



## When Insider Trading... *is the right thing to do*

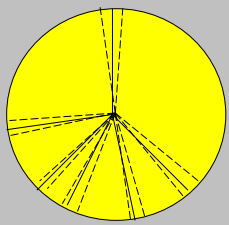
Martin Gooch  
Director  
Value Chain Management Centre  
December 3, 2012

### Receipts – Costs = Profits

- When consumers buy a product, money enters a “chain”
- The amount businesses receive and retain from that initial payment depends on two key factors
  1. Effectiveness of chain operations in relation to consumer demands / needs
    - » ↑ revenue
  2. Efficiency of value chain operations
    - » ↓ costs

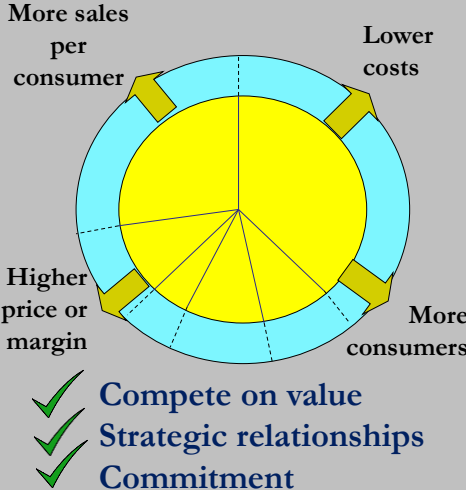
# Managers Have Choices

**Grow their slice**



**X Compete on price**  
**X Transactional relationships**  
**X Opportunistic behaviour**

**Grow the pie**



More sales per consumer  
 Lower costs  
 Higher price or margin  
 More consumers

✓ **Compete on value**  
 ✓ **Strategic relationships**  
 ✓ **Commitment**

Collins, 2012

*Value chain management: growing the pie*

## Knowledge & Experience Determines: Perspectives, Opportunities, Outcomes

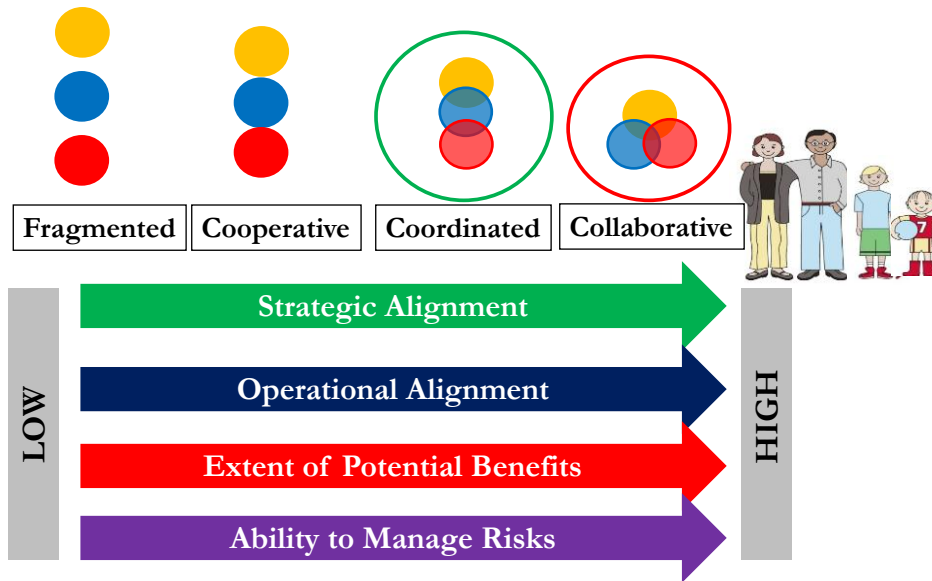
Duality



Dualism

**Anywhere between two opposing entities exist simultaneously, leading to a myriad of dynamic relationships and outcomes**

