

# Fyffes case study

Education



## Introduction

Fyffes are an Irish company founded in 1888 that specialise in fruit production. The company is said to be “ world famous” according to the Fyffes website, one reason being that their bananas were the first branded fruit in the world (Fyffes, 2013). Fyffes are the oldest fruit brand in the world and are headquartered in Dublin. The company began in London, soon to become the most popular banana brand in the world, the organisation was born into the marketplace devoid of competition.

Their “ blue label bananas” allowed them to become unique and furthermore dominators of the fruit market. Today, their main product is the banana, although they also produce other fruits including the Fyffes Gold Pineapples and Fyffes melons. Fyffes currently market their produce in Europe and the United States and are involved in the production, procurement, shipping, ripening, distribution and marketing of bananas, pineapples and melons.

## SWOT Analysis of Fyffes.

### Strengths

Fyffes have several strengths such as a large brand portfolio that is very well recognized. Furthermore they have a strong brand recognition among both customers and institutions, that allows them to penetrate new markets and also hold a large share in existing markets. They operate a vertically integrated supply chain that allow economies of scale in fruit in both sourcing and distribution. (Fyffes, 2013) There strong market position allows them with a lot bargaining power in the market. They have a large number of supply chain activities that include ; Production, procurement, shipping,

ripening and the distribution and marketing of bananas but also melons and pineapples.

### Weaknesses

Fyffes lack in the scale of operations when compared to their competitors ; Chiquita Brands, Dole foods and Fresh Del Monte produce. They are somewhat dependent on european market, but this has greatly improved since 2008 when there 51% of their revenue came from the eurozone. There competitors have significantly bigger distribution and marketing channels along with greater financial resources. This can be seen in 2013 revenues were Fyffes is listed fourth behind Dolefood, Fresh Del Monte, Chiquita and Total Produce. (Fyffes, 2013)

### Opportunities

A company acquisition may help enhance pineapple production. This would increase production and supply. Fyffes have identified their weakness of lack of scale and made progress by establishing a network(s) across Germany. This includes both distribution and ripening centres. Fyffes have been paying a tariff on bananas imported in to the european union since 2006 due to the European Union banana import regulation. This has given competitors importing from other regions the upper hand. However the EU have agreed to reduce this tariff on latin american bananas in stages, when this fully implemented this could reduce Fyffes' operating costs significantly. (ibid)

### Threats

Fyffes have strong competition across all their product lines, competition include global companies as listed previously but also agricultural

cooperatives and foreign government sponsored producers. Further to this competitor companies have larger financial resources allowing them more purchasing power along with more capital to expand and improve. (ibid)

### Target Country

As the huge demand for bananas and tropical fruits in Europe constantly increases Fyffes have found themselves sourcing throughout The Tropics, Caribbean and countries in Central America for example Costa Rica and Columbia. With the European Union being the largest consumer importer for bananas, it is Fyffes target market. In Britain alone over 5 billion bananas are consumed each year, hence why they are the 4th largest importer bananas in the world and one of Fyffes major target countries. They have a strong competitive advantage as the British market is one they know very well and can use this against other companies such as Chiquita who are a Latin American company. Another target country for Fyffes is Germany being the 2nd largest importer of bananas in the world.

Fyffes can easily trade with Germany as it is within the European Union. Although the United States are the number one largest importers for bananas it is unlikely that they would be able to compete with the firms from South America. Companies such as Del Monte, Dole Food Company and Bonita are the largest banana firms in the US and dominate the market. As bananas are only produced in countries with a very specific climate such as The Caribbean or The Tropics they're target countries are the places where the fruit cannot be readily grown and must be imported.

“ Bananas and pineapples are grown in countries of the tropics - Africa, Latin America, Caribbean, Pacific etc. Many countries produce bananas as a staple food and only around 20% of all bananas that are produced are actually exported.

Most bananas and pineapples sold on the British market are exported from Latin America, and increasingly West Africa, as companies relocate in search of ever 'cheaper' fruit, pursuing a 'Race to the Bottom' in terms of social and environmental standards.” (www. Bananalink. org. uk 2013)

#### Products Selected to Go International

Headquartered in Dublin, Fyffes has expanded greatly and is now operating in several different regions including the United Kingdom, mainland Europe, U. S. A. along with Central and South America. With Fyffes being one of the largest fruit companies in the world, their internationally distributed products include bananas, melons, pineapples and the newly added product that is plantains.

