

Alberta Agriculture Branded Beef Strategy

Value Chain Workshop

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Differentiation and branding in red meat retailing

- Genetics - Certified Angus
- Production system - natural
- Feeding regime – pasture raised
- Region – Alberta beef
- Post-slaughter management – 14 or 21 days aged
- Retail outlet – marinated, service counters

Lessons from Producer Participation

- Competitive consumer aligned system
- Capabilities
- Partnering
- Payment systems
- Risk management

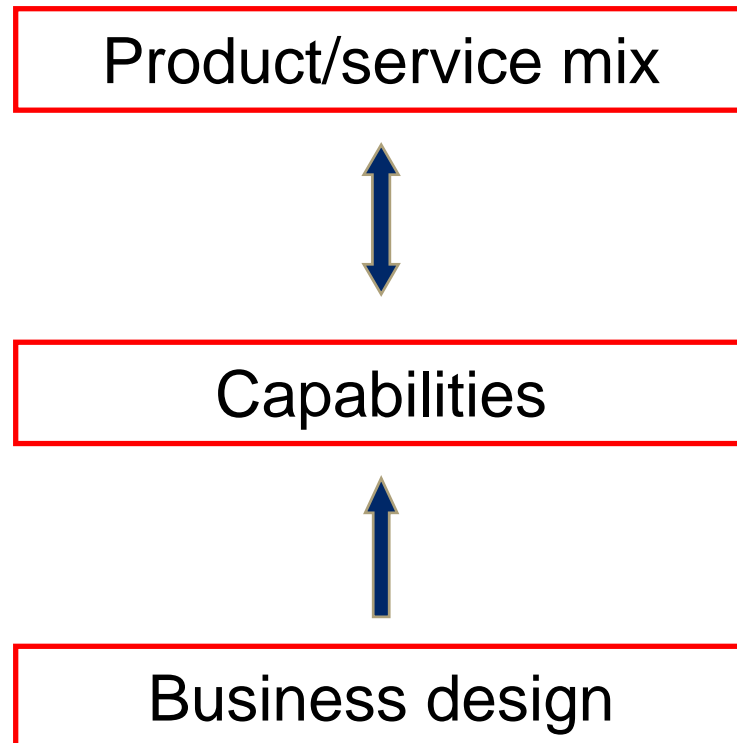
1. Being part of a competitive system

- Value for the end consumer
 - Does not have to be a premium segment
- Branding
 - Supplier or retailer brands work
- Consumer aligned performance goals
- Structure is secondary
 - But important

2. Capabilities

- Reward for capability development
- Capabilities create options
 - Market, customer, product expansion
- Capabilities evolve
 - And hence the relationship

2. Capabilities and business design



3. Partnering and alliance management

- A core capability
 - Retailers, suppliers, producers
- Supermarket account management
- Collaborative innovation with supermarkets

4. Payment systems

- Flexible
 - Reflect producer capabilities and risk appetite
- Balance the needs of the consumer and the producer
- Production system implications of value chains

5. Managing risks

- Consumer associated risks
 - Supermarket hurdles

- Innovation risk
 - Supermarket role in reducing the risks and costs of innovation

Checklists (examples of types of questions)

1. Consumer value
2. Supermarket relationship management
3. Needs of consumer and producer
4. Supply chain efficiency
5. Producer capabilities
6. Payment systems
7. Innovation management
8. Business design

1. Checklist: Consumer value

- Is the product concept consistent with changes in consumer priorities such as concern over the environment, increased flavour and convenience, and concerns over obesity?
- Is the product supported by a branding –either retailer or supplier brand – strategy to build a relationship with the end consumer over time?
- Are traceability and QA systems in place to consistently meet the brand promise and consumer expectations?
- Do the retailer and supplier work together to market the product with a range of advertising and merchandising activities – or do they simply rely on price discounting?

2. Supermarket relationship management

- Are supermarkets willing to share retail scanning data to assist the supplier monitor changes in consumer demand and identify innovation opportunities?
- Does the supplier have strong relationships at multiple levels in the retail customer – buyer, supply chain replenishment, senior category management, retail store operations and senior fresh food management?
- Does the chain have a portfolio of supermarket customers – or a reliance on a single supermarket? What strategies are in place to manage a portfolio of, or a single, customer?

