



Department of
Primary Industries and
Regional Development

A composite image showing a close-up of fresh salmon fillets with a green lime, a sprig of basil, and a lemon wedge. Below this, a large container ship is shown from an aerial perspective, loaded with colorful shipping containers.

Partnering for Customer Value

Report: Patterns of Success

Insights on how to succeed from 11 agribusiness case studies





Partnering for Customer Value

The Agribusiness Food and Trade (AFT) directorate of the Department of Primary Industries and Regional Development (DPIRD) works to enable growth in the value, competitiveness and diversification of the WA agrifood sector through facilitation of value adding, investment and export for the benefit of the community.

As part of this work, Partnering for Customer Value is providing research and business intelligence on practices that lead to international competitiveness and improved export capacity. A portfolio of cross-sector case studies shows real world examples of how businesses can build strategic relationships by delivering true value to their customers.

For more information

➔ dpird.wa.gov.au

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Department of
**Primary Industries and
Regional Development**

Phone: +61 1300 374 731
Email: enquiries@dpird.wa.gov.au

dpird.wa.gov.au

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Executive Summary

Achieving consistent business growth is challenging¹. This is true for large and small businesses, wherever their location. The Western Australia agrifood industry operates in a relatively small local market, requiring businesses to “export” (whether to the eastern states or internationally) in order to grow.

Export market development is particularly demanding. It takes longer, is more expensive, riskier and experiences larger swings than any business assumes at the outset². However, WA’s key export markets are increasingly attractive, achieving high growth that is projected to continue³.

WA’s agrifood industry is mostly small and medium-sized enterprises (SMEs), operating at a scale below that of most globally competitive businesses⁴. The fragmentation of the agrifood industry and its traditionally transactional nature often results in a lack of information sharing and customer knowledge across the value chain. Coupled with this is that Australia has high business costs relative to many competitors in the world market.

It is a challenging environment, but not a unique one, and numerous SME agribusinesses from other regions succeed in both domestic and export markets.

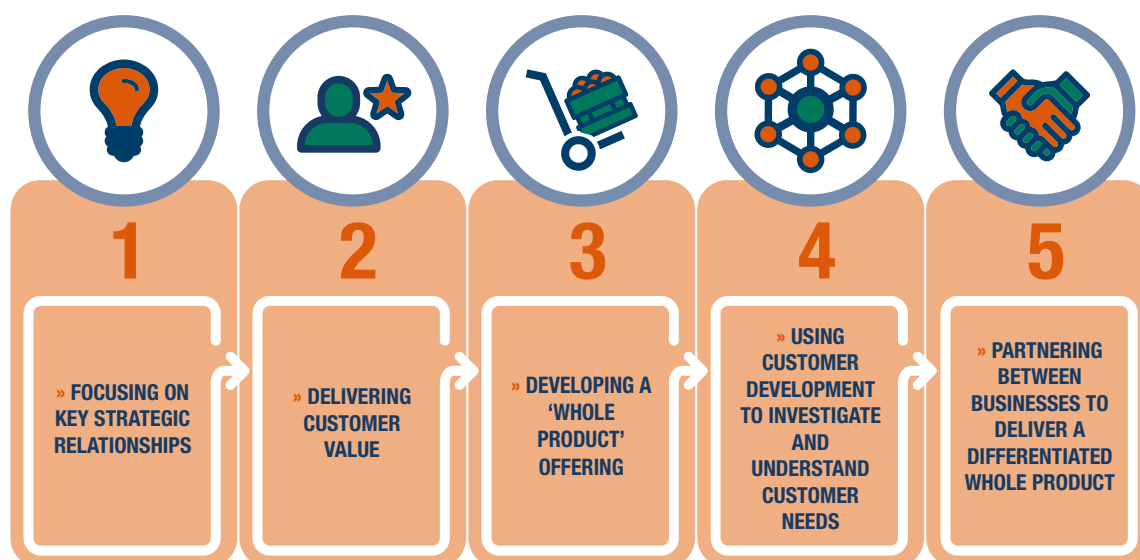
- 1 Jana Matthews (2018) Growing Companies in Western Australia, Accelerating business growth and job creation in Western Australia, Australian Centre for Business Growth proposal to the Western Australian Government
- 2 Andrew Fearn (2019) Case Studies in Export Value Chain Development: An Overview, Department of Primary Industries and Regional Development Western Australia, personal communication
- 3 Dr John Simmonds (2019) Follow the Value Chain: achieving consistent export business growth through supply chain collaboration, Department of Primary Industries and Regional Development
- 4 Coriolis Research (2016) Pathways to competitiveness: Final report v1.01f, Department of Primary Industries and Regional Development Western Australia

The key question is, “are there common patterns in what successful businesses do?”

The Agribusiness Food and Trade (AFT) directorate of the Department of Primary Industries and Regional Development (DPIRD) through the Partnering for Customer Value (P4CV) initiative commissioned a set of national and international case studies to help answer this question. The project looked outside of WA to learn from others who have been on the journey for longer. The case studies review practices employed by businesses that demonstrate patterns of success (and failure). The 11 case studies are separately published and available through the Partnering for Customer Value page on the DPIRD website (dpiird.wa.gov.au). The next stages of the project will include business resources and support programs developed in consultation with the WA agrifood industry. The aim is to enable consistent growth through WA agribusinesses being globally competitive and connected.

Several common patterns of behaviours that have assisted the businesses to transform and grow emerge from the case studies. This report draws out these business practices, explaining how they can assist businesses to succeed, with practical examples and evidence from the case studies. The five key concepts are listed below.

Five key patterns of success



These business behaviour patterns have contributed to some of the individual business outcomes highlighted in Example 1, on the following page.



EXAMPLE 1.

» BUSINESS OUTCOMES

Manbulloo

Became a major supplier of Kensington Pride mangoes to Coles supermarket under an eight year contract and exported more than 200 tonnes to key profitable markets during 2018. Prioritising which B2B customer relationships to invest the time and resources into in order to move to strategic partnerships is a key factor in its success.

Zespri

Recovered from the *Pseudomonas syringae* pv. *actinidiae* (PSA) outbreak in New Zealand to doubling its 2015–16 revenue to NZ\$4.5bn by 2025. Delivering true, differentiated value to its B2B customers from the most basic and functional services, to ease of doing business, and right through to the more inspirational value elements is a key factor in its success.

Beerenberg

Commissioned a \$14m factory expansion with exports of about \$28m in 2018 as well as being one of the best known brands in the Asia-Pacific hotel industry. Delivering a whole product offering with a hard-to-replicate advantage of innovative single serve portions is a key factor in its success.

Dingley Dell Pork

Recovered from a disease outbreak to become a premium pork producer supplying some of the world's top restaurants, despite being a boutique operation delivering 400 pigs per week for processing. Developing a whole product offering through an iterative customer development process is a key factor in its success.

OBE Organic

Transformed from a region of producers with a product the mainstream market increasingly did not value, to one of the longest standing meat marketing collaborations in Australia; receiving a premium for its organic, grass-fed beef. Discovering the right customer that values OBE Organic's whole product (to the tune of 12,000 head of cattle per year) is a key factor in its success.

