DEPARTMENT OF PRIMARY INDUSTRIES

OUR RURAL LANDSCAPE

Sustainable development through innovation

ORL Project: 3.2

Profitable & Sustainable Paths to Market

Fresh Food Category Management

A series of three white papers

State Government Victoria Department of Primary Industries

Agriculture & Food Council The Catalyst

Kent Business School UNIVERSITY OF KENT

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Disclaimer

Recommendation

It is recommended that this publication be read in its entirety as information contained within different sections may interrelate. Comments may be directed to Russell Sully by telephone (03 9210 9222) or by e-mail (russell.sully@dpi.vic.gov.au).

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Foreword

The movement from commodity based trading agriculture to market driven supply chains delivering differentiated products is proving to be both complex and difficult. Realigning businesses and chains from production- to consumer-driven typically requires fundamental changes in business design and individual behaviour.

Firms who successfully manage the transition execute an integrated suite of changes that underpin new ways of competing. Successful chain change goes beyond continuous improvement in the basic operations. New ways of doing business and new business design are developed and executed.

The Victorian Department of Primary Industries is addressing this challenge through a suite of programs under the 'Our Rural Landscape' umbrella. ORL sub-project 3.2 "Profitable and sustainable pathways to market" in particular is focusing on Practice Change and improved efficiency in Agri-food Industry Supply Chains.

Work to-date includes a literature review on the lessons from other industries coupled with a discussion paper covering the conceptual issues associated with measuring whole chain performance. Together these can be viewed as the concept and research stages of the R&D pipeline.

This series of white papers were commissioned to explore strategic issues in fresh food category management in the context of value chain management and performance to create a focus for discussion and to inform the direction of this work.

This series of white papers cover three themes:

- Fresh food category management: from supplier to innovation partner
- Fresh food category management: leveraging strategic options
- Fresh food category management: measuring performance

These white papers have led to development of ***Value chain benchmarking tools and processes, to identify strategies to drive change to improve performance.***

This project aims to develop a framework for more meaningful assessment of whole value chain performance (benchmarking performance); to trial this framework in value chains, and identify strategies for improved value chain performance and competitiveness.

Russell Sully

Key Project Manager

Department of Primary Industries

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Fresh food category management: from supplier to innovation partner

The first in a series of three white papers

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Summary

Fresh food retailing requires innovation to both continually reduce total delivered costs and to create more consumer value. This series of three white papers discusses the particular challenges associated with innovation in fresh food.

This first white paper outlines the transformation from a supplier of product into the retailer's distribution centre to a genuine innovation partner. The second white paper discusses the strategic options that are available to fresh food retailers and suppliers. The third and final paper explores the issues of whole chain metrics to assist firms diagnose their current position, develop strategies and monitor progress.

The role of the supplier expands during the journey from supplier to innovation partner. Product suppliers respond to retailer demands whereas innovation partners proactively develop new product and process ideas.

The supplier is in the ideal position to understand the total process of delivering the brand promise, from genetics to the retail store. This understanding provides the foundation for ideas that will improve profitability of all channel participants.

Contents

1. Introduction

Innovation in fresh food requires collaboration as a result of the value creation process.

Fresh food retailing – like all business sectors – requires innovation to continually anticipate and respond to changing consumer priorities. The challenge is to both continually reduce total delivered costs and to create more consumer value. This series of three white papers discusses a number of the particular challenges associated with innovation in fresh food.

Innovation in fresh food retailing requires a high level of collaboration as a result of the value creation process in fresh food such as meat and produce[1]. In grocery products – take a can of peaches as an example – the manufacturer takes responsibility for value creation. Typically the manufacturer conducts the consumer research, develops, tests, and produces the new product, executes the branding strategy, and sells via different distribution channels. Their reward for successfully tackling this task is increased sales and brand equity. Innovation, reflecting the value creation process, is also largely the province of a single firm[2].

In fresh food value can be created at each link in the chain.

