

# Competing in Tomorrow's Marketplace: Strategic Implications for Agricultural Producers

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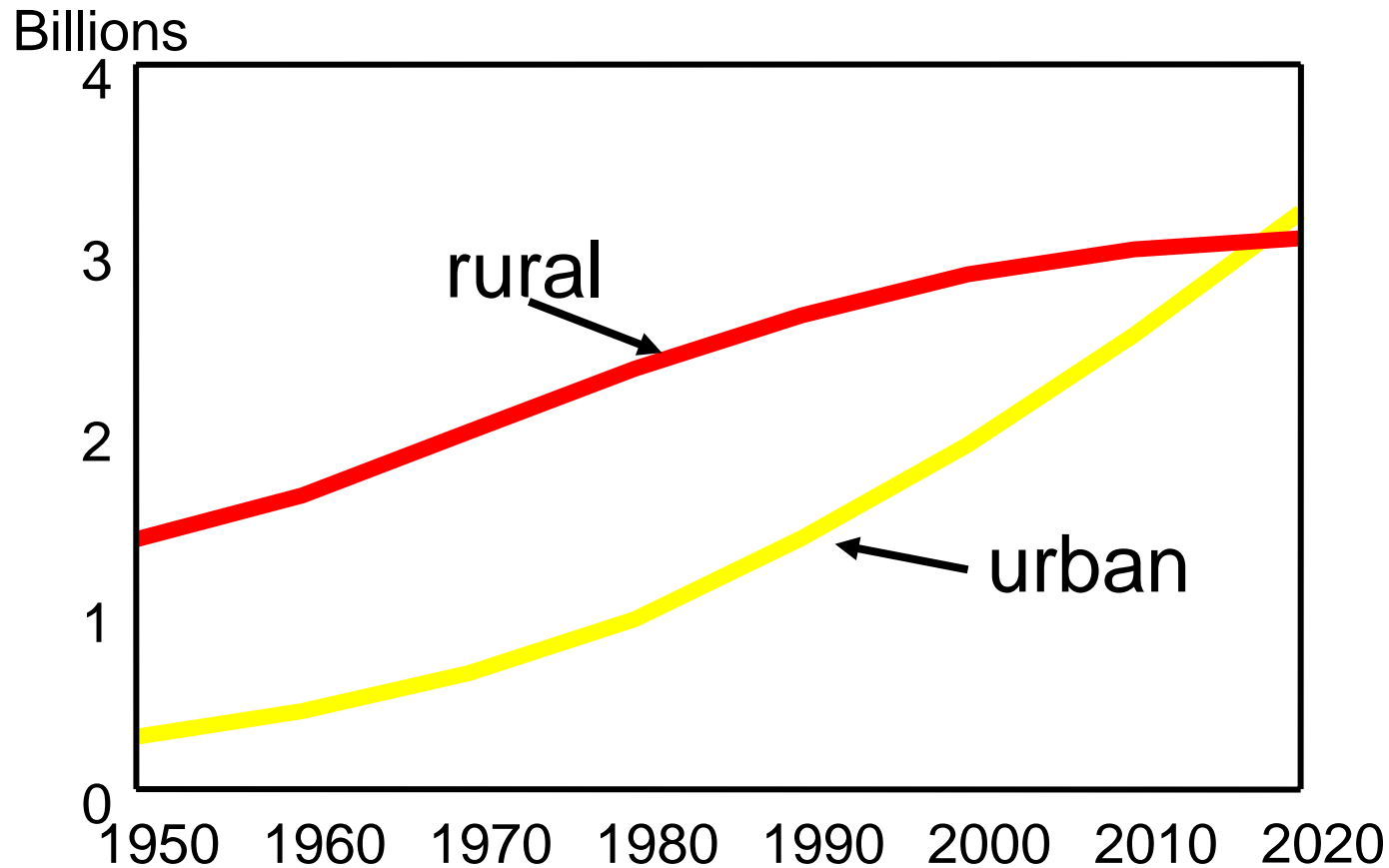
# Outline

- Global Marketing Channel Trends
- Value Disciplines and Market Orientation
- Case Study
- Takeaways for Agricultural Producers

# Mega Trends ~ Demographics

- Population size and growth rate
- Household size and structure
- Age structure
- Education
- Employment structure
- Income level and distribution
- Ethnicity