# Value Chain Structures and Benefits



## Sustainable Innovative Chains

- Have a strong recognized leader and lieutenants
  - » Primarily respected for their capabilities and ethics, not for their rank in the organization(s)
- Focus on managing determinants of quality
  - » Purposely do not focus on managing outcomes that are symptoms of an often dysfunctional system
- View trust as outcome of connecting the chain
  - » Incentives, culture, roles, accountabilities
- View premiums as a bonus that must be earned
  - » Primary efforts focused on reducing costs, accessing markets, creating ability to learn then adapt
- Enforce effective pricing / governance model
  - » Minimize free-loading, communicate market signals

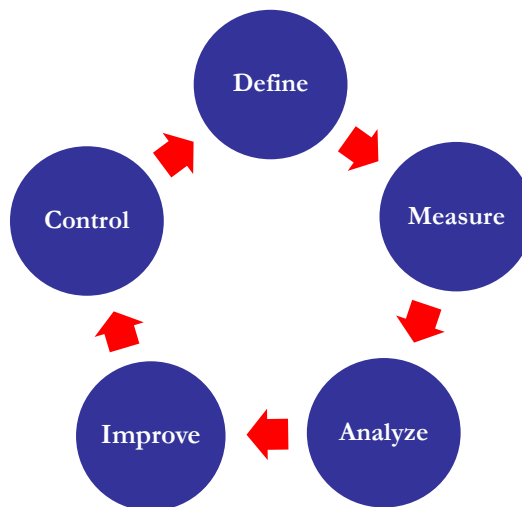


## Adapting To Change



## Where Can You Begin?

Focus foremost on root cause and effectiveness  
Not symptoms and efficiencies





## Value Chain Management

- Businesses that together form a chain make a deliberate decision to create more value
  - » Usually from a targeted market segment
  - » Reducing costs
  - » **And/or** increasing revenue
- Achieved by:
  - » Focusing on what consumers and customers value
  - » Getting the product right every time
  - » Ensuring effective logistics and distribution
  - » Having effective information and communication
  - » Building and sustaining effective relationships



Collaboration produces very difficult to copy outcomes

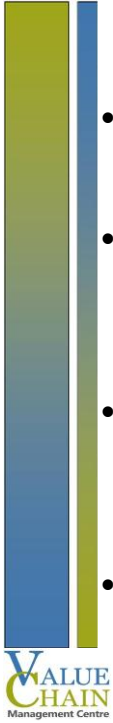


## Incremental Change

### Leading to Increased Profitability

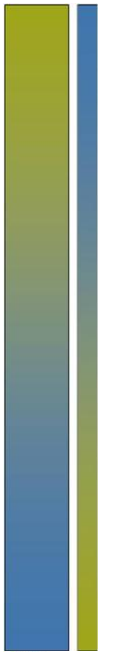
- Ontario Lamb producer
  - » Revised business plan, target specific markets
- Ontario Vegetable producer
  - » Became value chain champion, conduit to market
- Ontario Goat producer
  - » Management decision process, partner selection
- Ontario Grain producer
  - » Evaluated market opportunities, manages root cause
- Saskatchewan: beef producer and retailer
  - » Translated unviable business into profitable venture
- BC: Owner of construction business
  - » Applied lessons learned to constructing homes





## To Summarize So Far

- Change is unstoppable and unceasing
  - » If anything, the rate of change will increase
- Managers have choices: they can remain passive, resist change, or adapt to change
  - » Attitude determines behaviour (*not knowledge per se*)
- Managers who proactively adapt to change will have the best chance of prospering
  - » Determined by desire to learn and ability to act
- Collaboration is the most valuable source of commercially significant innovation
  - » Learn and collaborate, not constantly fight for price