3. Balancing the needs of consumer and producer

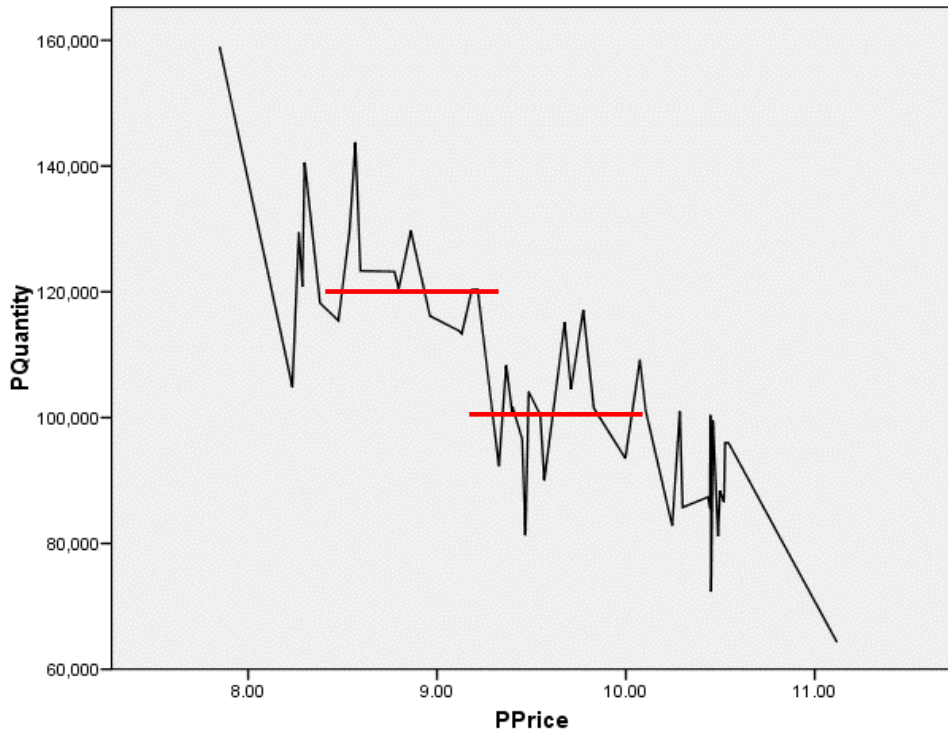
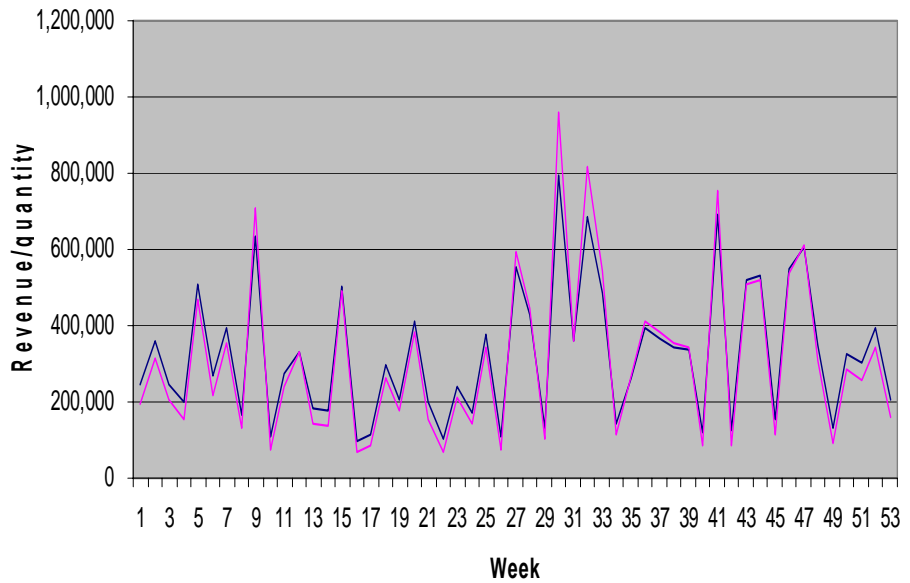
- Are the production implications – both yield and costs – of participating in the consumer aligned system well understood? Have strategies been developed to increase revenue and profit to overcome any negative production implications?
- Is the retailer willing to work with the supplier to assist in maximising the value of the carcass?
- Are product specifications set with the aim of balancing the needs of the consumer and the producer?
- Is there flexibility to change product specifications during the season if required?

4. Supply chain efficiency

- Do retailer ordering systems add to order volatility and processing costs?
- Is monthly, seasonal and annual demand forecasting systems in place? Is demand forecasting accuracy monitored?
- Are supply forecasting systems in place – and followed by producers? Is supply forecasting accuracy monitored?
- Does the flow of product exactly follow the information flow – or has the chain explored the benefits of segregating product and information flow?

2.3: Japan beef example

Product one



5. Producer capabilities

- What capabilities does the producer(s) offer the chain that would justify receiving more than commodity returns?
- Is the producer able to accurately forecast supply and deliver the agreed produce on time and to specifications?
- Is the producer able to quickly develop new capabilities?
- Has the producer resolved in their mind the degree of risk that they would like to take?

6. Payment systems

- Are systems in place to monitor the true costs of servicing each supermarket customer?
- Are payment systems transparent with itemised revenue and cost information?
- Is there flexibility in the risk/reward trade-off for producers?
- Do price setting mechanisms and contracts share the upside and downside of volatile commodity market movements?

7. Innovation management

- Does the supplier explore new ways of doing business with supermarket customers and with producers?
- Does the supplier have a formal new product development (NPD) process in place?
- Are innovation performance measures (such as the proportion of sales from products/packaging launched in the past three years) in place?
- Does the retailer play an active role in the innovation process, thereby reducing the cost and risk of innovation?

8. Business design

- Does the firm's (or chain's business design) encourage or constrain capability development?
- Does the firm have a different business design to competitors? Is this business design difference ultimately reflected in the product/service mix offered to supermarket customers and the end consumer?
- Does the firm appreciate the weaknesses of its business design and address strategies for addressing any weaknesses?
- Has the chain explored the option of shifting capabilities from one firm to another?