In fresh food on the other hand value is or can be created at each link in the chain. The genetics (peach variety or cattle breed such as Certified Angus Beef), the primary producer (organic or natural beef, Gippsland pasture-fed beef), the post-harvest handling (14 or 21 days aged beef) as well as the handling in the retail outlet all contribute to the value and promise to the final consumer. Innovation, again reflecting the value creation processes, is

[1] Such collaborative innovation is frequently described by terms such as category management or value chain management. However, these terms means different things to different people and hence we prefer the plain English term ‘collaborative innovation’.
[2] With private label grocery products the retailer assumes innovation responsibility. The innovation challenge is still largely the province of a single organisation.

inevitably a collaborative activity in fresh food. No firm – retailer, supplier, or primary producer – can innovate in isolation.

The potential contribution by many sectors of the chain to final consumer value has three important implications:

- There are a number of strategic options for configuring the chain. For example, the strategy adopted by Wal-Mart and Whole Foods in the USA, and Tesco and Waitrose in the UK are all different – and all successful. There is no single model for value creation and hence the innovation challenges will all be different.
- Strategic options are available to both large and small players. Whole Foods and Waitrose for example (and their suppliers) can compete effectively against much larger competitors such as Wal-Mart and Tesco.
- The retailer – or food service customer - must be an active player in the value creation and innovation processes. The retailer generally creates the marketing strategy and environment for innovation.

The retailer must be an active player in the value creation and innovation processes.

This white paper – the first in series of three - describes the foundations for executing collaborative innovation in fresh food. The paper is in two sections. The next section outlines the transformation in the relationship between the retailer and supplier: the crux of the matter. The third section summarises the execution process. The paper concludes with a summary of the attributes of successful fresh food innovators.

The second white paper in the series discusses the strategic options that are available to fresh food retailers and suppliers. The third and final paper explores the issues of whole chain metrics to assist firms diagnose their current position, develop strategies and monitor progress.

2. The collaborative innovation journey

Fresh food collaborative innovation is the journey whereby the supplier transforms from a product supplier to an innovation partner. The journey[3], which is likely to take at least 2-3 years, involves a deepening of the retailer/supplier relationship, significant process innovation, the development of new capabilities, and the implementation of new performance measures.

Innovation partners do not simply respond to retailer requests: they proactively develop new ideas.

The role of the supplier expands during the journey. Product suppliers respond to retailer demands whereas innovation partners proactively develop new product and process ideas.

The supplier is in the ideal position to understand the total process of delivering the brand promise, from genetics to the retail store. It is their responsibility to focus on the total system and develop ideas for reducing total delivered costs and creating consumer value. They cannot afford to simply respond to retailer demands. In fact, world leading retailers such as Wal-Mart and Tesco expect their suppliers to challenge them and the status quo.

Process innovation along the chain is arguably more important than product innovation. Product innovation, on its own, is highly visible and easy for competitors to copy. Process innovation, which underpins successive waves of product innovation, is invisible and more difficult for competitors to copy.

The journey to becoming an innovation partner requires the development of new capabilities.

The journey from supplier to innovation partner also involves the development of new capabilities. The supplier's track record and supply performance capabilities provide the foundation. Retailers do not want to partner with suppliers who are unable to consistently perform the basics of supplying quality product on-time into the distribution centre. Innovation and demand management capabilities are developed on the foundation of superior supply management performance. Both retailer and supplier leverage the current relationship to a new level. [4]

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[3] The notion of a journey is another reason behind the preference of the term collaborative innovation rather than category management, which tends to imply a plan or document. Collaborative innovation evokes the notion of an exploration into new territory.
[4] A useful exercise is to pose the following question to both retailer and supplier: "how good is your current relationship?" typically results in a 7 or 8 out of 10 response. The rephrased question "how well do you leverage the relationship to generate innovation?" is likely to lead to a 4-5 out of 10 response indicating significant potential to transform the relationship to new levels of