## Platinum Peach Project

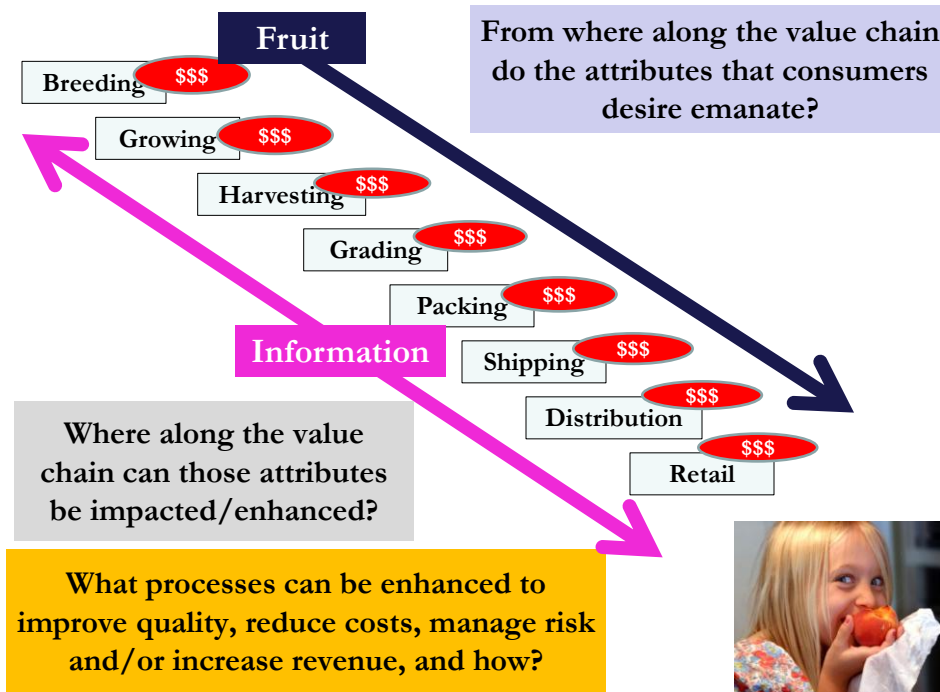


Agriculture and Agri-Food Canada

Agriculture et Agroalimentaire Canada



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## Improving Value Chain Performance

- Viewed the value chain as a “system” in order to:
  - » Diagnose the present state of the value chain
  - » Design, develop, execute system-wide improvements
- Value chain system comprises three sub-systems
  - » Product / technical sub-system
    - Production, processing, logistics = efficiencies
  - » Information / communication sub-system
    - Improving product and system performance
  - » Governance sub-system
    - Achieving operational and strategic alignment
- Multidisciplinary team
  - » Marketing, market research, operations, sensory, etc.

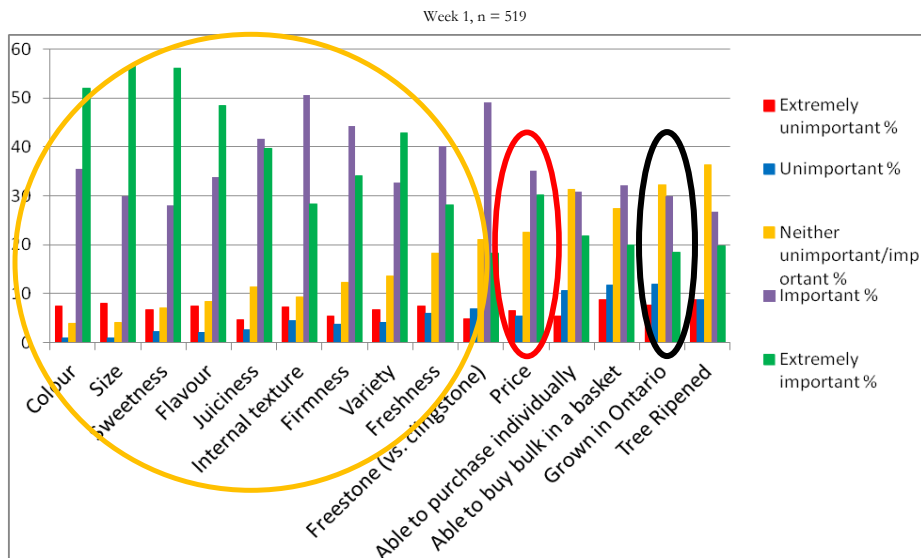
*through the lens of value as defined by target consumers*