Mountain Milk Co-operative

Established a co-operative and developed a strategic relationship with Freedom Foods, resulting in premium prices for its milk and reliable cash flow for its producers. Professional and structured partnership planning is a key factor in its success.

The case studies were analysed⁵ to highlight similarities and differences in the business decisions that were made and distinct 'patterns of success', or business management concepts, emerged.

These patterns of success were not unique to any specific product or industry. The case studies show that these concepts are applicable to WA scale businesses across all the agrifood sectors, and demonstrate how to achieve consistent business growth that is not dependent on operating at global industrial scale.

All 11 case studies demonstrate these five key patterns of success to varying degrees (Table1). Of the 14 businesses studied, nine have been successful while five have not⁶. There is a correlation between the businesses that have succeeded to date and the identified business behaviours.

The key insight is the need to deliver genuine, differentiated customer value.

TABLE 1. Case study businesses demonstrating the patterns of success

	Strategic Relationships	Whole Product	Customer Value	Customer Development	Value Chain Partnering
Manbulloo	●	●	●	●	●
Dingley Dell Pork	●	●	●	●	●
Zespri	●	●	●	●	●
OBE Organic	●	●	●	●	●
Mountain Milk	●	●	●	●	●
Sun Lychee & Exotico	●	●	●	●	●
Beerenberg	●	●	●	●	◐
Greenyard Frozen	●	●	●	●	◐
Island Fresh Seafoods	◐	○	◐	●	◐
Blue Stripe, ProForm Foods & Darwin Prawns	○	○	◐	◐	○
Carlsberg Null-LOX	○	○	◐	○	○

⁵ Dr John Simmonds (2019) Follow the Value Chain: achieving consistent export business growth through supply chain collaboration, Department of Primary Industries and Regional Development

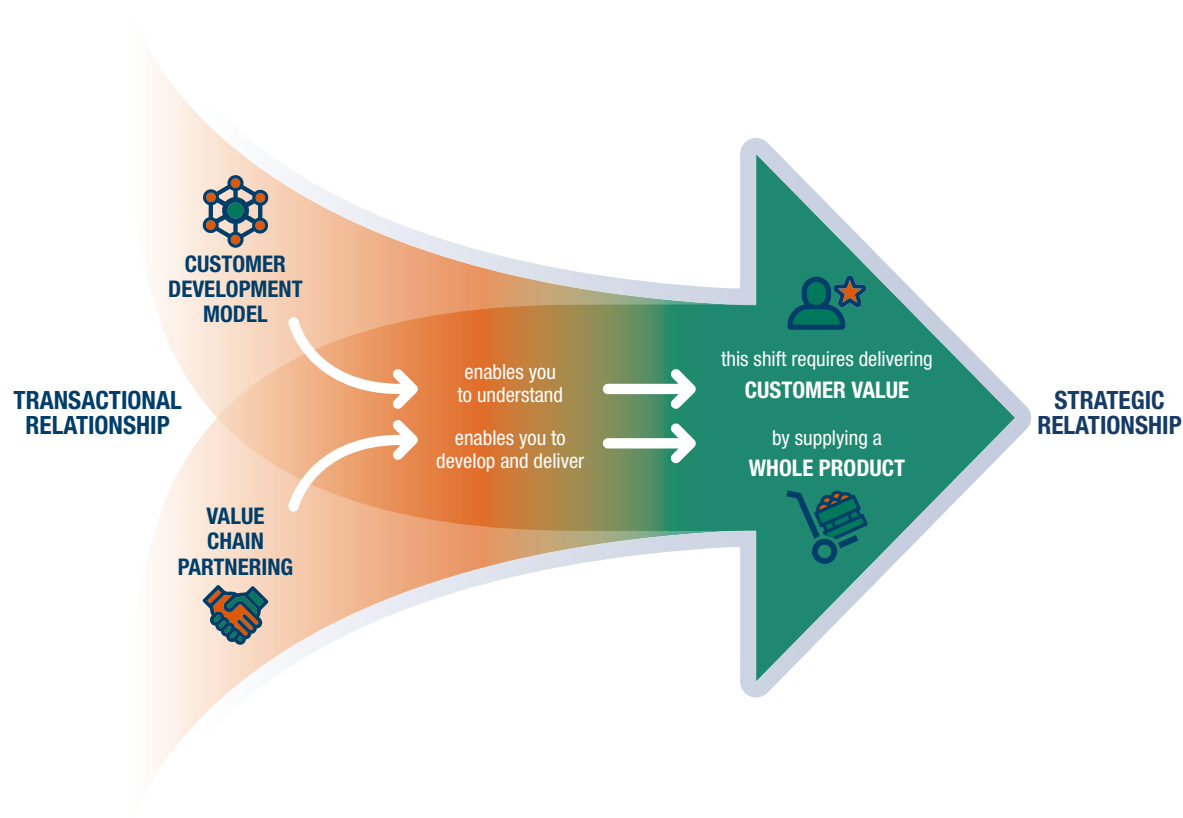
⁶ ibid.



Figure 1 shows how the five key patterns of success are interrelated. Together they work to drive the transition from a business with many transactional customer relationships that are not delivering the desired results, to a business with a set of strategic customer relationships that do. The ability to reposition is unlocked by delivering customer value through a differentiated whole product. Through systematic customer development, a business can understand exactly what its key customers truly value. Value chain partnering can then provide the capabilities to develop and deliver the whole product that meets these needs.

This report is structured in the same manner as this model, discussing the concepts with real world examples from the business case studies.

The conclusion from the case studies is clear. Enterprising SME agrifood businesses can lead their value chain and develop more strategic relationships that enable consistent growth and business success.



Driver: desire to move from *transactional* to *strategic* customer relationships

How: through delivering *customer value* by supplying a *whole product* to the customer

Through: a) using the *customer development model* to understand what *customer value* means to the customer; and

b) using *value chain partnering* to develop and deliver the *whole product* to the customer

FIGURE 1. Partnering for Customer Value model

1. Principal driver of change

A key driver of the business practices in this report is the business's dissatisfaction with the transactional nature of the relationships within its supply chain.

Customer relationships in this context refers to business to business (B2B) relationships within the supply chain, such as with processors, wholesalers, distributors, food service or retailers, not those between a business and the end-consumer (B2C).

A transactional (or price-based) business relationship can be a sign of uneven power within a relationship. It can also denote that there is little or no shared interest or common ground between the parties.

It is worth noting that an ongoing relationship is not always necessary or appropriate, as there may be no real need for shared interest. In this situation, all that is needed is to reach an agreement and complete the transaction.

However, a business that feels trapped or uncomfortable with its customer relationships needs a way to develop more rewarding ones. It needs to transition towards more strategic relationships.