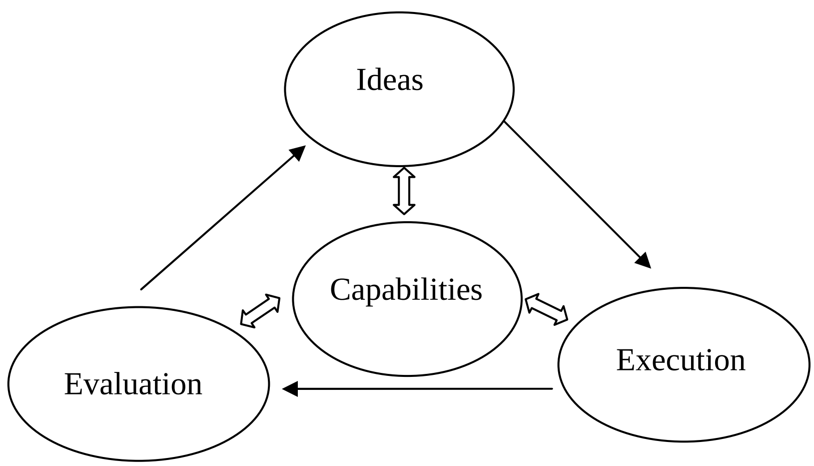
The performance reference point shifts from Distribution Centre to the store: the point of interaction with the end consumer.

The evolution from product supplier to innovation partner involves a shift in the performance reference point from the retailer's distribution centre (DC) to the store – at the point of interaction with the end consumer. The traditional interaction between retailers and their fresh food suppliers is the DC, with supplier performance measured in terms of quality and delivery performance into the DC. The supplier is typically not measured in terms of retail performance such as wastage, discount sales or retail out-of-stocks. The chain stops at the DC.

Collaborative innovation shifts the focus to the end consumer, with performance oriented towards, and measured at, the retail store. Retail scanning data is the key.

Figure one summarises the iterative collaborative innovation journey. The supplier proposes ideas that will improve the retailer's performance; together the retailer and supplier agree on execution, performance is monitored in terms of consumer response via scanning data[5]; which in turn assists the supplier (and retailer) develop new ideas.

Figure one: the fresh food collaborative innovation journey



performance. The relationship can be considered an asset with the ability to generate increased cash flows.

[5] Market research can obviously be used at any stage of the process to develop new ideas based on consumer insights.

3. Guiding the journey: implementation process

The collaborative innovation journey can be viewed as a five-stage process.

1. Aligning and creating incentives for innovation sets the foundation.
2. Capturing early wins: the low hanging fruit.
3. Shifting the goal posts from the DC to the retail store
4. Develop new capabilities
5. Retail level and whole chain planning

Grocery manufacturers have a clear and strong imperative to innovate for the end consumer.

Step one: Clarify incentives and roles

Think of the differences between a fully coloured fresh peach and a can of "Best Brand" peaches in mango syrup.

From the innovation (or category management) perspective, the key difference between these two peaches is one of incentives. The can of peaches can be differentiated and branded. There is a clear incentive for the manufacturer to innovate and grow the business. The focus is clearly on creating consumer value. In fact the consumer focus is so strong that manufacturers have redefined themselves from being in the food preservation to the food packaging business.

But the incentives are not as clear-cut or as strong in the case of the fresh peach. If a peach supplier grows the business they might not capture the gains. The traditional produce supplier is inevitably concerned with increasing (or maintaining) their share of the retailer's business.

For the supplier, the chain stops at the retailer's distribution center. The game is to get the product past the QA check in the DC.

The foundation is to provide innovation incentives to suppliers in a non-branded environment.

The aim of category management is to shift the goal posts from the DC – where quality control and delivery performance is the test – to the retail store where the consumer is the judge. This sounds easy, but may involve the design of a totally new performance measurement system.

The foundation for category management in fresh food is all about providing the incentive structures to support this transition from the DC to the store—to provide the incentive in a non-branded environment to encourage innovation.

It is not simply a matter of working more closely with a rationalized supplier base.

Allocating a significant proportion of the business to a supplier so that it benefits if the category grows creates the incentive. This can be achieved by giving the supplier a major proportion (say 80%) of the business or by allocating a group of stores to a single supplier. A group of stores could be those served by a single regional Distribution Centre, or across the whole business. Waitrose in the UK, for example, now has just a single supplier for each major category.