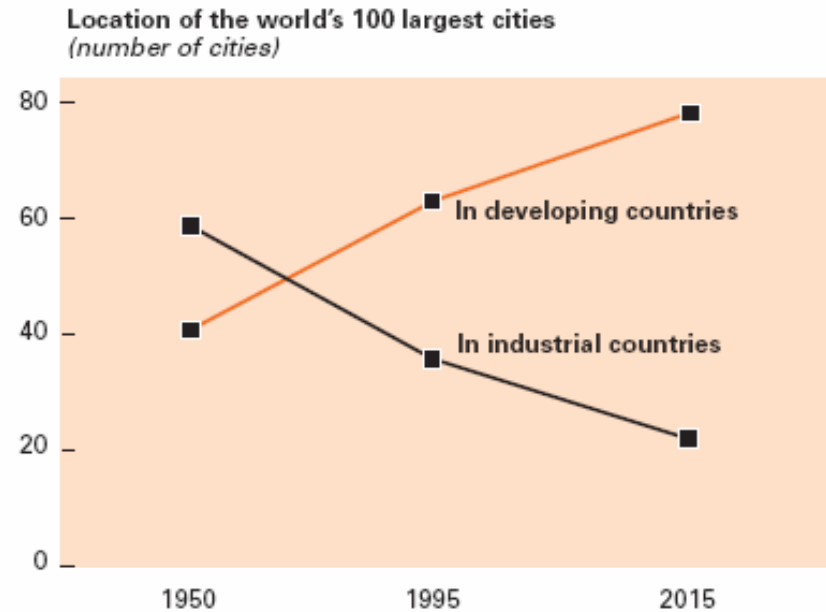
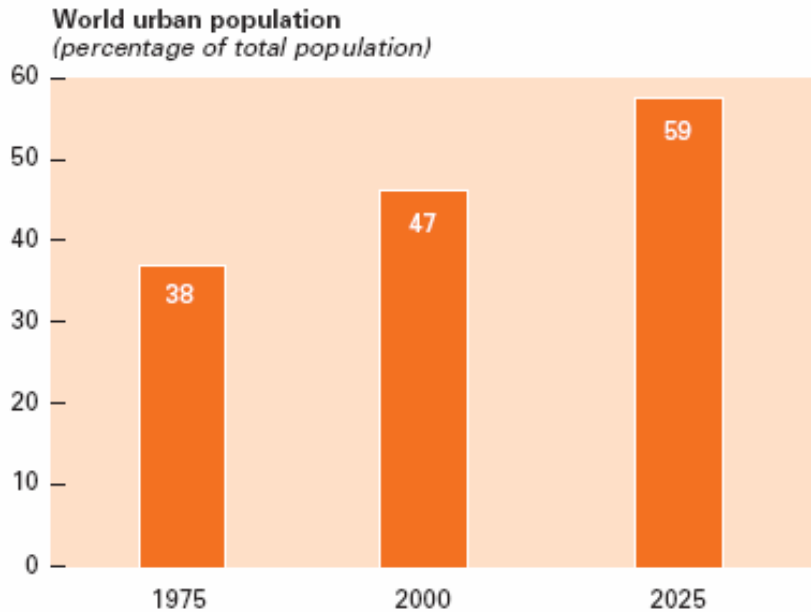
# Population Dynamics in Developing Countries (1950-2020)



# Urbanization

**Figure 7**

**Urban population is growing—primarily in developing countries**



Source: United Nations Department of International Economics and Social Affairs, *World Urbanization Prospects*, 1998.

# Polarization of Markets?



Global

Local

High Tech

High Touch

New and Improved

Traditional

Ready-to-Eat

Natural/Unprocessed

Low Price

Premium Price

Good For You

Naughty but Nice

All Year

Seasonal

Large-Scale

Craft-scale

Commodity Market

Speciality Market

Open Supply Chain

Closed Supply Chain

*Thus within tomorrow's market place that is characterized by decreasing prices, free capital flows, immediate technology transfer, rapid information exchange and increasing global competition*

## **Sustained Value Extraction**

*requires*

## **Excellence in the Marketing Process**

*...not only Production and Supply Chain Management!*

# Creating Value for Customers

## Three Common Value Disciplines

**Product Leadership**  
(State of the Art Technology)



*Successful  
Companies Excel  
in One Primary  
Discipline*



**Customer  
Intimacy**

(Tailor and Shape Offers  
for Individual Customers)