TRANSACTIONAL	VS	STRATEGIC RELATIONSHIP
1 <ul style="list-style-type: none"> » Price dominates discussions » There is regular pressure on the supplier to reduce prices » Quality is only mentioned by the buyer in order to discount price 	➤	1 <ul style="list-style-type: none"> » Parties work together to achieve business objectives such as building the product category or creating distinctive value for end-consumers » Discussions include how each can contribute towards the success of the other
2 <ul style="list-style-type: none"> » The buyer avoids information sharing (about the product, how it is used and by whom or what margins are achieved elsewhere in the supply chain) 	➤	2 <ul style="list-style-type: none"> » There is transparent information exchange to create reliability and make risks or surprises immediately clear
3 <ul style="list-style-type: none"> » There are no joint activities conducted by the businesses 	➤	3 <ul style="list-style-type: none"> » Joint investment is undertaken in business development activities, marketing, sales
4 <ul style="list-style-type: none"> » Supply volumes requirements cannot be predicted from one transaction to the next 	➤	4 <ul style="list-style-type: none"> » Planned supply targets are negotiated (volume, quality)
5 <ul style="list-style-type: none"> » Prices vary on supply and demand for each transaction » Prices are offered on a "take-it or leave-it" basis » No longer-term supply contracts exist 	➤	5 <ul style="list-style-type: none"> » Term agreements are developed on product, price and supply
6 <ul style="list-style-type: none"> » There is little to no discussion about the future of the business relationship 	➤	6 <ul style="list-style-type: none"> » Parties develop plans for the short, medium and long term
7 <ul style="list-style-type: none"> » The relationship can lack fairness or be adversarial 	➤	7 <ul style="list-style-type: none"> » Professionalism and mutual respect are evident » Agreed conflict resolution processes exist

FIGURE 2. Attributes of transactional vs strategic relationships



A strategic relationship is the opposite of the transactional relationship. There is a shared interest between both parties and business transactions are planned and delivered so that an attractive margin is earned at both ends. There is a mutual regard and both parties are motivated to support each other's continued success.

It does take significant time and money to develop a strategic relationship. Not every customer may be worth this effort. But a lesser number of more integrated customer relationships that drive customer value may be more profitable than a large number of transactional accounts across many markets. The case studies show that being selective is a key capability that successful businesses employ.

EXAMPLE 2.

» STRATEGIC RELATIONSHIPS

Manbulloo

Manbulloo was uncomfortable with the lack of information on margins that came with using wholesale distributors in a traditional transactional relationship. By focusing on key customers, carefully selected in an evidence-based process, the company worked to develop strategic relationships in the value chain and now works together with key customers to plan and implement category growth strategies.

Dingley Dell

In an industry renowned for transactional relationships, Dingley Dell built a strategic relationship firstly with its processor and then, together, with their distributors. Together Dingley Dell and Direct Meats have invested considerable time and money in growing both their businesses.



2. What can a business do to move towards more strategic relationships with its customers?

The key insight from the case studies is the need to deliver genuine, differentiated customer value.

The basis of competition is either price or product differentiation⁷. Business costs are relatively high in WA, making it challenging to compete in international markets on price alone. This is all the more difficult if a business is smaller in scale than the average enterprise competing globally. WA businesses need to focus on competing through product differentiation that delivers customer value.

2.1 Whole product

Customer value is delivered by what is known as the ‘whole product’⁸. The whole product means everything that the B2B customer needs to achieve its goals.



FIGURE 3. Whole product model

The whole product consists of two components;

- (1) the physical product; and
- (2) the accompanying services that deliver additional value to the customer.

A business must first appreciate what its customer values most when it comes to driving their business success. It then needs to make sure that each of these components are included in the whole product offering to its customer.

⁷ Michael E Porter (1991) Towards a dynamic theory of strategy, Strategic Management Journal p95–117

⁸ Levitt, Theodore. Harvard Business Review. Jul/Aug1960, Vol. 38 Issue 4, p45–56



Delivering a whole product to a customer creates the basis for establishing a strategic business relationship. The customer recognises the value that it receives and sees the merit of committing more time, effort and resources towards achieving common goals with its supplier. Where the business case is strong and the customer can recognise the potential of a good return to its business by doing so, a strategic business relationship becomes logical.

It is possible to convince customers to commit to a strategic relationship by developing a tailored whole product that delivers distinctive customer value. However, it is also likely to be a major commitment, requiring a great deal of effort. This is not the type of commitment that a business makes to everyone. These commitments are made selectively and where they will do most good.

This customer segmentation process can also be used to find other like-minded customers to generate demand for the whole product. Ideally, this customer or market segment is valuable and growing.

EXAMPLE 3.

» CUSTOMER SEGMENTATION

Zespri

Even the world's largest kiwifruit marketer still needs to allocate their resources strategically. Zespri recently implemented a market development framework that triages their markets in order to identify the nature and level of investment required to drive growth. Using the variables of headspace and level of category development, distinct market categories requiring different types and levels of marketing support are identified.

A whole product is best designed by working backwards. That is, starting with the customer to determine expectations and what is needed for business success. These insights then become the product blueprint; determining the mix of the physical product and a set of services that will best deliver these outcomes to the customer. Customer development (discussed later in report) provides a proven process for small businesses in both domestic and export markets to identify and engage with the customer in order to investigate, develop and deliver customer value.

WA agrifood businesses have long-standing experience in delivering services. It is a routine part of business to grow or manufacture products to meet a specification or safety guidelines — these are the most basic of services that can make up a whole product.