Wal-Mart on the other hand has a single supplier per DC, with category growth and profit to the stores serviced by each DC used as the performance metrics.

The key point is that this is not just about working closely with a smaller number of suppliers. If the retailer reduces the number of peach suppliers from (say) 5 to 2 and each supplier has approximately half the business, then neither supplier has the clear incentive to grow the category.

Step two: The first recommendations

Fresh food suppliers are outstanding in responding to retailer requests. The retailer takes the initiative and the supplier responds. Collaborative innovation on the other hand involves the supplier expanding their role: proactively coming to the retailer with suggestions.

The first "category plan" may simply involve the supplier making (say) 2-5 suggestions to the retailer that will generate rapid sales or profit increases. The aim is to demonstrate to the retailer that expanding the supplier's role is good business.

The aim is to demonstrate that expanding the role of the supplier is good business for the retailer.

Clearly these initial suggestions will reflect the supplier's current expertise, which is likely to be in reducing supply chain costs. These initial suggestions can also be made without any scanning data being provided by the retailer, and based on the supplier's understanding of the retailer's business. Retailer data will assist in tailoring the suggestions, but the absence of data should not halt the collaborative innovation journey.

Examples of typical suggestions include improved:

- Promotional planning and ordering processes
- Sales across the whole carcass or whole crop
- Supply forecasting and supply chain costs
- Improved foreign exchange risk management

Thus the first plan does not look like a traditional "category management plan", but who cares.

Step three: From the DC to the retail store

The whole chain is aligned to the end consumer by using retail scanning data to evaluate all decisions.

The third step involves assessing all decisions based on consumer response in the retailer's stores. Retail scanning data is used to monitor all decisions and to align the whole chain to the end consumer.

Distribution Centre data essentially treats the retailer as the final customer, whereas scanning data extends the chain to the final consumer.

Scanning date is the basic data source for managing value. Every time a shopper purchases a produce item this value decision is recorded via the scanning data. Why did he choose this tomato and not that one, why did she buy the rump steak at this price but not that price? Retailers collect a veritable gold mine of information from the decisions made by their consumers. It is no accident that the term data mining is used to describe the quest for capturing insights from such data.

This does not imply that retailers should neglect those who do not currently shop at their stores, as this is one source of future growth. But there is so much information locked into the mine of scanning data that this is a logical point to start.

Furthermore, supermarket chains typically have a large number of stores so that internal benchmarking can be used to highlight critical success factors, craft strategies and monitor progress. Stores can be segmented into different groups and specific strategies developed by the supplier for each segment.

The provision of scanning data provides the impetus for the supplier to generate the second and subsequent waves of suggestions.

Step four: Develop capabilities

The retailer is assured that the supplier can continually expand their role.

Throughout the process the supplier demonstrates a willingness to invest and develop new capabilities. The retailer is reassured that the supplier is able to expand their role and be an absolutely critical player in the retailer's long-term success.

Clearly such discussions occur at senior management level. For example, Waitrose supermarkets in the UK have executed a system[6] whereby senior managers discuss the capabilities that suppliers should be developing over the next 2-3 years. This is a

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[6] This system was developed by the author for the produce, meat, seafood, diary and egg departments within Waitrose.

formal process that assists the supplier better understand the retailer's strategy and their role as a key supplier.

The second white paper in the series outlines the large number of strategic options available to fresh food retailers – and the development of capabilities in response to the particular strategy chosen by the retailer and supplier.

Fresh food category management goes beyond continuous improvement by exploring business design innovation.

Fresh food category management builds on and goes beyond continuous operational improvement. New strategic options are developed and business design innovation introduced. The second white paper covers this aspect on collaborative innovation.

The third white paper then addresses the development of new performance metrics that will guide behaviour in the new era.

Step five: Ongoing planning

The business plans increasingly "look like" category plans with a focus on the retail outlet and the marketing mix visible to the consumer. The business (or category plan) includes sections such as:

A focus on the retail outlet and marketing mix variables visible to the consumer.