**Operational  
Excellence**

(Lead in Price and  
Convenience)





*What do you think about most days?  
Where do you invest the most?*



# Common Branding Approaches by Value Discipline

## **Brand Optimization**

**New Technology = New Brands**

*“New Brands That Mean Performance”*



**Product  
Leadership**

**Customer  
Intimacy**

**Operational  
Excellence**

## **Brand Proliferation**

**Customer Experiences and  
Needs Drive Brand and  
Line Extensions**

*“Just the Product for You”*

## **Brand Minimization**

**Minimize Brands to  
Maximize Efficiency**  
*“Brands Don’t Sell Products,  
Low Prices Do”*

# Common Pricing Approaches by Value Discipline

## Premium Pricing

**Driver: Manufacturer Perceived Benefits Value to Customer**

*“Premium Price for Premium Performance”*



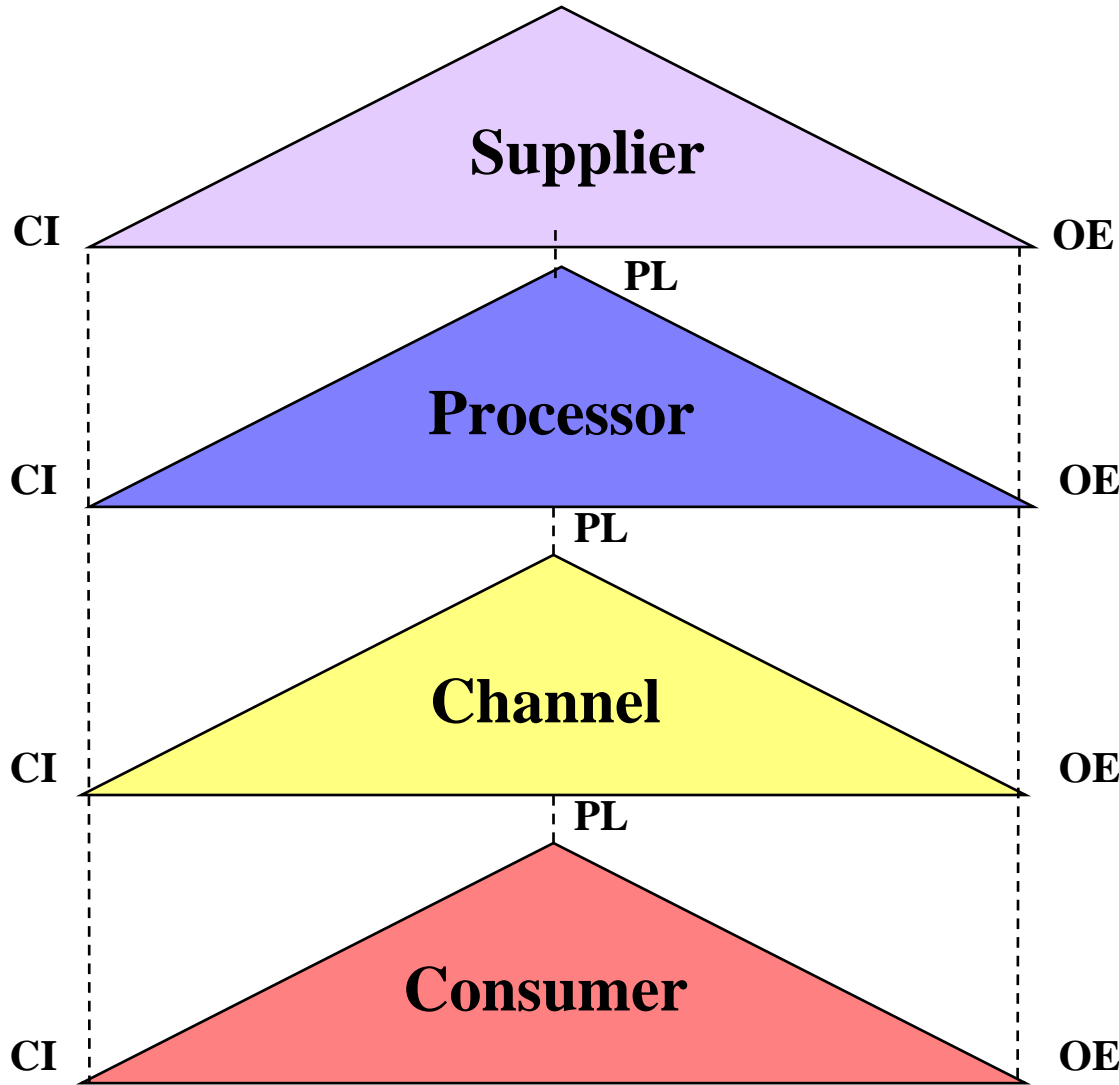
## Variable Pricing

**Driver: Channel and/or  
Customer Perceived Value**  
*“Programs for Everyone’s Needs”*

## Aggressive Pricing

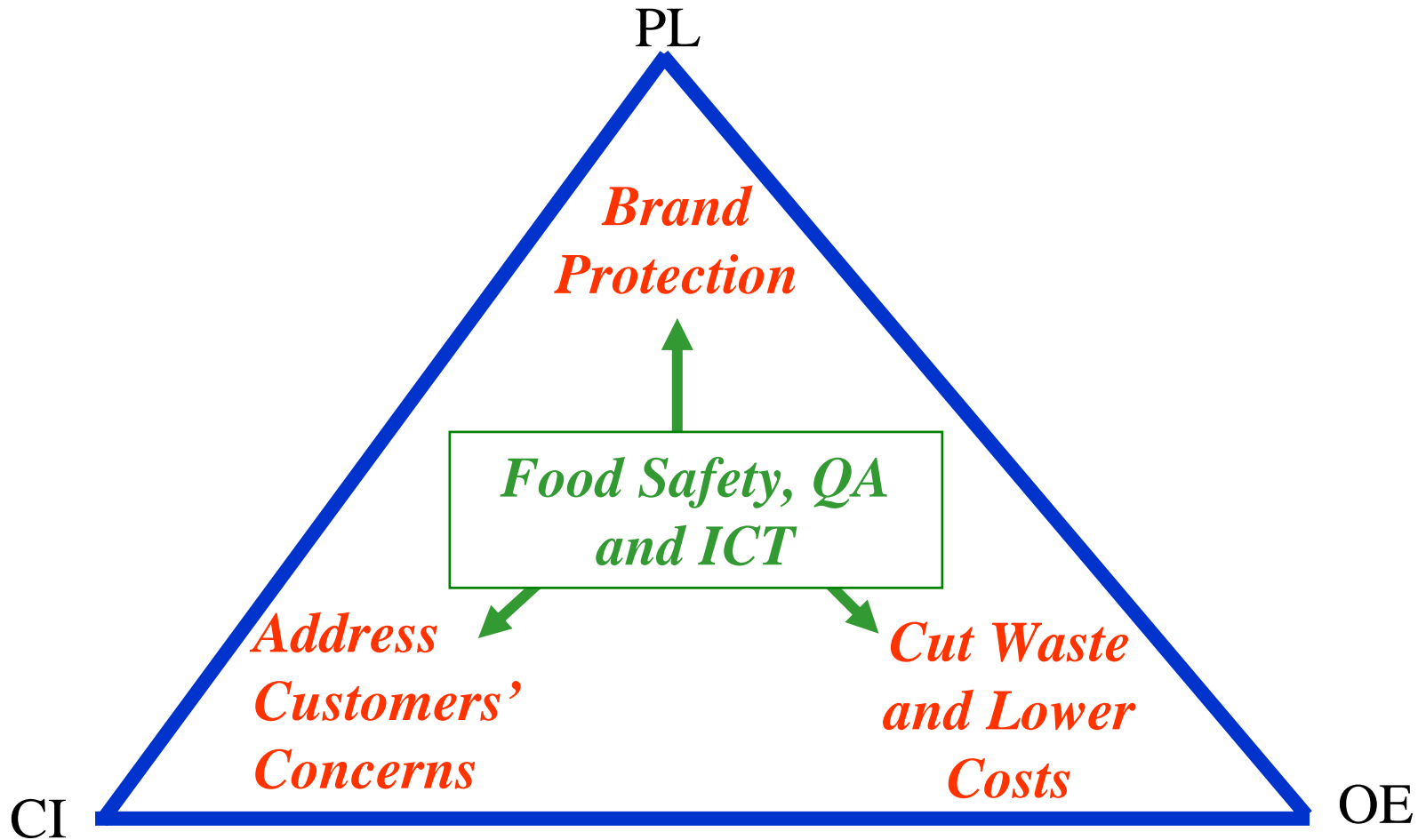
**Driver: Cost + Profit Expectations**  
*“Low Prices Drive Volume Up  
and Costs Down”*