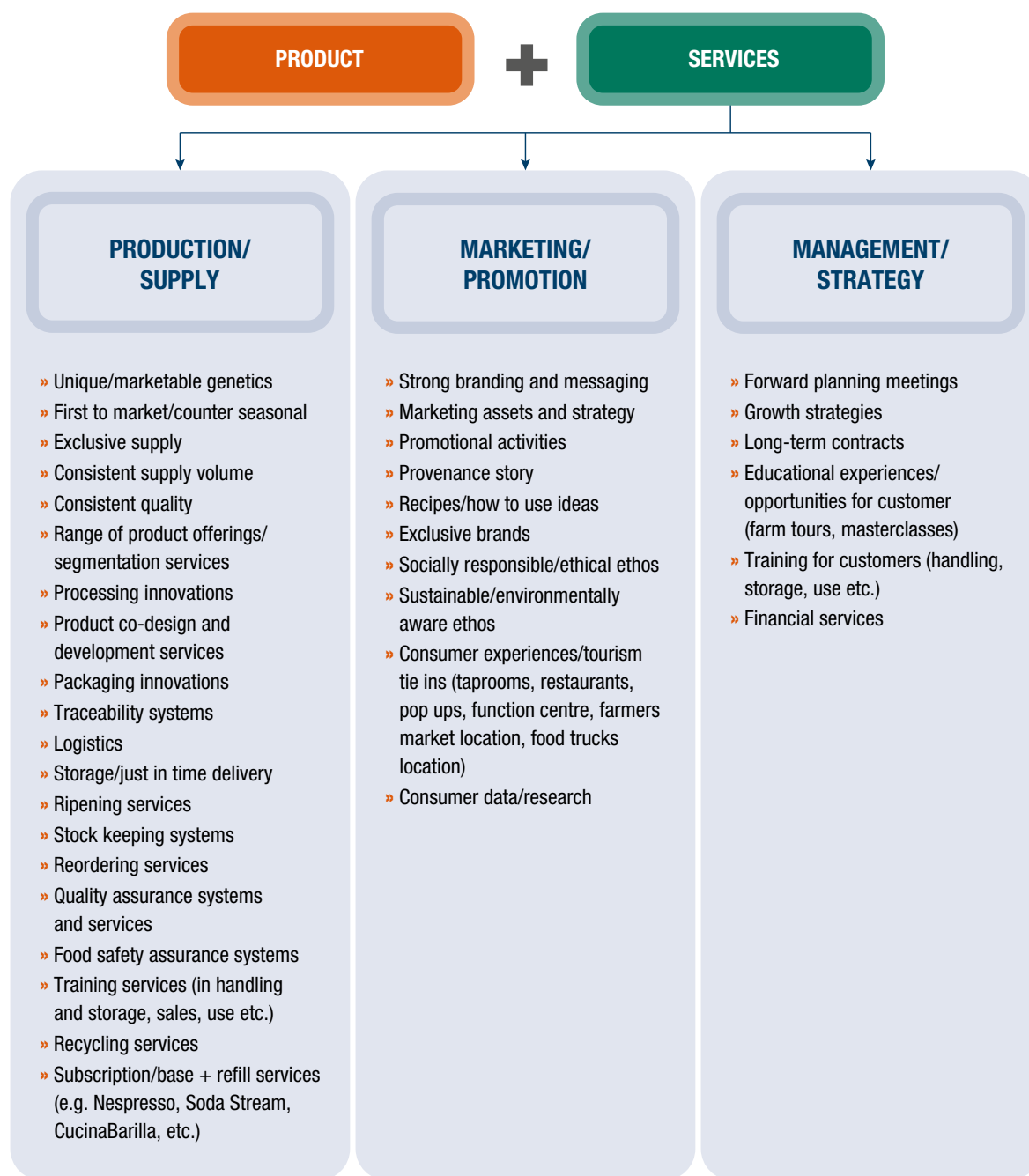


FIGURE 4. Potential services for agrifood whole products

Real opportunities exist for WA businesses to enhance customer value by using these and other services more systematically as a means of product differentiation. While some services are seen as ‘just the things you must do to stay in business’, there is potential to improve them and how they are monetised. The place to focus these efforts is with the customer relationships that matter most.



EXAMPLE 4.

» **WHOLE PRODUCT**

Mountain Milk

Mountain Milk Co-operative supplies premium grade milk to Freedom Foods for its UHT range. Combining high quality milk with year-round consistent supply, a greatly simplified payment schedule, long-term contracts and marketing support, together with a great brand story allowed them to offer Freedom Foods a very attractive whole product, delivering true customer value.

Dingley Dell Pork

Dingley Dell Pork went through several iterations to develop its whole product offering. Initially based solely on welfare-friendly pork, it was further developed to include unique genetics for great tasting marbled pork, environmentally conscious farming, dedicated marketing and promotion activities, exclusive supply, brand ambassadors and a great provenance story.

Sun Lychee and Exotico

Both Sun Lychee and Exotico brands have developed a whole product offering in a traditionally transactional, bulk-commodity industry. By consolidating supply, these brands now also offer reliable counter-seasonal supply, much longer supply periods, strong branding, a great provenance story linked to a well-known tourism region and strong trading relationships.



2.2 Customer value

To help decode where B2B customers see value, Bain & Company have created a pyramid of value elements⁹. In Figure 5, 40 value creation elements are classified into five separate categories based on what matters most to buyers in the supply chain.

The five categories of customer value are:



The elements of B2B value starts at the base with the most easily measured (table stakes) and rise towards the apex with increasingly opinion-based and personal value elements (inspirational value). As the physical product become more commoditised (and less differentiated), services in the 'ease of doing business' and 'individual value' categories have become increasingly influential in helping avoid the commodity trap and attract interest from buyers.

Delivering the elements of value most important to the business's customer creates additional customer value, which in turn allows for more strategic relationships and contributes to higher customer loyalty — the basis for achieving consistent business growth.

The elements of customer value pyramid illustrates the range of whole product development options. Practically, these can be used to help structure the conversations held with customers as a business explores where additional value can be created.

Businesses should identify then focus on improving the services that create most value for their customers while providing most differentiation from their competitors.

⁹ Almquist E *et al* (2018) What B2B Buyers Really Care About, Harvard Business Review, Mar/Apr2018, Vol. 96 Issue 2, p72–81.



INSPIRATIONAL VALUE

PURPOSE



INDIVIDUAL VALUE

CAREER



PERSONAL



EASE OF DOING BUSINESS VALUE

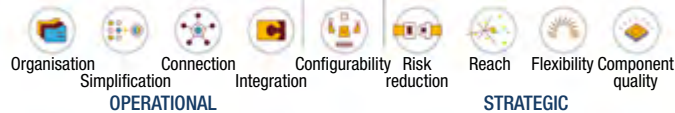
PRODUCTIVITY



ACCESS



RELATIONSHIP



FUNCTIONAL VALUE

ECONOMIC



PERFORMANCE



TABLE STAKES

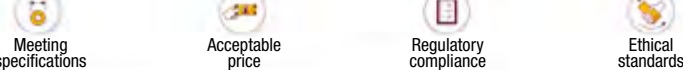


FIGURE 5. Bain & Company B2B Elements of Customer Value¹⁰

EXAMPLE 5.

» CUSTOMER VALUE

Zespri

Zespri offers its customers, be it distributor, wholesaler or retailer, far more than the traditional, unbranded, undifferentiated commodity fruit product. The physical product (a premium, branded kiwifruit) is accompanied by a multitude of services (exclusive new varieties, range of products, consistent 12 month supply, ripened in transit, matched fruit size to market, The Zespri System, planning and growth strategy meetings, global brand messaging, emotional engagement with end-consumer) that deliver true, differentiated value to its B2B customers. Mapping these services to the elements of customer value pyramid shows that Zespri not only covers off on the 'table stakes' and 'functional value' categories, but works especially hard to ensure 'ease of doing business value' is delivered by its services. Through its planning and growth strategy meetings it supplies 'individual value' to its customers, who can meet their Key Performance Indicators (KPIs) and responsibilities. Zespri's strong focus on sustainability and the marketing of this also delivers the 'inspirational value' of social responsibility.

¹⁰ Almquist E et al (2018) What B2B Buyers Really Care About, Harvard Business Review, Mar/Apr 2018, Vol. 96 Issue 2, p72–81.

2.3 Hard to replicate advantage

Distinctive customer value = whole product + hard to replicate advantage

A critical point needs to be made about the quality of differentiation. Differentiating through a whole product offering takes resources. Every extra service is a cost to the business. Businesses therefore need to protect this investment and establish a barrier to competition by making sure the advantages are 'hard to replicate'.

Hard to replicate advantages (H2RA) can come from a range of sources, such as strategic assets (e.g. intellectual property protected varieties or genetics, research and development capabilities, long-term contracts), novel capabilities (e.g. innovative processing or packaging), geography, brand loyalty, business structure, scale, locked-up supply, people and experience and value chain relationships.

A business can establish a barrier to competition by focussing on the value element or elements most important to its customer and by establishing a hard to replicate advantage over competitors.

EXAMPLE 6.

» HARD TO REPLICATE

Beerenberg

Beerenberg has carved an impressive market share through developing a whole product offering with hard to replicate advantage. The company is one of the best known brands in the hotel industry in Asia-Pacific through supplying single serve portions of premium jam and condiments. The hard to replicate advantages come from its innovative single portion packaging systems and a consumer facing provenance assurance system that was a first of its kind. These build upon its geographical H2RA and brand loyalty from Beerenberg's consumer facing marketing effort.

