conducted as the insights that were gained from conversations with the traders gave a good insight into what is important to these wholesalers. These insights can be found in chapter 6.

This report may be viewed as a pilot for the same research on a larger scale: the small number of respondents in this research may not give a complete view of the needs of the wholesalers. A better insight will be gained by interviewing more companies that are based all over the Netherlands.

The empirical part of this research only looks at the merchandise requirements that are important to wholesalers. If this were to be combined with an empirical research looking at brand management and market orientation with flower growers, it would give an overview of whether the merchandise requirements that flower growers think are important to wholesalers, actually are important to them. This research could be used to increase the market orientation, and thus overall performance, of the flower growers.

## 5. Recommendations

### **Create a photography standard**

Find a way to standardize accurate and up-to-date pictures for KOA. It makes buying from a distance much more reliable and it is a service that wholesalers will appreciate. Wholesalers need to be able to rely on KOA that they will get exactly what they thought they were buying. This standard should include a prescribed angle, background colour and a reference item to show size.

### **Market orientation is organisation- wide**

FloraHolland belongs to the flower growers and if FloraHolland sets an example by showing an organisation-wide interest in its customers, this will help its members. Listen to the opinion of traders and use this information to make the members of FloraHolland market oriented. Explain to the flower growers why being market oriented will benefit their companies.

### **Brand management for flower growers**

Increase awareness with flower growers about the importance of reputation and brand management. Continue to help growers develop a brand and give the wholesalers the opportunity to give feedback on the brand and the product.

### **Image is everything**

Invest in creating a customer-oriented image with traders. During the interviews it became apparent that FloraHolland does not always have a customer oriented reputation with the traders. This perception is based on bad experiences traders had while dealing with the auction. Investigate how this happened and invest in building a better relationship with all traders.

## 6. Insights from the Interviews.

In this chapter several insights from the interviews are described that were not related to the research, but may be interesting to FloraHolland nonetheless. In the final paragraph advice is given on how FloraHolland may use these insights.

### **Flower traders like flower growers**

All traders that were interviewed want growers to do well. They realise that horticulture is a tough business to be in and wholesalers need their suppliers to do well to stay in business. They are willing to work together to get the products the consumer wants.

### **Disappointment about FloraHolland projects**

Some of the traders that were interviewed, had participated in projects of the auction that were aimed at either solving problems or developing new trends. Many indicated their disappointment at these projects because they felt that their contribution was not taken seriously. They felt that FloraHolland included them in the project, not to listen to their input, but to inform them of the decisions that had already been made without them. One of the traders said that he no longer goes to meetings organised by FloraHolland because he finds it too frustrating not being listened to.

### **Wholesalers want to help**

The interviews were scheduled to be about 30-45 minutes. Almost all interviews exceeded this timeframe because the wholesalers had a lot of information they wanted to share. Some wholesalers were relieved that someone finally came to listen to their frustrations, but most were very enthusiastic about wanting to help the auction understand what is important to them.

### **Walk a day in the shoes of a wholesaler**

Four wholesalers independently invited the upper-management and policymakers of FloraHolland to join them for a day. They offered this because they felt that the policymakers do not understand how the flower trade actually works and by walking in the shoes of a trader for a day they would start making better policies.

### **Double standard**

Flower growers own FloraHolland and the wholesalers know that, but some traders think that this leads to a double standard. They feel that the rules for traders are strictly enforced, whereas the auction has a lenient attitude towards the rules for growers. An example was given about self-inspection, where the grower was protected by the auction when he was dishonest about his product and the trader complained.

**Conclusion from the insights**

The perception of wholesalers is coloured by their personal experiences with the auction. Their opinions are influenced by what they see and read about the auction. During the interviews it became apparent that not all wholesalers have very positive perceptions about the auction. This image could be improved by investing in building a customer-oriented “FloraHolland” brand. A start may be accepting the invitation of the wholesalers to the upper-management to join the traders for a day at the auction floor. It is all about perception; actively show the wholesalers that FloraHolland is genuinely interested not only in the welfare of the growers, but also in the welfare of the traders. Most traders read ‘Vakblad voor de Bloemisterij’, so inviting a reporter to write an article about the visit might help reaching many traders and show them that FloraHolland really is a market and customer oriented organisation.