# “Stacked” Value Disciplines



*Companies  
Align Around  
Each Other  
and Attract  
Customers  
Based on  
Their Value  
Disciplines*

# Food Safety, Quality Assurance and Information Technology

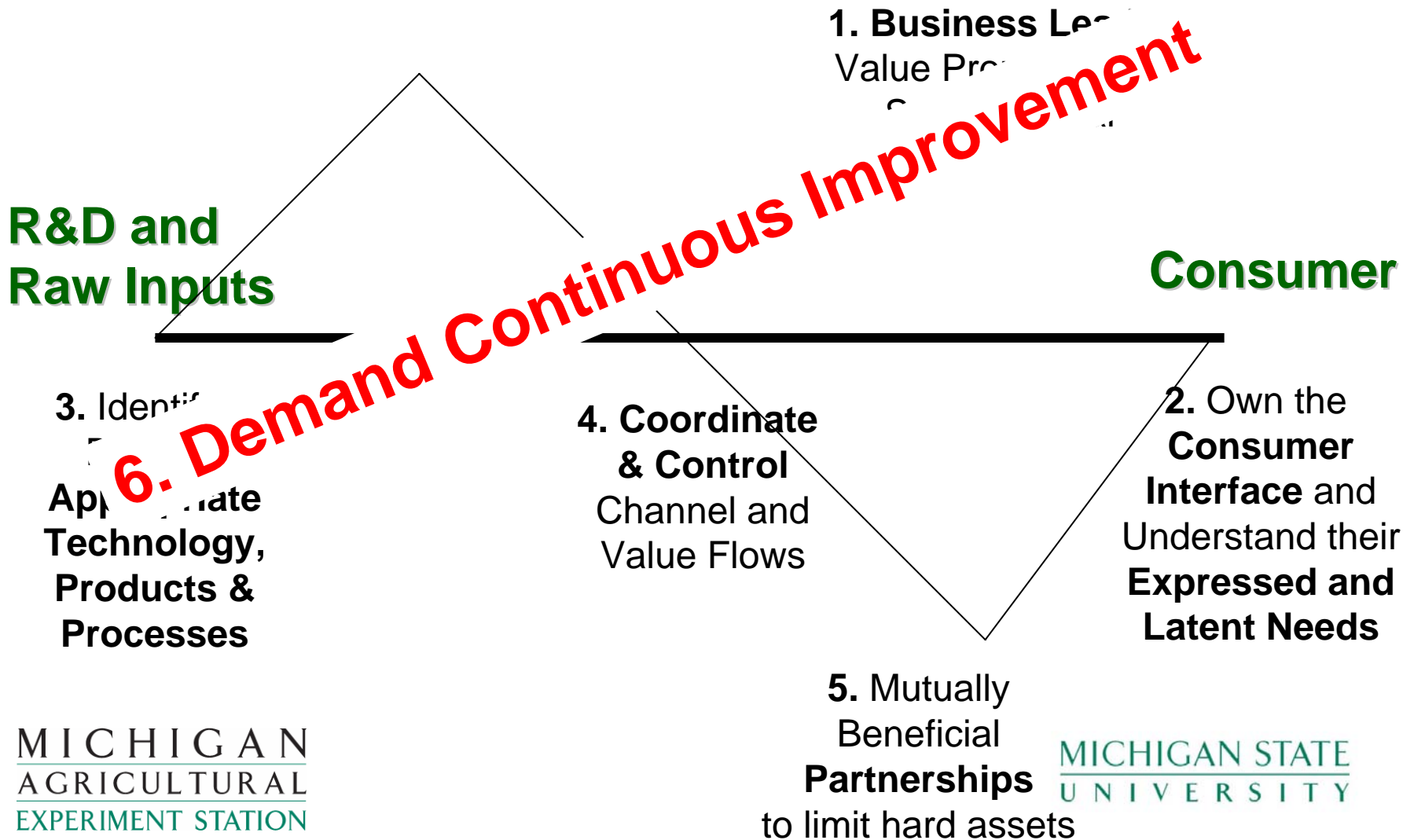


*Safety, Quality and Communications Critical to All Value Disciplines*

# The Farmer and Agribusiness Challenge

- How do you build and manage dynamic sustainable biological production systems to meet consumers and channel partners changing expressed and latent needs and value disciplines within an increasingly volatile and rapidly shifting global market place?