Manbulloo

Manbulloo's hard work and investment in its whole product is protected by a range of H2RAs. Its focus on the Kensington Pride (KP) variety and long-term, eight year contract with Coles are strategic assets. Its Vapour Heat Treatment plant gives it novel capabilities while the geography of having an orchard in the Northern Territory provides a first-to-market advantage. There is brand loyalty through the exclusive brand supplied to Coles, strong value chain partnerships and business structures and 120 years of collective experience with KP in the organisation. Finally, Manbulloo's scale (largest grower of KP in Australia) provides another H2RA.

It is in recognising these components of customer value and connecting them to a hard to replicate business capability that the most successful case study businesses demonstrate their entrepreneurial acumen.



2.4 Demand pull

However, it is not enough to simply present a whole product in a market and expect sales to flow. Marketing and promotion activities are essential to generate demand. These marketing and promotion activities targeting end-consumers are traditionally seen as the domain of retailers or marketers, not that of the producer or manufacturer. The case studies show that taking responsibility for generating consumer demand is a key factor of success. Generating demand pull where end-consumers approach the producer's customer requesting the producer's product is a valuable service, delivering true value to B2B customers and generating strong customer loyalty.

EXAMPLE 7.

» DEMAND PULL

OBE Organic

Despite OBE Organic not producing retail-ready packaged products, it has invested significantly in an end-consumer facing brand and provenance story. While it takes part in more traditional joint marketing with supermarkets, providing pack stickers and point of sale material to its retail customers, the key investment has been in social media and its website. It is through these mediums that OBE Organic builds a relationship with end-consumers, heavily based on the unique provenance of its organic, rangeland beef from the Lake Eyre Basin region. Leveraging the amazing landscape with the stories of its producers and the production system gives OBE Organic a story capable of engaging end-consumers even though it does not actually directly interact with them.





3. How does a business develop its whole product and deliver customer value?

The case studies show two processes that can be employed to manage the risk involved in developing the right whole product that will deliver customer value and in turn, support strategic customer relationships capable of generating consistent business growth:

- » Customer development model
- » Value chain partnering

3.1 Customer development model

Customer needs can be multifaceted and are often not explicitly stated. SMEs often lack resources to develop a mature whole product offering from the very outset and as a result the product's quality and attributes may be limited or not clearly understood, reducing its attractiveness for potential customers.

The case study analysis shows that chances of success increase if the normal process is reversed¹¹. This is confirmed by analysis of business development from many different industries. In other words, going out into the market and investigating potential customer needs and wants before committing resources to a specific product development path or a precise business plan or model.

¹¹ Dr John Simmonds (2019) Follow the Value Chain: achieving consistent export business growth through supply chain collaboration, Department of Primary Industries and Regional Development



The customer development model¹² formalises how businesses learn by conducting more structured in-market experiments. The results of the experiment inform both identification and selection of the most conducive customer segment as well as the whole product offer for the segment. The key to customer development is to conduct it as an iterative process. Uncertainties are progressively addressed and improved upon in each experiment or approach to the market. Assumptions get converted into facts through direct feedback from customers, which is conducted at a high rate in a short time period.

Making customers and customer needs more central to the development process is a key outcome. Understanding ‘what’ is being sold to ‘whom’ from the outset places a business in a very strong position to avoid the pitfalls that occur when business development efforts are based largely on guesswork.

There are four steps in the process:

1. **Customer discovery** — identifying potential customers and getting initial feedback on the product offering.
2. **Customer validation** — working with one or more lead customers that recognise potential value to further develop the offering to meet these requirements.
(This step may require the business to pivot back to the drawing board and adjust its whole product offering or identified customer).
3. **Customer creation** — expanding the formative customer base through the definition of a customer segment consisting of a larger group of like-minded customers.
4. **Company building** — systematising business processes and developing an appropriate business organisation to conduct all the key functional disciplines of a business (i.e. undertake sales, marketing, production and revenue generation).

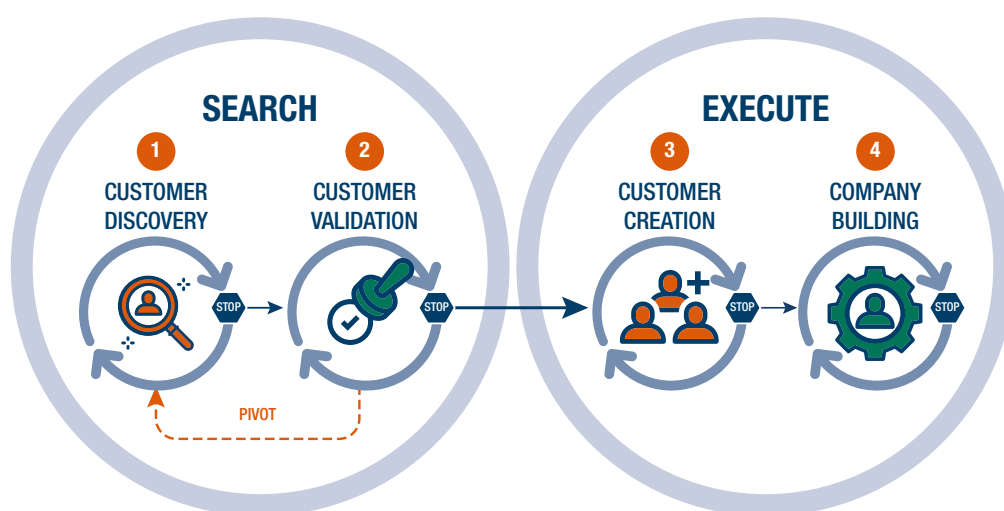


FIGURE 6. Customer development model¹²

¹² Steve Blank (2010) The Four Steps to the Epiphany, K&S Ranch; model adapted by authors

The customer development process is an iterative learning process with multiple feedback loops within and between each of the steps. The process can be applied at company level (for new or restructuring businesses) or undertaken for any new or refined product or market.

