

A Search for Value Propositions for Small Food Firms

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Abstract— The value proposition has largely affected firms in the growth of the business. A firm needs to comprehend which needs are to be addressed in order to satisfy the market for the values created. This paper is aimed at exploring the components of value that constitute the proposition. This profound question was investigated by the collection of interviews in the media achieved. The content analysis technique was employed to manipulate data. This research indicates that there are eight values that small food firms should consider in developing a value proposition. These eight values have a substantial impact on the decision making of the gatekeepers, which are standards, product quality, relationship, profitability, convenience, food and taste, communication, and experience. The value proposition acts as a gateway to the market. The interruption in the value delivery process perilously increases the risk of being a dead-ended product. The key managerial insight contributes by this paper is that the cascading of the value tiers reveals the novelty components of how the value proposition has been constructed.

Keywords— *value proposition, small firm, food business, value chain, supply chain.*

1. Introduction

Value propositions are widely perceived as the key strategic role of a firm [1]. [2] expounded that the value proposition is an integration of the supply chain network. Firms intend to insinuate their product or service attributes as well as brand values into the mind of the prospects to gain recognition advantage over rivals. [3] noted that the concept of value proposition has currently been expedited beyond the reflection of the product values. A systematic study of the anatomy of the value proposition is under investigation in both terms of qualitative and quantitative data [4]. A new paradigm of value views indicates that the value proposition has a strong contributory impact on

stakeholders in the marketplace. Market responses to a particular value offered by a firm are expressed in terms of “trustworthiness” [9] for the exchange process. Thus, value propositions are crucial to the rise or fall of the firm. The word “Value Propositions” was coined in 1988 by Lanning and Michaels from their work at McKinsey & Co. consultants [3]; [4]. They gave the definition of the value proposition as “*A clear, simple statement of the benefits, both tangible and intangible, provided by the company, along with the approximate price it will charge each customer*” [7]. [6] stated that value occurs when there is an interaction of activities between a consumer and the firm’s offerings, in certain comparative situations, selection preferential, which is projected into the total customer experience. [7] added that the value proposition poses as a mutual benefit between customer and supplier to adhere to a given exchange promise. [5] argued that there is no academically clear definition of a value proposition in what it stands for, but there is a need to study to be formed [8]. Distinctive value propositions offered to different stakeholders run into a sequential layer in the value chain network. [9] illustrated that stakeholders are a group that has been tasked directly to change the company, whereas [10] mentioned that tasks could either be internal or external. The internal tasks are activities that occur within a firm. The perception of value propositions, scholarly communicated, seem non- proportionate to giving a favorable appraisal at the consumer level, even though the end-user is considered as the final destination of the exchange process. [4] asserted that value propositions could stem from the co-creation in a different sector of business operations. The value propositions, indifferently offered ways are proposed in different contexts to the different entities in the value chain [12]. [13] indicated that the value delivery system could have emerged in

three sequential steps; choosing the value, provision of the value, and finally, communication of the value. These three steps of value deliverance have a significant impact on the different levels of gatekeepers in the adoption of the exchange process. The three gatekeepers lying in the value chain are regulators, distributors, and consumers. These three constituents are crucial in the value delivery system as they act as stage gates in regulating the flow of values to the market.

The Three Tiers of Gatekeeper

The regulator is top in the adoption of the exchange process. The regulator is the policy executioner who governs and facilitates firms to comply within the context of laws and legislation in a particular market. [14] pointed out that the existence of regulation is to compel firms to align their behaviors for the desired outcomes. The regulator has the literal responsibility for protecting and promoting the interests of consumers [15]. Values could not flow from producer to end-user unless approved by the authorities. In the food and drugs market, the regulator has an imperative role in determining the entrance or exit of the products to the market. The regulator applies an array of tools in preventing unsafe or deficient standard products being released to the market. These tools include acts, standard codes, marks, licenses, labels, specifications, and certificates.