# Integrated Branded Marketing Channels



# Background

- NZ Agriculture – mid 1980's
  - Period of Structural Change
  - Political and Economic Upheaval
  - Subsidies and Barriers Removed
  - Traditional Markets Declining
  - Increased Uncertainty and Market Volatility
  - Dollar floated – FOREX risk
- Sheep Farmers
- Available Alternatives!
  - Do Nothing
  - Do Something, but what?
  - Get Out





# THE IDEA!

## Identify Unique Value Opportunity

- Market Challenge Provided in late 80's
- Visited the USA
- Market Opportunity Identified in Bay Area, CA
  - Chilled Lamb Product
    - High Disposable Income
    - Ethnic Group
      - Supermarket Chains
      - Restaurants



# Three Key Issues

- How to identify and develop the market?
  - Access Critical Market Knowledge
  - Identify Critical Products, Processes and Services
- How to develop the chain?
  - Farm to Market Flow
  - Governance and Organizational Structure
  - Resource Leveraging
- How to protect value creation and capture?
  - Branding
  - Relationship Management

# Identifying a Business Leader: Vision, Leadership, and Capital

- Two Business Leaders
- 50 Farmers
- Heavy Lamb Trust and Lean Meats
- Equity participation 100%
- Goal of **NO** Hard Assets
- Bank Financing
  - Working K
  - Secured by Inventory



# Own Consumer Interface: Atkins Ranch

- US Subsidiary ~ 1989
- US Brand – Atkins Ranch
  - **BUILD A BRAND STORY**
- International Food Marketing Consultant
  - Market Knowledge Source
- Dedicated Farmer in Market
  - Market Manager In Market Place
  - Knowledge Transfer and Learning



# Own Customer Interface: In Store Customer Service

- Chain Access
  - Buyer only the “gate keeper”
- Meat Managers and Butchers
  - Customer Relationship Managers
  - Empower Brand Ownership
  - Make Butchers your friend
  - Recognize their constraints
    - Cost Management & Product Availability
    - Customized Cuts, Promotion, Packaging, and Deliveries
  - Needs vary Across Stores



# Own Customer Interface: Brand and Solution Provision

- Customers
  - Differentiate on specific consumer attributes
  - Direct In-Store Promotion
    - With Managers and Kiwis
  - Specialty cuts and preparation
  - Recipes to suit look tastes
- Own the Meat Counter
  - Fresh and Packaged
  - Electronic Information System
    - Personal Link to Farmers and Store
    - Barrier to competition



# Coordination and Control – Mutually Beneficial Relationships

- Shipping and Transport
- Rented US Cool-Store
  - Rented Space
  - Transactional
- Local Processing Facility
  - On-site with Butchers
  - Daily Requirement and Dynamic Specs
  - Local Butcher Wins: higher value product
  - Key Relationship
- Customized Facility



# Coordination and Control – Mutually Beneficial Relationships

- Processing Plant
  - Asset Minimization and Flexibility
  - Primal Cuts
  - Special Packaging Technology (CAPTEC)
  - Toll Slaughtering and Processing
  - Processing Flexibility
    - Direct Communication between NZ and Berkeley
    - Co-op members in direct contact with Production Manager





# Cooperative Supply Issues

- Extra large 24 kilo Lamb
- Year-around Supply
  - Cost/Unit Increased
  - Management Complexity Increased
    - Farmers Core Competency
- Internal Pricing Grid
- High Minimum Requirements
- Contracted Additional Supply