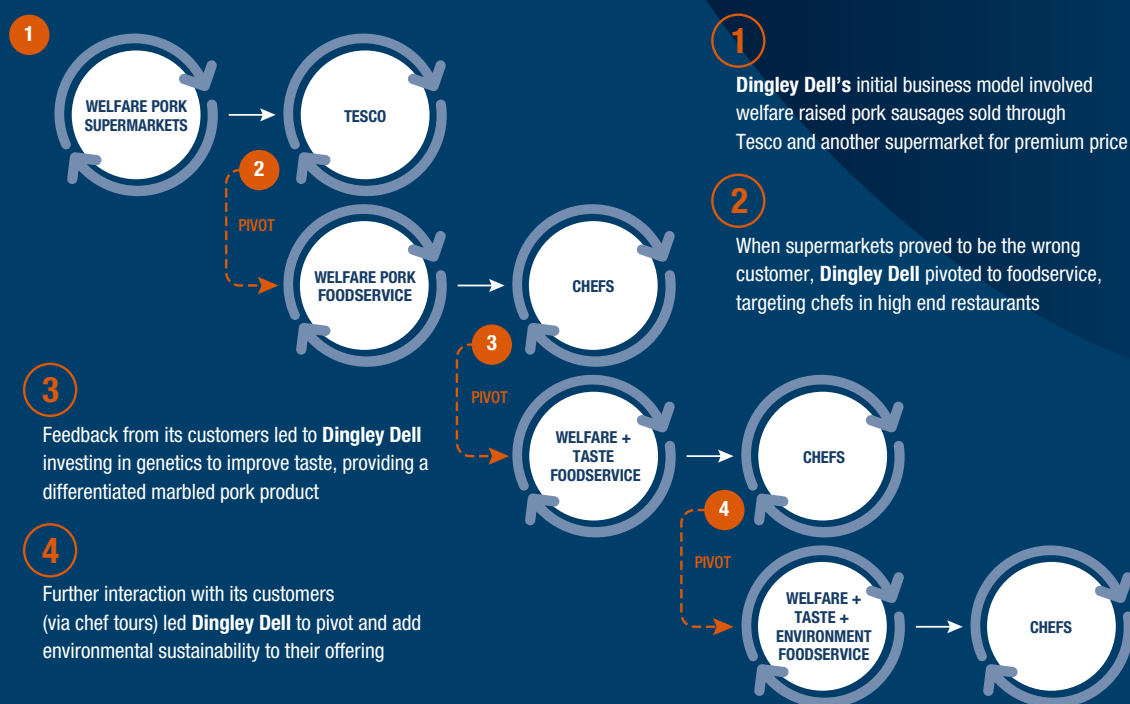
The key outcome from the customer development process is to ensure that a business's whole product delivers genuine, superior customer value before the business commits to scaling up to full commercial production.

EXAMPLE 8.

» CUSTOMER DEVELOPMENT

Dingley Dell Pork

Dingley Dell's iterative journey of developing their whole product is an excellent example of the customer development process. Based on feedback at the customer validation stage, Dingley Dell pivoted and adapted its offering several times to best offer customer value.





3.2 Value chain partnering

Business research shows that partnering activities have increased in response to the challenges of globalisation. More firms are adopting cooperative strategies in response to a lack of internal resources, to acquire knowledge outside core capabilities, to access complementary resources, and to develop or maintain hard to replicate competitive advantages.

Despite this trend, collaboration has a mixed reputation with local examples of collapses confirming international research on rates of failure^{13,14}.

However the case studies show that with professional business planning and appropriate business structures in place, long-term and successful partnerships can be created.

These partnerships allow businesses to develop and deliver customer value in novel ways previously beyond their individual capabilities; providing a source of hard to replicate advantage and filling the gaps in their original business models.

EXAMPLE 9.

» **VALUE CHAIN PARTNERING**

OBE Organic and Mountain Milk

OBE Organic and Mountain Milk Co-operative are examples of businesses partnering for production. Through their partnerships the two businesses reached the scale of production necessary to develop a whole product that delivered value to their customer.

Sun Lychee, Exotico, Manbulloo, Dingley Dell, Island Fresh Seafoods

Partnering can also occur for processing and marketing. By formalising and shifting a transactional relationship to a strategic partnership, greater value can be delivered to the business's customer and in turn shared among the partners.

Greenyard Frozen, Dingley Dell, Zespri

Partnering for innovation ('open innovation') allows a business to develop an innovative, differentiated product with a hard to replicate advantage.

¹³ Slowinski G *et al* (2003) *The Strongest Link* AMACOM New York; numerous studies show that 70 percent of alliances fail

¹⁴ Hughes, J *et al* *Harvard Business Review*. Nov2007, Vol. 85 Issue 11, p122–131 Studies show that the number of corporate alliances increases by some 25% a year and that those alliances account for nearly a third of many companies' revenue and value—yet the failure rate for alliances hovers between 60% and 70%.

3.3 Open innovation

Innovation is the adoption of something new that creates value. Open innovation is the creation of value through the adoption of something new where some components come from outside the organisation.

Due to a lack of internal resources, small businesses often find they need to collaborate with external partners to develop new or improved innovative whole products.

Open innovation can enable a small business to share the costs and risks of innovation with partners. It enables access to new knowledge. It allows the development of new products and markets beyond the capabilities held by a single organisation. It can enable more rapid results increasing speed to market.

EXAMPLE 10.

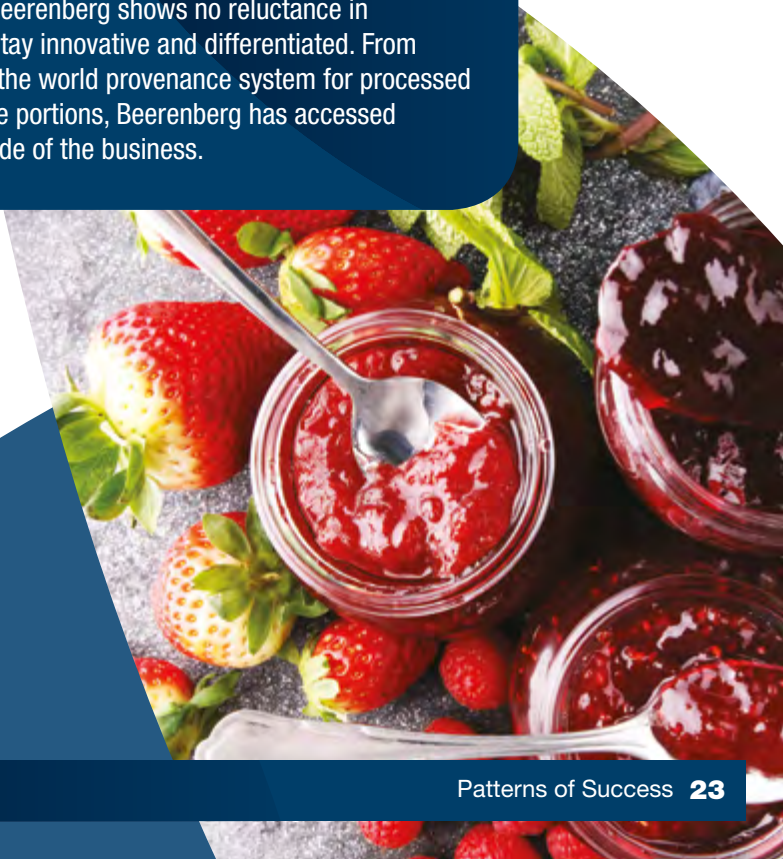
» OPEN INNOVATION

Greenyard Frozen

Despite having the R&D capabilities that being the second largest frozen produce manufacturer in Europe brings, Greenyard Frozen sees the benefit of utilising the open innovation model when developing new products. Its cauliflower rice product was developed through a unique collaboration of growers, farm equipment manufacturers, Greenyard Frozen and research institutions. The project resulted in Greenyard Frozen being first to market with a unique product that was ahead of the trend.

Beerenberg

Despite being a family business operating since 1839, Beerenberg shows no reluctance in accessing the best external service providers to help it stay innovative and differentiated. From dramatically changing its marketing approach, a first in the world provenance system for processed food products, to a unique factory design for single serve portions, Beerenberg has accessed expertise and innovation by partnering with people outside of the business.