The distributor is the middleman in the reselling of a firm's products. They appear in different forms of a distributor, trader, agent, broker, wholesaler, retailer, direct selling, franchising, or licensing store. [16] stated that the distributor presents itself as the entrance gate for the producer to meet with the consumer. [17] pointed out that choosing the correct distributor is an imperative asset to a firm when planning to maneuver into selected geographic locations. [18] supported that the distributor helps the firm to better manage the uncertainty of market demand. Therefore, the firm has to understand the distributors' demand and their limitations in order to produce their maximum value-in-need. Developing a strong bond with the distributor enables a firm to discover the unmet need of the distributor. When a firm is selecting a distributor, consideration must be given to market dominance, quality of service distribution, and the ability to draw customer attention must come into account. A poor relationship with the distributors may result in

the termination of the business operation. A firm is vulnerable at birth to product undervalue and puts future sales success at risk without the acceptance of the distributor to distribute and market the firm's product.

The consumer is the final destination for a firm in delivering value. In this layer, a firm encounters the multiple facets of consumer demand. The value of a firm's product on offer may, by necessity, differ in response to the needs of particular customer segments. [7] revealed that the customers' approval of a firm's value propositions would facilitate the mutual co-creation of value. This incident indicated that the firm's value should align with the consumer's willingness to pay. Thus, firm performance is relatively dependent on the value the firm has offered to the market. [19] described that the value proposition is the engine that drives a firm to solve customer problems and satisfy consumer needs. As a value proposition is intangible, the evidence of value benefits will only be revealed with the customer experience in the use of the products [4].

2. Research and Methodology

As the value proposition has been clearly cascaded into tiers, it still lacks an understanding of how the small food firm will align the value propositions to the gatekeepers. In order to answer this question, we apply grounded theory to obtain an insight into the values that constitute the propositions from the video interview of thirteen food firms and the content analysis technique to analyze data. The content analysis can provide new insight that reflects facts and a practical guide to action [20]. The selected samples were the small size food firms when they started their businesses. The videos archived of the small-sized food firms on Youtube take place between the years 2010 to 2018 at different interval times. The samples which were drawn from the Youtube archived shared certain commonality characteristics in developing the firm's selection criteria. The criteria that determine the fitting characteristics of a small food firm that the researcher is interested in making case studies are of the following. (1) all cases are presently mid-sized food firms that function as both food processors and sellers. (2) None of them is a food broker whose main role is purely buying food products for a resale purpose. (3) All of them have earned certain kinds of achievement awards, or as winners in food competitions. (4) All of them were

still in the food business during the data collection period.

We selected the mid-size food firms as they were small initially, but they were very efficient and continuously experienced, growing to become medium-sized food firms at present.

The idea of applying the grounded theory is to use qualitative data to formulate the theory. The unit of analysis was the sentences that transcript from 125 interviews of 13 mid-size food firms video achieved on YouTube. The coding procedure begins with an "Open Code." The open code is the process of comprehending the meaning of sentences by breaking the whole conversations down into small units and labeling the data. In this stage, we were able to separate 867 sentences from the interview contents. The coded sentences have scrutinized the differences and similarities to investigate the pattern of action [21]. The related patterns were assigned to the meaningful akin categories in the "Axial Code" process. The assigned categories were eventually consolidated into the core categories by their relatives in the "Selective Code" process.

After reviewing the videos, we carefully transcribed all data, verified them, and assigned codes. We then assigned 131 codes to data that are related to the value propositions. After that, we rechecked, rearranged, reassign the codes, and finally regrouped them based on thematic similarity.

3. Result

The extraction of codes from the interviews can be grouped into three groups in selective code and eight value propositions in axial code. Each value is meticulously distributed according to the concerns of the gatekeeper. The eight value propositions are standard, product quality, relationships, profitability, convenience, food and taste, communication, and experience. Table 1 presents the assigned codes of the related contents, derived from the executives of food firms, to a particular division of the gatekeepers in selective code.

Our findings showed eight value propositions that influenced the decisions of gatekeepers in admitting or accepting a firm's product for their consideration. The most significant concern of the regulator in accepting a firm's value is compliance with food standards. Food firm products' presence depends mostly on the ability of a particular firm to present the values to meet the regulator's requirements. Standards

refer to the safety of food products produced from reliable and certified factories, which then provide sufficient qualities of product for both domestic consumption as well as export capability.