- Category objectives and evolution
- Marketing and branding strategy
- Performance measures
- Range, assortment and packaging
- Promotional plan and in-store merchandising
- Pricing strategy
- Supply chain cost management.

Planning and execution also include ways of segmenting the retail outlets within each chain, and developing targeted in-store programs for each store type. The supplier recognises that different stores face different challenges and adjusts their program accordingly.

4. The Characteristics of Success

The transition to innovation partner involves an integrated mix of management changes. It is not simply a matter of selected or isolated initiatives, but rather the execution of a total package.

The transition to innovation partner requires an integrated mix of management changes.

Successful fresh food suppliers such as Langmead Farms (salad supplier to UK retailers such as Tesco), Utopia (UK exotic fruit supplier), The Little Potato Company (Canadian supplier to Costco), and Duda Farm Fresh Foods (fruit and vegetable supplier to Wal-Mart and other USA retailers) all exhibit the following characteristics.

- Intimate relationships with their retail and food service customers, who view them as THE innovation leaders in their category.
- The ability to manage the whole chain to support the brand promise at the lowest possible delivered cost. They are excellent whole chain managers.
- The ability to develop consumer insights for their retail customers based on commissioned market research and retail scanning data analysis.
- Category execution skills to translate consumer insights into practical programs that can be executed at retail to build consumer loyalty.
- Collaborative supply and demand forecasting systems developed and executed with retail customers and growers/producers.
- A culture on continuous improvement in the basic operations providing a solid foundation for innovation.
- Investment in new technology along the whole chain to deliver a superior and consistent eating experience.
- A decentralized management structure supported by a clear company vision and strong leadership. Decisions are made ‘close to the action’ and supported by real-time information systems.
- Whole chain Key Performance Indicators that align company interests and actions from retail store to primary producer.

The second white paper – exploring strategic options – discusses the challenges of developing the mix of strategies in fresh food.

Fresh food category management: leveraging strategic options

The second in a series of three white papers

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Summary

The distinguishing characteristics of fresh food create a number of strategic options for agile retailers and suppliers. Large and small firms are able to develop new ways of doing business that is difficult for competitors to copy.

Tesco, ASDA and Waitrose supermarkets in the UK provide examples of the different strategies developed by different retailers.

Competition based on new ways of doing business also encourages product diversity. New products are easy for competitors to copy whereas innovation in ways of doing business is hidden and more difficult to copy.

Successful fresh food firms develop systems that generate successive waves of product innovation. They execute an integrated suite of strategies where the total is more than the sum of the parts.

The third white paper in the series discusses the whole chain performance measures that can be used to diagnose current performance and monitor progress. The first white paper summarised the fresh food category management journey whereby the supplier evolves from a supplier into a genuine innovation partner.

Contents

1. Introduction

Opportunities are available to both large and small fresh food companies.

Imagine an industry where firms have a great number of strategic options, many of which are not size dependent and are available to both small and large firms: where sales and profit increases of 15-20% per annum are highly achievable. Welcome to the fresh food world. Of course such gains are not easy for all players to capture, requiring vision, commitment and the willingness to change the way business is conducted.

Successful fresh food firms – retailers and suppliers - do not simply do things more efficient than their competitors: they conceive and execute superior ways of creating value. The focus of competition shifts from product to business design.

Fresh food leader firms do three tasks extremely well. First, they understand the drivers of consumer value for their chosen target market. Second, they identify, develop and control the distinctive capabilities that underpin the value creation process. And third, they assemble the chain or network that brings together all the resources and capabilities to create and deliver value to the consumer. In this process they reconfigure the chain and create a total system that is difficult for competitors to copy. Process innovation along the chain is arguably more important than product innovation. Product innovation on its own is highly visible and easy for competitors to copy.

Successful fresh food firms create a system that is difficult for competitors to copy.

This white paper, the second in a series of three, discusses the strategic options available to fresh food retailers and supplier. The first white paper set the scene by outlining the evolution of the supplier into a genuine innovation partner with their retail – and food service – customer. The third and final white paper discusses the whole chain measures or Key Performance Indicators that can be used to diagnose performance and guide behaviour under the new way of doing business.