# Continuous Improvement

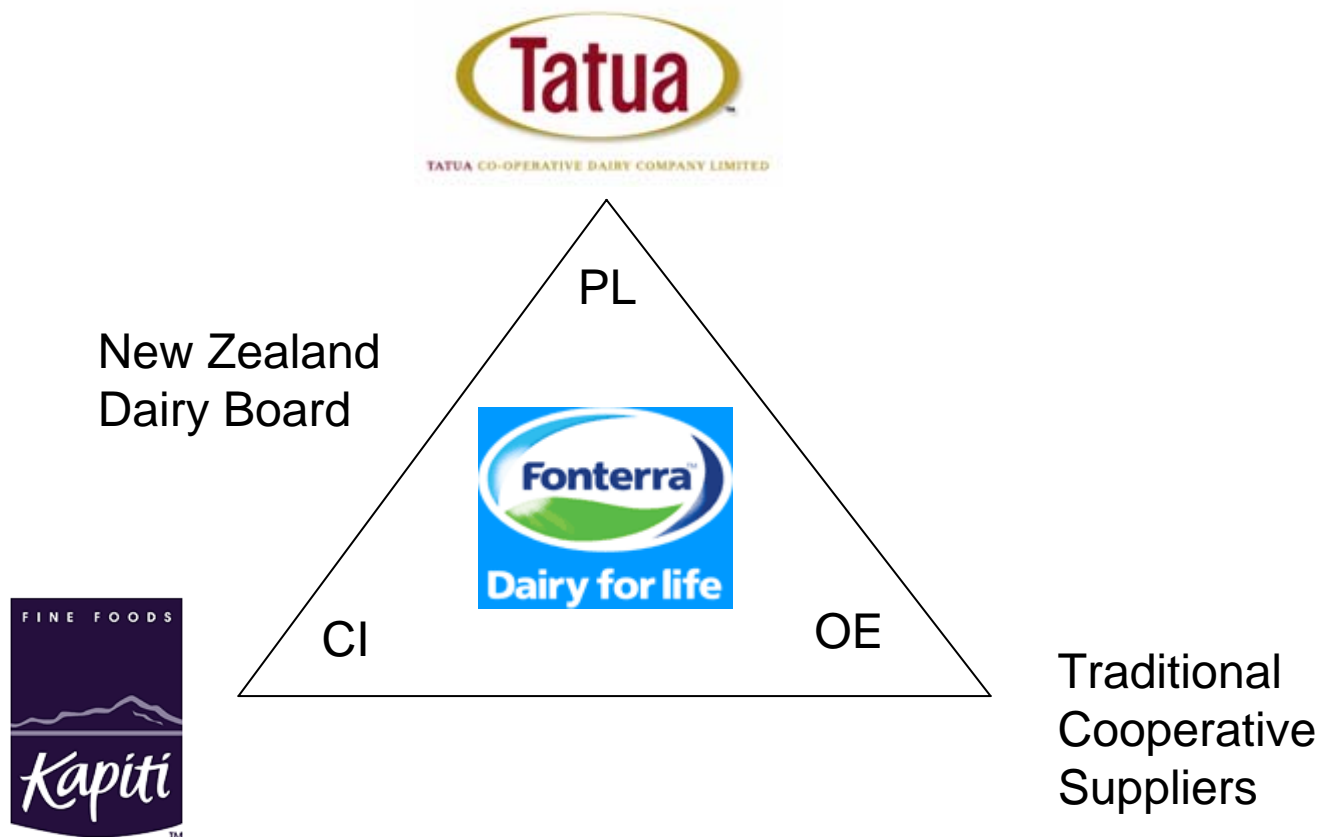
- Preferred Supplier and Category Manager
  - Leveraged Distribution System
  - Relationships Lock-In
- On Counter Electronic Information System
- US Cold Store and Cutting Floor
  - Ready-Packed Product
  - Flexibility
  - Physical Location
- Developed Slippage Markets



# Other New Zealand Examples

- Operational Excellence
  - PPCS, Alliance, and the NZ Lamb Company
- Product Leadership
  - Zespri, HortResearch, Italian Coops with Zespri Gold
  - Tatura and Protein technology
  - Enza, HortResearch, and Inglis Brothers with Jazz
- Customer Intimacy
  - Rossendale and Delmyers in Germany
  - Canterbury Meat Packers and UK supermarkets

# What about Fonterra!



# Agricultural Producer Takeaways

- Ensure there is a channel leader
  - value proposition and social capital
- Know your customer
  - marketing channel alignment
- Access consumer appropriate technology
- Ensure incentives are aligned and realistic
  - Do ex ante expectations = ex post perceptions?
- Understand your resources, capacities, competencies and strategic goals
- Does it all match together?