The distributor pays attention to four kinds of value, which are product quality, relationships, profitability, and convenience. Developing and maintaining good relationships with distributors can enhance the growth of a firm; additional space allocation, purchase of more product, exclusivity deals, and extra promotional space allowance can be expected from the continuing relationship with the distributor. Profitability is also of interest to distributors. Profitability comes in the form of profit-sharing, profit margin and allowances, continuity of supply, and persuasive offered to price. Convenience is the ability of firms to facilitate their customers through multiple channels of distribution; retailers, wholesalers, e-tailing, and mailing. Convenience also refers to the viability of an outlet or point-of-contact where consumers can easily gain access. Food firms need to present their promising offerings of values in order to win sales space from the distributors.

The last value propositions are the value that consumers pay attention to, which are the foods and taste, the channel of communication, and the moment of experience. Food and taste are combinations of food and taste values. Food values are the attributes and benefits the consumer will experience from buying the firm's products. Taste value is food flavor, food essence, which comes from the development of new kinds of foods or a new chapter of the recipes. Communication is the way a firm uses to convey messages regarding the distinctiveness of the firm's products to the consumer. Product and brand point-of-differentiation, using promotional campaigns are strong persuasive messages that affect the decision-making process of the consumer. Product benefits address the solution to apprehension and relieve the customer's distress. Feedback and prompt response bring about admiration of the brand. Experience is created from the customer's contact with brands. Experience induces product history in one's lifetime. The more the positive experience customers gain, the greater the delight of customer engagement to a firms' products and brands. Figure 1 is the representation of the value propositions associated with each gatekeeper.

Table 1. Coding

Selective Code	Axial Code	Open Code
Regulator	Standard	<p>“All shrimp farms that we are dealing with earned GAP and COC certificates.”</p> <p>“We make sure that the coconuts farms receive GAP, HACCP, GMP certificates.”</p> <p>“Our products earned the Thailand FDA mark, and they are good for domestic sales.”</p> <p>“We look for certified factories that comply with food safety standards.”</p>
Distributors	Product Quality	<p>“With this level of quality, we shipped products to Malaysia, Singapore, Indonesia, and Taiwan.”</p> <p>“Our products are 100% preservative-free.”, “100% free of monosodium glutamate.”</p> <p>“Our products have a one-year shelf life. The shelf-life period is good for overseas distribution.”</p> <p>“We look for the top tier quality vegetables grown under the Greenday process.”</p> <p>“Innovation is not only the product itself but also the smartest of the tools.”</p>
	Relationships	<p>“We develop good relationships with the distributors.”</p> <p>“Thai markets ask us to supply our products for retailing.”</p> <p>“Development of long been relationships makes them generously offer increased sales space to us.”</p> <p>“They have given good recommendations to friends and relatives to purchase from us.”</p> <p>“Our diffusion of a product starts from word-of-mouth regarding quality.”</p> <p>“We earned the 7-Eleven product award of the year.”</p> <p>“The Australian importer asked us for the rights to exclusive sales.”</p> <p>“80% of the stirring pineapple of the Singapore importers are our clients.”</p>
	Profitability	<p>“We need mass volume sales to achieve economy of scale.”</p> <p>“They are delighted with our bakery. They order huge amounts from us.”</p> <p>“Our offered prices are very market competitive.”</p> <p>“We partner them to expand our business.”</p> <p>“We have better cost management. When the raw material prices are soaring, our competitors raise their prices. We reduce our prices. Therefore, the buyers have remained with us, on our side.”</p>
	Convenience	<p>“We need modern trade as it provides convenience to our customers in the purchase of our products.”</p> <p>“Mailing is the other source of convenience that they can enable us to reach consumers everywhere.”</p> <p>“Multiple outlets empower us to cover all possible geographical locations.”</p> <p>“70% of our income is earned from E-tailing.”</p> <p>“New services can shorten the delivery time by 4 to 5 days from the original three weeks delivery.”</p>
Consumers	Food and Taste	<p>“When they first sampled our product, they contacted us promptly.”</p> <p>“Product should not only provide good smell and taste delicious but should have much more.”</p> <p>“At the moment, we are in favor of clean-eating customers.”</p> <p>“We calculate how many calories the body needs in one portion of our Granola.”</p> <p>“The heart and soul of our products can be defined as ‘Delicious.’”</p> <p>“We have developed an online system to make it easy for our customers to place and replace orders.”</p>
	Communication	<p>“We are the prime mover in this business, and then we have much time to talk with our customers.”</p> <p>“We do not position our product for the occasional dinner, but wish to turn it into the essential meal for health-conscious customers.”</p> <p>“The name ‘Diamond Grains’ contains the added value in its meaning. The diamond is a valuable asset and is rare to find.”</p> <p>“Our point of differentiation is a thin-covered flour coating, and a mouthful of center-</p>