2. The need for business design innovation

Commodity price volatility reflects the level of alignment between supply and demand.

In traditional commodity based industries auction systems are used to coordinate the interface between supply and demand. Regional livestock saleyards and produce wholesale markets still feature globally in the red meat and produce industries for buyers and sellers to conduct business. The market mechanism is used to establish price, with the degree of price volatility reflecting the level of alignment between supply and demand: in times of excess supply the price drops and conversely a lack of supply results in price increases.

Such commodity systems have a number of strengths – there are valid reasons behind their enduring presence. Markets provide an efficient price setting mechanism and a price is always set to clear the market. Markets are efficient for capturing and communicating price information to buyers and sellers. Markets also provide strong incentives to decision makers: good decisions are rewarded and poor decisions are penalized under auction systems.

However, commodity-based auction systems have a number of inherent weaknesses.

Commodities – by definition – are highly tradable products with many potential buyers. They are not differentiated products grown specifically for any individual buyer or consumer segment. Thus commodity markets are characterized by a lack of product differentiation. It goes without saying that a production push orientation will not be highly responsive to changing consumer needs.

Commodity markets are characterized by a lack of product differentiation.

Furthermore, whilst auctions are efficient for communicating aggregate supply and demand information they were not designed to communicate the relative importance of consumer attributes such as flavour and tenderness down the chain. Purchasing the elusive full-of-flavour delicious fresh peach remains a challenge in most countries around the world – 40 years after men walked on the moon.

The arms-length nature of the trading relationship leads to a lack of understanding of the needs of the other members of the chain. Firms have strong incentives to reduce their own costs of doing business, but there is no incentive or mechanism to reduce total supply chain or delivered costs.

Limited information flows up and down the chain.

Firms in the middle of the chain – agents and processors – can generate profit from trading and arbitrage. It can be in their interest to limit information flow up and down the chain. Thus commodity systems lead to predictable firm behaviour. Arms-length relationships coupled with trading profit opportunities inevitably leads to adversarial relationships.

The weaknesses of commodity systems are particularly acute for major customers such as supermarkets and food service operators such as McDonalds. Commodity systems do not lead to reliability in supply – quality, quantity or price - nor high rates of innovation on which they can differentiate their offer from their competitors.

The opportunity – and challenge – of fresh food product differentiation and accelerated rates of innovation gives rise to a number of strategic options.

Smaller fresh food firms can craft strategies that are difficult for larger competitors to copy.

Being the lowest cost producer is the only viable strategy in production-push commodity systems. If a firm (or region or country) is the lowest cost producer then commodity market strategies can be an attractive strategic option. In market pull systems, on the other hand, firms have a great degree of strategic flexibility, with not all options depending on economies of scale. As outlined later smaller firms can sometimes execute strategies in fresh food that their larger competitors find difficult to copy. Smaller size can sometimes be turned into a competitive advantage.

3. Fresh Food Retailing in Practice

Before discussing the challenges in aligning fresh food chains to the final consumer, three case studies highlight the diversity of strategies that can be employed in fresh food.

The UK provides three excellent examples of how retailers are working with suppliers and growers to align the whole chain to the ever-changing needs of consumers. Each retailer is pursuing a different marketing strategy that reflects their position in the market and the needs of their customer base.

Each example highlights that food chain strategies are the means to the end and not the end in themselves. The aim is delivering superior value to specific groups of customers.

Tesco

Tesco is one of retail's success stories. Tesco is the UK's leading retailer with annual sales of over £30b and market share in the order of 27%. Growth has been a very impressive 12% compound over the past 14 years.

Tesco's 3-tiered brand strategy appeals to premium, mainstream and discount market segments.

The ability to appeal to a wide range of shoppers is one of the critical challenges facing market leaders in all countries. Whilst having to appeal to the mainstream, high market share retailers must also attract premium shoppers at one end of the spectrum and discount shoppers at the other. They have to defend both flanks as well as engage in front on assaults with direct competitors.

Tesco has successfully tackled this challenge through a 3-tiered private brand portfolio. Tesco is one of the leading private label retailers in the world with home brands accounting for over 50% of total branded and non-branded food sales.