Fyffes are renowned on a world stage for being the most notable distributor and seller of bananas. Operating in a vast amount of countries in the Caribbean and South America, as of 2012 Fyffes was the “ largest importer of Fairtrade bananas into the European Union” (Fyffes, 2012). These bananas are sourced from countries such Ecuador, Costa Rica, Brazil, Peru and the Ivory Coast. After the bananas have been harvested and washed they are palletised for shipping in temperature controlled holds.

Fyffes have marketed their bananas from the standpoint that they are nutritionally beneficial to all. They preach the biological benefits of their

products whether it is through their website, general advertising or through they're labelling etc. They boast the fact that “bananas are known as the energy fruit because they provide a quick-but-sustained energy boost in a natural, nutritious and easily digestible form” as well as the rather low caloric count of just 95 kcal per banana. Much of the same marketing is used for their pineapples. Fyffes' ‘Gold Pineapples’ are described as “Supersweet” (Fyffes. com, 2013) and is sourced mainly from Ecuador, Panama and Costa Rica. These are packaged and distributed around the world.

The pineapples are shipped in condition controlled vessels to ensure an appropriate balance of sugar and acidity is maintained. Once again Fyffes market their product based on the nutritional benefits. They declare that their “Supersweet” pineapples contain “three times more vitamin C than traditional pineapples” along with their low fat content and the presence of digestive enzymes (Fyffes. com, 2013). Fyffes third main product is their variety of melons. Fyffes' selection includes a range of both summer and winter melons. The summer melons include galia, watermelons and cantaloupe.

The winter melons include watermelons, honeydew and cantaloupe. They are high in vitamins A and C and contain digestive fibre. The countries in which they are grown in include Guatemala, Honduras and Costa Rica. As previously mentioned, Fyffes introduced what are known as ‘fruit snacks’ in the form of plantains chips. The plantain is a variation of the banana and is being marketed as a variation to potato chips

Entry Modes Utilised

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Fyffes have been exporting to the UK for the last 120 years from its base in Ireland. The first step Fyffes took after exporting to the UK was to export to EU member states. This was a low risk natural progression for Fyffes as the EU operate a free trading policy within member states and many of the original member states have a similar demographic as that of Ireland and the UK.

These markets had similar demand as their climates were not susceptible to growing bananas and this proved to be a venture that increased the recognition of the blue label brand and maximised the use of current resources as well therefore proving highly profitable. In 1995 to expand on its European distribution channels Fyffes entered into a venture with the Windward Island Banana Development and Exporting Company (WIBDECO), and bought out Geest Bananas which were a major competitor in the British market (Bananalink, 2013). In 2005 the company entered into a strategic alliance with the Turbana Corporation in order to expand its market reach and develop its US market share.

As Fyffes grows and increases its market share larger economies of scale are allowed for. Fyffes buy most of their fruit from farms in Belize, Panama and Costa Rica, it does however own about 6, 000 acres of land in Costa Rica as well as smaller farms in Panama and Belize (Carswell, 2013).

The company is hoping that by 2014 they will grow 60 per cent of the pineapples they sell. A recent development in the containers used to keep the fruit fresh while shipping means that the fruit could be kept fresh for 35 days of shipping, far longer than the current 23. Fyffes are hoping this will

allow them to export their fruit from their Central American headquarters in Costa Rica to growing markets in Russia and the Middle East.

### Resource Commitment

“ Resource commitment refers to the level of dedicated assets – physical or human – that cannot be transferred from one country to another without loss of economic value”. An example of this may be that a firm adapt its product and resources to suit the needs of the host importing company (Petersen, 1999). This essentially may result in increased revenue in that specific area but may not help revenue figures as a whole for the firm. Fyffes has continuously shown resource commitment to several different foreign markets.

Due to the very nature of the fruit business Fyffes was technically always an import-export business. As an Irish company selling tropical fruit there was always a need for shipping the fruit from the likes of Costa Rica and Panama. Therefore these resources were already owned by the company. In order to grow their exports Fyffes had to expand on these resources. Fyffes were the first company to properly transport their fruit on their ships. They changed from just transporting the fruit in bunches to using proper containers on board, this was key to shipping the fruit further afield.

