

**Workflow: Value Chain Alignment**

# Toolkit 11.1

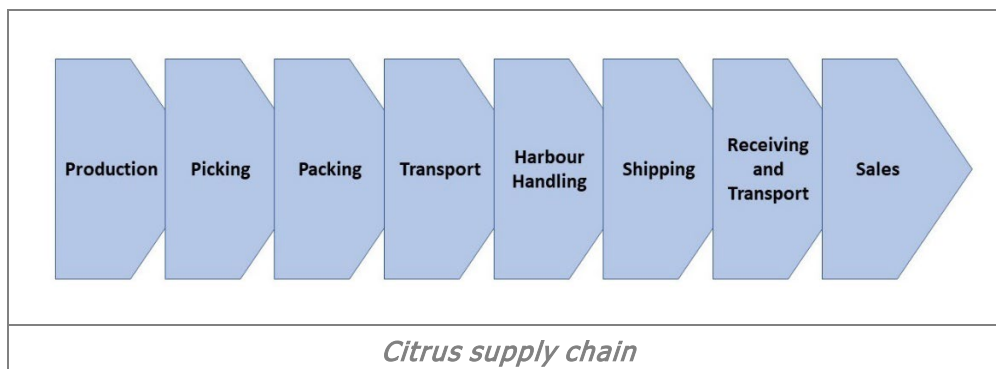
## Value Chain Alignment

### target audience

Leadership team, strategic partners, supervisors, and contractors.

### what it is

Below is an example of a citrus supply chain.



A supply chain represents the sequence of activities required to satisfy customer demand. In a citrus environment, this will include all farming activities, from the decision to establish an orchard, producing the product on the farm, harvesting, packhouse operations, distribution planning, distribution, shipping, and delivery to a customer. A value chain does the same, but with emphasis on a specific customer grouping with a specific definition of “value”. The requirements of the value chain (perceived value) will determine how the elements of the supply chain are used and aligned to create customer value.

A value chain can be described as a set of activities that a business operating in a specific industry performs to deliver a valuable product (i.e., goods and/or services) for the market. The concept was first described by Michael Porter in his 1985 best-seller, *Competitive Advantage: Creating and Sustaining Superior Performance* (Academic conference: LCAXVI 2016). Porter explains that companies need a clear strategy if they want to be successful and make a profit in a competitive environment. For example, should you offer a unique product to a specific market, or should you offer the cheapest price to all potential customers?

Aligning of the elements of the value chain will enable the value chain to deliver against the customer promise (requirement). For example, if a value chain requires a specific cultivar specifying size and sugar content, it will affect:

- Pruning and other flower and crop manipulation activities to regulate size.
- Timing of the harvesting to regulate sugar content.

- Cold storage conditions, e.g., de-greening.
- Quality control to confirm product readiness.
- Avoiding distribution delays en-route to the customer market.
- Customer satisfaction reporting.

## why it is important

Value chain alignment makes it possible for companies to achieve their strategic objectives (e.g., growth and profitability). Without an understanding of the elements of the value chain, the “value” that is requirement per customer segment and the alignment of the activities to deliver against the requirements, companies will never realise their full potential. In fact, they will likely struggle, and eventually go out of business.

The extent to which the farmer gets involved in value chain alignment will vary based on the business strategy. For example, if a farmer markets and sells to an overseas retail chain directly, he/she needs to control all aspects of the value chain. If, however, a farmer focuses on supplying product through an agent and into a larger organisation, they will need:

- A basic understanding of how the value chain works.
- Information on product performance (quality, price, etc.) to allow production changes on the farm.
- Opportunities to influence value chain performance, e.g., evaluating delays, agent performance, etc.
- The ability to influence sales and marketing decisions through the agent.

A value chain that is not aligned will result in delays, missing marketing opportunities, and additional costs. Very often, these are hidden from the farmer, and therefore, there is no opportunity to influence or improve.

## success factors

Key Success Factors / Questions to ask:

- Customer segmentation – What types of customers (customer groups) do you have?
- Customer requirements – What do our different customer groups require from us?
- Competitive positioning – How do we differentiate ourselves from our competitors in each of these market segments? Given product availability, where will my product fit the best in terms of satisfying specific customer needs.
- Develop value chain performance indicators – This will make it possible for all the individual elements/activities of the value chain to focus on the key outcomes from a customer perspective (customer defined value).
- Measuring the performance of the value chain and understanding current opportunities – What are our constraints? What are the most frequently occurring issues/problems?

- Communication – Good communication channels between the individual elements of the value chain. This will enable flexibility and help to make value chain adjustments when problems occur. At a minimum, the farmer should get feedback on:
- Price received per consignment.
  - Customer feedback both positive and negative.
  - Costs incurred as well as reasons for deviations between consignments.
  - Performance of the elements of the value chain.

## execution steps

1. Study the concept of a value chain and the importance of value chain alignment.
2. Discuss the implications of value chain alignment with the organisation or person responsible for sales and marketing.
3. Select the best fit of your production realities (variety, product availability, volume) and market opportunities. Very often this will be done by an agent, but the farmer should understand and be able to influence the selection.
4. Develop value chain performance indicators. A specific market might require a quick response (limited lead time) which would optimise price (price range indicated).
5. Deploy KPIs to the individual functional areas (decide what should be monitored in each functional area to ensure success in a particular value chain attribute and performance indicator).
6. Continue to monitor performance per value chain activity involving the farmer when taking corrective action.
7. At the end of the season revisit value chain positioning (product vs market strategy). At the same time, the annual (overall) performance of the elements of the value chain as well as role players (e.g., agents) needs to be evaluated.

## assessment questions

**Please Note:** There is no minimum / maximum amount of questions you can add

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| 1. | Do you get feedback on where and when your products are sold?                                                |
| 2. | Do you understand why your products are sold in a specific market?                                           |
| 3. | Do you participate in specific customer feedback and analysis concerning your products?                      |
| 4. | Do you understand the concept of a value chain?                                                              |
| 5. | Have you been involved in an analysis to determine specific market requirements?                             |
| 6. | Do you know what you can do to support compliance to specific customer requirements?                         |
| 7. | Do you get feedback on the performance of the elements of the value chain, e.g., packhouse, shipping, agent? |

## resources

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| 1. | Value Chains explained. Link: <a href="https://binged.it/2RomajK">https://binged.it/2RomajK</a> |
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