"Tesco" is the main brand with "Tesco Value" the discount brand targeted at price-sensitive shoppers and discount competitors such as Aldi. "Tesco Finest" is the most important premium brand and directly targeted at competitors such as Waitrose and Marks & Spencer. The Tesco Finest brand is supported by other premium brands such as "Tesco Healthy Living", "Tesco Fair Trade" and "Tesco Organic". Specialty niche brands such as "Tesco Kids" appeals to other specific target segments.

Tesco works closely with its fresh food suppliers to develop new products across the whole range.

Tesco works closely with its fresh food suppliers to develop specific products for each range. For example, the citrus supplier Munoz Mehadrin is trialing new technology in order to provide guaranteed sweet mandarins for the Tesco Finest range. Both the supplier and growers understand the Tesco marketing strategy and their role in the innovation process. They also appreciate that their innovation efforts will not go unrewarded – Tesco is actively seeking new product ideas and is prepared to pay for such efforts. Neither Tesco nor its suppliers can afford for these categories to drift back into a commodity rut.

From a primary producer and supplier perspective the range of brands enables Tesco to work with suppliers to market the total crop or carcass.

ASDA

ASDA is part of the Wal Mart Group and has displaced J. Sainsbury as the UK's second largest retailer.

ASDA and its suppliers work together to reduce costs, which are passed on to the consumer.

ASDA pursues its now famous every day low pricing (EDLP) philosophy whereby ASDA and its supply partners have a relentless pursuit on reducing costs for the benefit of consumers. Cost reductions are passed on to the shopper. EDLP is more than a simple pricing strategy: it is a dedicated way of doing business.

In the carrot category for example ASDA's aim was to offer consumers British grown carrots for 12 months of the year. But there was a frustrating gap of a bit over a week where it seemed almost impossible to reliably grow carrots in Britain. ASDA worked with a group of three vegetable growers to fill the critical supply gap. The 'locally grown' marketing theme could now be implemented.

At the same time ASDA reduced the number of lines on offer from 8 to 3: loose carrots, bagged carrots and bagged organic carrots. This revolution assists in managing wastage and reduces supply chain costs, but still offering the ASDA big-family shopper sufficient choice. Sales increased by over 15% per annum. The ASDA model is ideally suited for their core family shopper segment.

ASDA specifications mean that a higher proportion of the crop can be marketed via the supermarket.

In addition, ASDA has less stringent specifications than its major competitors such as Tesco and J. Sainsbury which means a higher proportion of the crop is available to sale to the supermarket. ASDA is an attractive customer for the growers.

Waitrose

Waitrose is at the premium end of the supermarket spectrum with an emphasis on flavour and taste. The Waitrose fresh food strategy is to work with dedicated suppliers and growers to deliver outstanding flavour and freshness to a quality conscious shopper. The strategy is to do the difficult things well, exploiting Waitrose's smaller size and position in the market.

Any strategy that is difficult for Waitrose to execute will be difficult for larger competitors to copy.

Waitrose punches well above its weight in fresh food: grocery market share is in the order of 3.5% whereas market share in most meat and produce categories is almost double this at approximately 6.5%.

Waitrose established its first livestock producer group over a decade ago with a pilot scheme to supply 10 branches with Quality Assured Welsh Lamb. By 1998 all of Waitrose's 145 branches were supplied by the group which now consisted of 125 Welsh lamb producers.

The approach of working closely with committed groups of livestock producers has expanded to other livestock sectors and Waitrose now has more than 30 livestock producer groups: including chicken, ducks, salmon, and venison groups.

The strategy is to tackle the difficult challenges associated with building strong relationships along the whole chain – with suppliers and producers. Any strategy that is difficult for Waitrose to execute will be difficult for larger competitors to copy.

The egg category provides an excellent example of how Waitrose and its suppliers/growers have been able to differentiate a traditional category such as eggs. Every egg in the Waitrose egg category is marketed on an appeal that relates directly to the primary producer – and relies on the total chain system to back up the claim.