## Consumer Research: Methodology

- Two sets of in-store consumer research
  1. Consumer attitudes & perceptions of new packaging
  2. Relative importance of attributes in driving behaviour
- Conducted in stores situated in & around GTA
  - » Store A
  - » Store B
  - » Store C
  - » Store D
- To help ensure that the findings reflected Canadian demographics, the research was conducted over three distinct shopping days
  - » Wednesday, Friday, Saturday
- Surveys developed in conjunction with LCL



## Comparative Importance of Attributes

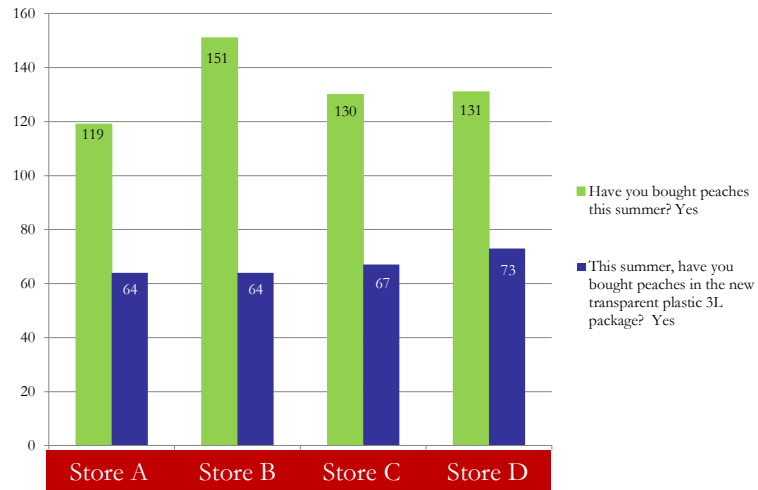


The most important drivers relate to eating quality and how consumers determine quality at point of purchase





## Peach Purchasers' Preference for Bulk vs. Packed, by store

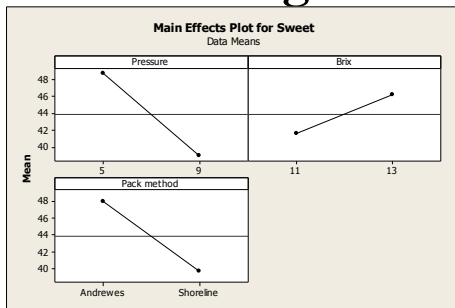


Responses in blue show the number of respondents who bought the 3L package among those who said that they bought peaches this summer. Packaged peaches were more popular in Store D.