3.4 Partnership planning

Partnering is challenging. However, one of the largest contributors to failure — a lack of upfront planning and agreement — can be dealt with by adopting a simple planning framework. The seven points presented below help ensure that parties are all on the same page from the start regarding potential outcomes and commitments¹⁵.

Partnership planning seven points

- 1. Our objectives:** *defines a party's view of the objectives of the business initiated through the partnership. There can be no conflict between this and other elements. Consistency forces everyone to face up to conflicts as they arise and to deal thoughtfully with impacts on strategy.*
- 2. Our roles:** *define who does what in the partnership. For each task, decision-making guidelines may be required — will the task use a 'one partner' or 'consensus' approach to decisions.*
- 3. Overall resources:** *covers who brings what in the way of resources and capabilities to the partnership. The word overall means that it is not appropriate at this point to get into detail. Resources should be named, not quantified. Numbers will be aligned with resources at a later step.*
- 4. Boundaries:** *describe the scope of the relationship. Inside the boundaries the parties are allied and will operate to an agreed set of specific rules. Outside the boundaries the parties are not allied and will follow a different set of rules.*
- 5. Market model:** *defines how the partnership looks to a B2B customer. Who will be seen as the marketing and sales partner, for technical and logistics, for invoicing other commercial functions?*
- 6. Strategic exclusivity:** *describes the extent to which either partner can enter into similar or overlapping relationships with third parties inside the boundaries. Strategic exclusivity can depend on geography, field of use and time.*
- 7. Intersections:** *are existing commitments held by either party the terms of which may impact the prospective partnering arrangement.*

¹⁵ Slowinski G et al (2003) The Strongest Link AMACOM New York

EXAMPLE 11.

» **PARTNERSHIP PLANNING**

OBE Organic

From the initial facilitated brainstorming workshop to present day, OBE Organic has shown a deep understanding of the required planning and governance in order for partnerships or collaborations to be successful. OBE Organic invested time and resources to map out the business model and develop a business plan before deciding on its formalised structure.

Mountain Milk

Mountain Milk Co-operative engaged a professional consultant to help the founding members to decide upon and develop their collaborative model. This strategic and detailed planning process has resulted in a fully aligned partnership with excellent governance and dispute resolution processes.

Island Fresh Seafoods

Island Fresh Seafoods found an ideal partner in its customer in Japan, Ito Yokado. However, a lack of alignment between Ito Yokado and the producers meant that, in the absence of appropriate partnership structure and governance, the opportunity was lost and the business failed.





3.5 Value creation in partnerships

A partnership should only be formed when it can generate significant added value, provide greater impact and deliver net business value to all partners.

Partnerships that measure this added value can focus joint work where the greatest value is delivered and not in areas creating insufficient extra value. This approach also enables mutual decisions to adjust or discontinue partnering arrangements if there is insufficient value being created.

A partnership can create several different types of value¹⁶:

- » *The value-add generated by the partnership as a whole*
 - *Input added value: the collaborative advantage that partnering enables towards delivering a goal*
 - *Output value added: the partnership delta — achievement of outcomes greater than a mere sum of the parts*
- » *The value to each business individually*
 - *Contribution toward achievement of each business's goal*
 - *Gains by each business (sales, profits, funding, positioning etc.)*

Partnerships should only come into being when:

- » *There is an overlap of interest by businesses/organisations and sufficient compatibility between them*
- » *A clear Collaborative Advantage exists which should result in a significant Partnership Delta*
- » *Each partner achieves a net benefit over and above what they could have realised alone (after accounting for all inputs and transactional costs)*

¹⁶ Maximising the Impact of Partnerships for SDGs; Stibbe, D.T., Reid, S., Gilbert, J.; The Partnering Initiative and UN DESA (2019)

EXAMPLE 12.

VALUE CREATION IN PARTNERSHIPS

Dingley Dell

Dingley Dell's partnership with processor Direct Meats has underpinned the growth of both businesses. Dingley Dell's pork gives Direct Meats a point of difference in a difficult industry and has allowed it to invest in new capabilities.

"We often argue who has the balance of power in our relationship (Dingley Dell and Direct Meats). The reality is that one does not work without the other. If you took Dingley Dell out of my business it would devalue my business, without a shadow of a doubt and vice versa".

Martin Blackwell, Direct Meats

Manbulloo

Manbulloo's strategic relationship with Coles delivers value to both partners, above what they would realise operating alone. Coles receives a point of difference with an exclusive brand that is first to market, and significant scale which has allowed it to move from sourcing from 40–50 growers in the NT down to 3–5. Manbulloo enjoys greater control and transparency in its supply chain, with joint strategy meetings and eight year supply contract. This stability and growth has underpinned Manbulloo's further investment of 22,000 new plantings during 2017–18.

Carlsberg Null-LOX

Carlsberg's attempts to develop Null-LOX barley (an IP protected variety that inhibits beer going stale) in Australia demonstrates the importance of value creation in partnerships. With only a transactional relationship and little to no long-term value being delivered to the growers, the variety failed to gain any traction and the project failed.





4. Conclusion

4.1 We the leader

Traditional thinking in value chain leadership describes a large multinational corporation positioned as the customer-facing business able to direct its suppliers and service providers.

What the case studies show is that small producers, processors and marketers can lead in international value chains. The very first step in the process of exerting leadership is that these businesses decide to take responsibility for determining their destiny. They engage with many but only develop reciprocal strategic relationships with a few like-minded businesses who buy into the prospect of creating distinctive customer value.

These firms recognise that no one knows their product or their customers better than they do. And, that no one is more motivated to realise that value.

The term 'we the leader' recognises the reality of distributed leadership amongst key partners in the value chain. It is this kind of alignment in vision, strategy and management that results in the most successful of the partnerships in the 11 case studies.

EXAMPLE 13.

» WE THE LEADER

Dingley Dell

Dingley Dell's co-founder Mark Hayward is an excellent example of a producer taking responsibility for driving customer demand pull and building strategic relationships in order to grow. Despite his position at the production end of the value chain, Mark spends significant time in-market promoting the Dingley Dell brand and building relationships with the chefs and buyers that would be traditionally seen as Direct Meats' customers.