		filled ingredients.” “We changed our way of doing business and mindset within the company by listening to feedback from customers and to what they really need and want from our products.”
	Experience	“Our products go beyond the word “safe,” but should make consumption an enjoyable experience due to the quality they have received.” “I am very pleased when the customers tell me that our bakery products are so delicious.” “Clean food customers enjoy eating our product.” “We have our history, and customers love to hear it, and they share stories of their own with us.” “Those who want to buy our franchise are mostly regular customers.”

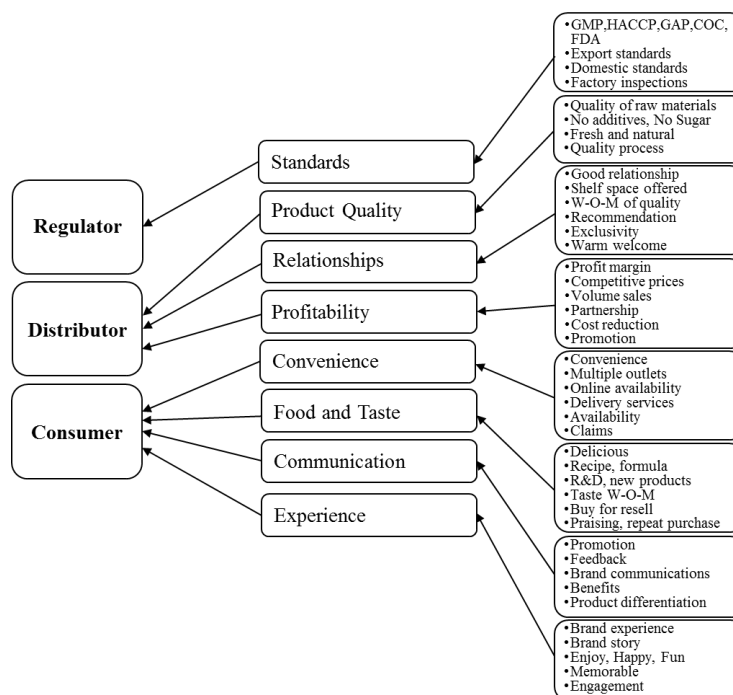


Figure 1. Value propositions associated with the gatekeepers

4. Conclusions

The value proposition is viewed as the reciprocal of the promise of value [5]. With a restriction of resources, small food firms cannot tolerate multiple failures. To stay alive in the business, a good design of value propositions is paramount. It is the firm's task to comprehend at whom the value is sincerely reflected in their needs. The firm has to create values to satisfy the three stakeholders or gatekeepers in the value chain before turning the consumer into the customer. The three gatekeepers are the regulator, the distributor, and the consumer. Our research aims to understand which of the components constitute the appealed values that small food firms used as offerings to the gatekeepers. What are the insightful values that had

relevance to the growth of a firm from small to mid-size? From the study, eight values were found that small firms used to offer as reciprocity of promises to the gatekeepers: standards, product quality, relationships, profitability, convenience, food and taste, communication, and experience. These eight values have a relative impact on the decision making of the gatekeepers in allowing the products to enter the market and finally into the hands of the final users. The value proposition acts as a gateway to the market. The interruption in the value proposition process perilously increases the risk of being a dead-ended product. The key managerial insight contributes by this paper is that the cascading of the value tiers reveals the novelty components of how the value proposition has been

constructed. The value offered to the gatekeepers should amount to needs and requirements.

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