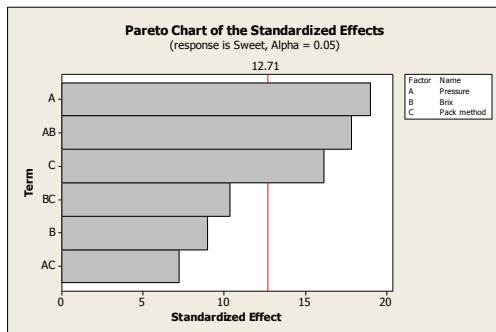
# Orchard Design of Experiment



## Design of Experiment, Results



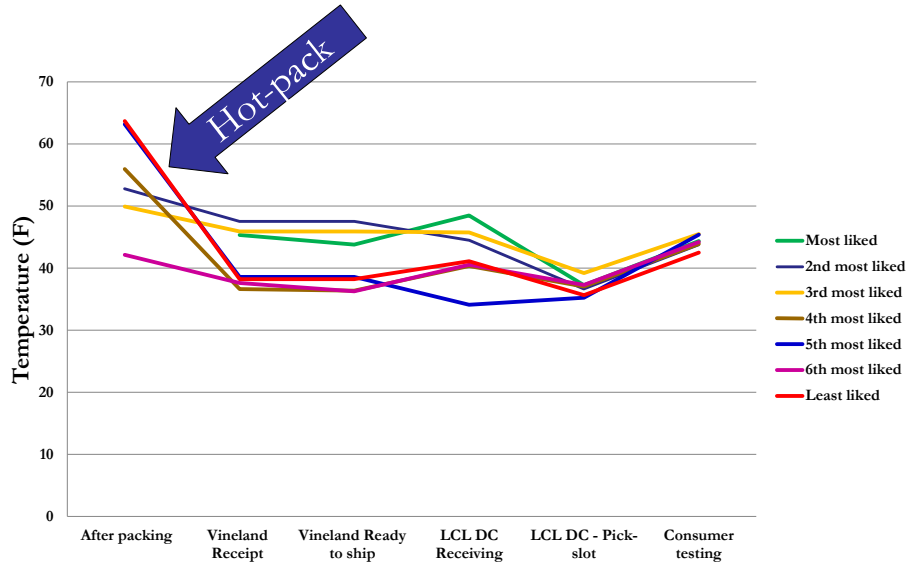
- Some risk characterizing a skid of fruit based on a small sample. Final P&B tests show good alignment, with DOE settings even after a number of days in the value chain.
- VRIC sensory panel 0-100 score of DOE lots for sweetness, juiciness and flavour determined that pressure, brix, and pack method are significant factors to producing a premium peach.



DOE Run	DOE Base		Differences	
	Pressure	Brix	Pressure	Brix
1	5.0	11.0	0.4	0.3
2	9.0	13.0	3.4	3.3
2	9.0	13.0	-0.8	1.3
3	5.0	13.0	-2.9	3.3
4	9.0	11.0	5.0	0.4
4	9.0	11.0	-1.1	-1.2
4	9.0	11.0	2.9	-0.4
5	5.0	11.0	-0.9	0.2
5	5.0	11.0	-3.9	2.2
6	9.0	13.0	1.6	1.1
6	9.0	13.0	1.2	1.1
7	5.0	13.0	3.4	0.2
7	5.0	13.0	3.0	2.6
7	5.0	13.0	3.6	1.7
8	9.0	11.0	1.7	0.0

# Chain Performance

## Pulp Temperature



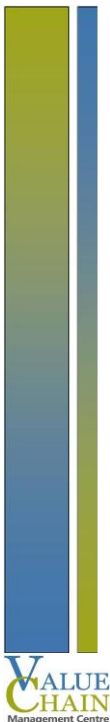
## Outcomes

- All factors positively impact attributes that determine consumers' perception of value in Ontario peaches
  - » Increased willingness to pay above commodity prices
  - » New market for Ontario-grown peaches
  - » Repeat purchases
- Increased volume of fruit meeting Platinum Peach specs
  - » Greater percentage of PP production harvested from each experimental block compared to control zone
- Cost effectiveness, profitability
  - » Added costs less than increased revenue = profit
  - » Forced air cooling and new packaging = consistency
  - » Improved handling practices = reduced shrinkage



## Critical Success Factors

1. Start off small
2. Vision
3. Restrained ambition
4. Effective leadership
5. Roles, responsibility, accountability
6. Motivation to continually improve
7. Build and maintain effective relationships
8. Effective communication strategies
9. Ability to create, share, & protect value
10. Experience things together



## In Summary...

- Value Chain Management (VCM) not just theory
- VCM is a business approach that works
- VCM occurs at the business level, then flows 'down' to the sector level
- Attitude is the key ingredient, not technology or logistics, or having the most efficient processes
- The ability to learn and co-innovate as a chain creates capabilities that are very difficult to copy
- The system invariably determines behaviour
- Never take your focus away from what customers and consumers value: invest in finding out



**Never EVER Forget**

**Consumers' memory of poor quality lasts far longer than the memory of the price they paid**



**Thank you!**

**Questions / Discussion**





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