Manbulloo

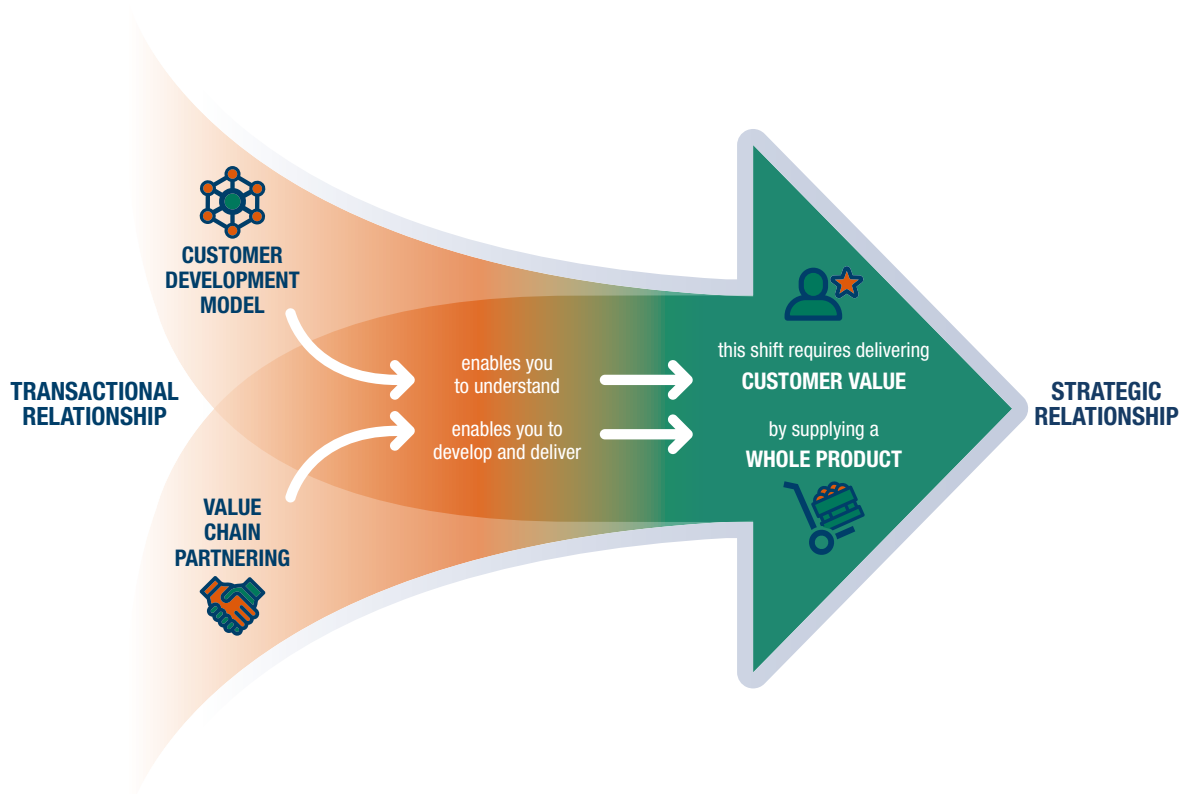
Marie Piccone has shown strong entrepreneurial acumen and leadership with Manbulloo. Unsatisfied with not knowing where fruit was going and to whom, Marie took responsibility for understanding the entire supply chain and developed strategic relationships in order to shorten and simplify it. Planning and strategy meetings are now a key feature of Manbulloo's value chain, with information feedback from in-market work driven by Manbulloo.

OBE Organic

Scott Fraser, one of the founding members of OBE Organic, refused to accept the prevailing trend against rangeland beef in the mid-1990s. OBE Organic not only leverages its naturally occurring production system into a hard to replicate advantage, but also dedicates considerable resources to creating consumer demand pull. Despite not creating retail ready packaged products, the business works hard on its compelling provenance story, creating an emotional engagement with its end-consumers.

4.2 It's all interrelated

The five key patterns of success are interrelated. Together they work to drive the transition from a business with many transactional customer relationships that are not delivering the desired results, to a business with a set of strategic customer relationships that do. The ability to reposition is unlocked by delivering customer value through a differentiated whole product. Through systematic customer development, a business can understand exactly what its key customers truly value. Value chain partnering can then provide the capabilities to develop and deliver the whole product that meets these needs.



- Driver:** desire to move from *transactional* to *strategic* customer relationships
- How:** through delivering *customer value* by supplying a *whole product* to the customer
- Through:** a) using the *customer development model* to understand what *customer value* means to the customer; and
b) using *value chain partnering* to develop and deliver the *whole product* to the customer

FIGURE 7. Partnering for Customer Value model

The conclusion from the case studies is clear. Enterprising SME agrifood businesses can lead their value chain and develop more strategic relationships that enable consistent growth and business success.



Appendix

Approach

The Agribusiness Food and Trade (AFT) directorate of the Department of Primary Industries and Regional Development (DPIRD) works to enable growth in the value, competitiveness and diversification of the WA agrifood sector through facilitation of value adding, investment and export for the benefit of the community.

The Partnering for Customer Value (P4CV) initiative involves providing research and business intelligence on business practices that lead to international competitiveness and improved export capacity. The goal is to enable consistent business growth.

With this in mind, P4CV commissioned a set of case studies. The cases review practices employed by businesses that demonstrate hallmarks of success (and absent from those that do not). A key question that this work seeks to address is “are there common patterns in what successful businesses do?”

Case study proposals were crowdsourced to identify a broad range of businesses operating in a diversity of contexts. An independent technical panel ranked these against criteria related to the quality of insights on

relevant business practices and the relatability of the material to the Western Australian context.

Following a competitive selection process, six authors were contracted to prepare 11 case studies. Further information about this process is available on the P4CV website.

The case study portfolio spans businesses from each of the grains, livestock, horticulture, seafood and processed foods sectors. Headquartered in Australia, New Zealand, Europe and the United Kingdom, the businesses range from small to large.

The business practices in the case studies were mapped against a set of business management frameworks by an independent business analyst with significant experience in designing and developing innovative business models for global markets¹⁷.

This gave the ability to compare the business practices employed in each case and to highlight similarities and differences. The results are the ‘patterns of success’ outlined in this report, providing valuable lessons for WA agribusinesses looking to grow and succeed.

TABLE 2. List of case studies published and analysed

Case study business	Sector	Location	Author
Manbulloo	Horticulture	Australia: NT, QLD	Andrew Fearne
Dingley Dell	Meat	UK	Andrew Fearne
Zespri	Horticulture	New Zealand	Andrew Fearne
OBE Organic	Meat	Australia: QLD, SA, NSW	McKinna <i>et al</i>
Mountain Milk	Dairy	Australia: VIC	McKinna <i>et al</i>
Sun Lychee & Exotico	Horticulture	Australia: QLD, NSW	McKinna <i>et al</i>
Carlsberg Null-LOX	Grain	Australia: SA, NSW	Pivotal Point Strategic Directions
Beerenberg	Processed foods	Australia: SA, NSW	Claudine Soosay
Greenyard Frozen	Processed foods	Belgium	Wim van Haverbeek
Blue Stripe, ProForm Foods & Darwin Prawns	Meat, Seafood	Australia: NSW, NT	Greenleaf
Island Fresh Seafoods	Seafood	Australia: QLD	Greenleaf

¹⁷ Dr John Simmonds (2019) Follow the Value Chain: achieving consistent export business growth through supply chain collaboration, Department of Primary Industries and Regional Development



Resources

The Partnering for Customer Value initiative consists of a collection of related materials, events and programs. These currently include:

- » Two page 'snapshots' of each of the eleven case studies
- » Eleven complete case studies of 14 businesses, both successful and not
- » A 'Patterns of Success' report drawing together the insights and business practices from the 11 case studies
- » Dedicated web pages within DPIRD's website featuring reports, videos of events, concepts blog and links to external sources of information
- » Events featuring presentations from the case study business owners and authors

These materials can be accessed via the Partnering for Customer Value initiative page within the DPIRD website.

Further resources and support activities are being developed by DPIRD in consultation with the WA agrifood industry.

For more information

➔ dpiird.wa.gov.au



Department of
Primary Industries and
Regional Development

Phone: +61 1300 374 731
Email: enquiries@dpird.wa.gov.au

dpird.wa.gov.au