Alasdair MacCleod, head of Fyffes in their Central American base said that only once in his 20 years in the business had he lost an entire shipload of fruit as a result of a ripe box of bananas prematurely ripening others on board the ship. As mentioned previously Fyffes hope to further improve their



shipping containers and therefore advance into more new markets. This is a resource commitment that is sure to pay off . (Carswell, 2013)

### Environmental Factors Impacting on Internationalization

There are four main environmental factors that can impact the internationalization of a company. These are the competitive, legal, political and economic environments. It is imperative that a company must overcome these obstacles in the marketplace in order to establish internationalization of their firm. For fyffes, their competitiveenvironmentstruck them first in the late 1920s.

Their first competitor, Jamaica Bananas Producers Ltd, began to sell their fruit in large amounts to the British market. Fyffes counteracted by branding their fruit to enable recognition of their bananas. The blue Fyffes label then became iconic, it was their major selling point. Henry Stockery CEO of Fyffes in 1929 said that, “ today people are asking for the ‘ Blue Label’ bananas”.

The popularity of their ‘ blue labeled bananas’ allowed them to dominate the banana market and to wipe out all of their competitors.

With regards to the legal, political and economic aspect, according to Fyffes website, it states that, “ fyffes is aware of the social and environmental issues associated with the products that it sources and sells”. (Fyffes, 2013).

They follow a strict code of practices in order to produce their product at the highest quality and approved ethical standards. Furthermore, Fyffes is said to be “ pro-active” with matters such as environmental impact and fair labour prices by heavily participating in industry forums on social, ethical, healthand safety and environmental issues.

## Success (or otherwise) Experienced

Being one of the worlds most prominent fruit distributors, Fyffes has enjoyed an overwhelming amount of success since its founding all those years ago in 1888. Not only are they still in existence, but they have still maintained their image as one of the fruit industry's big guns. A huge contributing factor to their success was tapping into the retail supermarket area and producing at a large scale." Our business has evolved to meet the needs of the big retailers and today, 90% of our produce is destined for supermarket." (Barrett, 2013)

Fyffes is Europe's biggest banana importer with estimated sales of about €1 billion annually, exporting up to 40 million boxes of bananas (roughly 4.5 billion bananas) and 8.5 million boxes of pineapples from farms in Costa Rica, Belize and Panama every year. Ireland accounts for 10 per cent of the company's exports. They became the first company in their area to place a brand on their fruit in 1929. The company's approach to business in today's market is structured by the same commitment to quality and confidence in the integrity of its fruit that prompted the introduction of the pioneering brand label idea.

As a company, Fyffes have pledged to carrying out the utmost of fair trade as well as environmentally sustainable production. Innovation is a highly influential factor in relation to Fyffes' approach carrying out business. " Fyffes taps container technology to broaden market reach" (Carswell, 2013)

This is a recent example of innovation where Fyffes propose the use of a new container system which can preserve fruit for as long as 35 days. This would allow the company to export more produce into Europe, better quality food

into Russia and more fruit into the Middle East. Growth in business is something that Fyffes concentrate on every year and they are currently succeeding to do so according to a recent article on the Dublin headquartered company.

“ The Dublin-headquartered international banana exporter yesterday posted pre-tax profits of €22. 2m for the first six months of 2013, a 1. 1% increase on the same period last year.” (Percival, 2013) However in 2007, Fyffes suffered an 11% fall in first- half profits because of losses at its melon joint venture in Brazil. This is one of very few examples of occasions of misfired venture for the company, where they suffered a €2. 8m loss from their share of a Brazil-based melon producer Nolem. This was an event which was uncharacteristic of the company and it wasn't ignored, judging by a statement released at the time. " Significant internal resources have gone into addressing Nolem's business in order to deliver an improved result in the forthcoming season" (Guider, 2007).

## Conclusion

Fyffes are an excellent example of a public quoted Irish company who have experienced success in international markets. Their innovative use of the blue label way back in 1929 made them the first fruit brand in the market. This was a huge development from Fyffes and has set them up to be the instantly recognisable brand they are today. This is a brand that has loyal customers who associate the Fyffes fruit with reliability, sustainability and most importantly a high quality product. It is this basis that has allowed them to grow into the flourishing business they are today along with their tactful low-risk foreign entry strategy.