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## Appendix A

### Quality

For every flower the VBN (organisation of flower auctions in the Netherlands) has defined product specifications to determine quality of the flowers. Flowers are divided, among other attributes, on length, weight, ripeness, colour and uniformity, amount of flowers per branch and amount of branches per bouquet (VBN, 2012). The quality control of FloraHolland sorts flowers based on a list of sorting attributes. This list can be found on the FloraHolland website and consists of over a hundred attributes (FloraHolland, 2012:5). When flowers do not reach the lowest standard they are not sold at all (VBN, 2012).

Because of the standardised way the flowers are judged and the availability of this standard for wholesaler that buy at auction, this paper will assume that wholesalers that buy at auction use the predefined quality scale that is used by FloraHolland to describe quality: A1 for excellent quality, A2 for good quality and B1 for reasonable quality (FloraHolland, 2012:5).

### Branding

Branding of horticultural products covers more than a slip-cover with a logo. It encompasses all promotional activities, such as personal contact with the trades, providing them with the opportunity to visit the grower and in turn, visit the wholesaler. This includes giving wholesalers the opportunity to contact the grower directly to give feedback on the product.

### Price

There is no standard price at auction and there can be large differences in price on different auction days. Paying a premium for a batch is defined as paying at least 5% above the average auction price on a day and paying below average is defined as paying at least 5% below the average auction price on a day.

### Reliability

Reliability of the grower is defined by the Reliability Index that is used at auction

### Country of origin

The country in which the grower lives and the country in which the product is produced

### Supplier Reputation

The suppliers' reputation consists of several elements: reliability, sense of duty, responsibility, honesty, trustworthy, capable, orderly, effective, green fingers (Esjberg & Skytte, 1999)

### Long- term relationship

As explained before, measuring willingness to enter a long term relationship is difficult to measure for buyers and suppliers at auction. It shall therefore only be measured indirectly by measuring the importance put on having bought from a supplier before and knowing the supplier personally.

**Consistency**

Defined by the dictionary as: “agreement or accordance with facts, from, or characteristics previously shown or stated” (Dictionary, 2012). In the context of this paper consistency of batches bought at auction relates to the quality, and all aspects relating to quality, being the same as previously bought batches.

**3.2.10. Innovativeness**

A product that is sold at auction is defined as innovative when the product is characterised as a novelty by FloraHolland. Novelties are newly developed flowers and plants (FloraHolland, 2012:6).

**3.2.11. Assortment**

A wide assortment contains several different varieties and species of flowers, in different colours and of different quality levels. A consistent assortment contains only a few species of the same variety, in a limited amount of colours and of the same quality.

**3.2.12. Traceability**

The origin and route of flowers has been documented and is presented in a clear way on the packaging.

**3.2.13. Quantity**

Being able to buy sufficient quantities is defined as the possibility for a wholesaler to buy the whole amount of certain flowers he needs by bidding on one lot.

## Appendix B

### **Quality Q4\_1 Q4\_4**

When I bid at auction it is important to me that...:

...the quality of the product is A1

...an employee of my company has looked at product prior to the auction

### **Branding Q6\_1 Q6\_3 Q17\_2**

When I bid at auction it is important to me that...:

... the brand of the grower is on the slip-cover

... the product clearly comes from a certain grower or growers organisation

... I recognise the brand on the slip-cover

### **Price Q3\_1 Q3\_3**

When I bid at auction it is important to me that...:

... I pay a price that is below average

... I have the feeling I have bought a bargain

### **Reliability Q9\_3 Q9\_4**

When I bid at auction it is important to me that...:

... I know the reliability index of the grower

... the quality of the product is exactly the same as is indicated on the clock

### **Country of origin Q7\_1 Q7\_2**

When I bid at auction it is important to me that...:

... the country of origin of the product is clear

... I know where the grower is situated

... the country of origin is clearly stated on the package

### **Supplier reputation Q2\_2 Q2\_3 Q2\_4 Q2\_6 Q2\_8**

When I bid at auction it is important to me that...:

... the grower has the reputation he keeps his appointments

... the grower has the reputation to be responsible

... the grower has the reputation to be honest

... the grower has the reputation to be talented

... the grower has the reputation he has 'green fingers'

### **Long-term relationship Q6\_5 Q17\_4 Q17\_5**

When I bid at auction it is important to me that...:

... I know the grower personally

... I can contact the grower to give feedback

... I have visited the grower

**Consistency Q4\_3 Q9\_1**

When I bid at auction it is important to me that...:

... the quality is exactly the same as I have bought previously

... the product has the same quality as the products I have bought previously

**Innovativeness Q10\_1 Q10\_3 Q10\_4**

When I bid at auction it is important to me that...:

... I can choose to buy new varieties

... the product is innovative

... the product is a novelty

**Assortment Q5\_1 Q5\_2**

When I bid at auction it is important to me that...:

... I can choose to bid at a large variety in flowers and plants

... there is more than one grower selling the product I need

**Traceability Q7\_6 Q7\_7 Q7\_3**

When I bid at auction it is important to me that...:

... I know how the product was transported to the auction

... I know that the product was produced in an ethical way

... the country of origin is clearly stated on the package

**Quantity Q8\_1 Q8\_2**

When I bid at auction it is important to me that...:

... I can buy the quantity I need from one batch

... I can buy the quantity I need from one grower

**Dutch Flowers Q7\_4 Q7\_5**

When I bid at auction it is important to me that...:

... the product comes from the Netherlands

... the producer is Dutch

## Appendix C

When I bid at auction it is important to me that...

- ... I can buy what I guaranteed my customers I would deliver
- ... I can buy new varieties for my customers
- ... I can buy as cheaply as possible for my customers
- ... I can deliver exactly what I promised to my customers
- ... I deliver the same quality as always to my customers
- ... I can provide my customers with a wide assortment
- ... I can offer my customers a flexible assortment
- ... I can offer my customers a consistent assortment
- ... I can deliver high volumes to my customers
- ... I can deliver superior quality to my customers
- ... I can deliver ethical products to my customers
- ... I can deliver a reliable product to my customers
- ... I can be flexible in my deliveries to my customers
- ... I can present my customers with a well-designed label on the products

## Appendix D

Table 13 average percentage of turnover per sales channel for the segments as found by the cluster analysis. N = number of wholesalers in segment that deliver to a sales channel.

Cluster		Supermarkets	Cash & Carry	Tuincentra	Importerende groothandels	Bloemisten	overig
<b>1</b>	Mean	39%	27%	35%	42%	30%	49%
	N	7	7	7	9	5	4
<b>2</b>	Mean	52%	23%	48%	33%	100%	0%
	N	3	2	2	2	2	2
<b>3</b>	Mean	38%	35%	10%	15%	33%	95%
	N	2	1	1	1	2	1
<b>4</b>	Mean	20%	34%	21%	46%	21%	0%
	N	1	8	4	7	7	0
<b>Overall</b>	Mean	40%	30%	31%	41%	35%	41%
	N	13	18	14	19	16	7

Table 14 Average percentage of flowers and plants bought via clock, mediation or other supply channels

Cluster		Clock	Mediation	Other
<b>1</b>	Mean	64%	17%	19%
	N	14	14	14
<b>2</b>	Mean	66%	12%	10%
	N	8	8	8
<b>3</b>	Mean	91%	0%	7%
	N	3	3	3
<b>4</b>	Mean	70%	23%	7%
	N	13	13	13
<b>Total</b>	Mean	69%	17%	12%
	N	38	38	38