Waitrose works closely with suppliers to market the whole carcass and the total crop.

Examples from the Waitrose egg category include production system (free range and organic are the two main examples); breed (the Columbian Blacktail is the basic egg product sold in Waitrose stores); region of origin or Provenance (Welsh grown eggs); and feeding regime (six grain eggs highlighting the hens' diet).

However, to be believable these promises need to be supported by close relationships along the chain – especially with the primary producers where the foundation of the promise is generated. These strategies require whole-chain collaboration.

4. Crafting Fresh Food Strategy

Aligning fresh food chains to the needs of the consumer and developing a system that is responsive to changing consumer needs sounds logical. So why is it difficult to achieve?

Four distinguishing characteristics of the fresh food industries make the evolution from a production push to a market pull orientation complex. But these characteristics also generate a large number of strategy options and create significant opportunities:

Four characteristics of fresh food add to the complexity – but also create a number of strategic options.

1. The whole chain is intimately involved in creating value for the end consumer.
2. Both demand and supply are volatile.
3. The perishable nature of the products places a number of constraints in dealing with sub-optimal demand and supply information.
4. The whole crop or carcass has to be marketed.

Developing creative solutions to the bundle of these three challenges creates strategic options and new business opportunities for fresh food retailers and suppliers.

4.1 Creating fresh food value

Fresh food value is created along the whole chain, and is not concentrated in the manufacturing operations as with processed food. The whole chain from genetics through to retailer needs to coordinate their contribution to ultimate consumer value. The genetics of the animal or plant will determine potential value that can be delivered to consumers. For example, a peach that has been bred for yield, disease resistance and transportability with no inherent flavour will not provide a memorable eating experience regardless of how it is grown or retailed.

The way the links in the chain are managed is as important as the operations within each firm.

The whole chain nature of the value creation process also implies that innovation is a whole chain activity. The way the links between the various firms are managed is as important as the operations within each firm along the chain.

There are basically three types of attributes on which promises or brands are built. First are those attributes that can be easily assessed by the consumer before purchasing. The price, colour and marbling of meat for example can be determined before the sale. The second type is attributes that can be assessed after consumption. The tenderness and flavour of steak is certainly known after eating.

Attributes which cannot be easily assessed even after consumption create strategic options.

The third type of attribute is that which cannot be easily assessed even after consumption[7]. There is a high degree of strategic flexibility for agile firms. It is this third type of attribute that is driving fresh food branding around the world. Promises that build on the story behind the food we eat and that we cannot assess easily, even after consuming the product.

Examples – all of which link the consumer directly to the primary producer through the whole chain system - include:

- Region of Origin or Provenance – this is the staple of wine marketing with regions such as the Coonawarra and Margaret River being identified with strong characteristics. King Island and the Darling Downs are names that conjure up positive fresh food impressions with consumers.
- Production system – Free range and organic eggs are well known examples in the egg category. 'Natural' beef is being increasingly promoted in North America.
- Breed – Certified Angus is probably the best known in the meat category. In the egg category in the UK both Tesco and Waitrose are promoting eggs from traditional breeds such as Old Cotswold.
- Feeding regime – Pasture or grain fed is another theme that is promoted in the meat category.
- Post-harvest handling. The Coop Retail Group in Calgary, Canada for example uses aging as its main beef segmentation strategy – 14 days aging for its main beef offering and 21 days for its premium offer. Ripe 'n Ready peaches and avocadoes are other examples where differentiation is based on post-harvest handling.

Traditional commodity systems cannot deliver on 'credence attribute' promises.

Traditional commodity systems simply cannot deliver on this third level of promises. Commodities are anonymous whereas consumers are placing more and more value on the story behind their food from a known source.

The important question is – given that the promise is not easily assessed by consumers – is the promise believable?

The retailer endorses the integrity of the system behind the brand promise.

Ultimately, it is the retailer who is endorsing (if not making) the promise and who is asking us to believe their claims. They are the logical part in the chain where systems to endorse the advertised promise must be in place. Basically, all these marketing

[7] The technical term for the three levels of attributes is search, experience and credence attributes.

approaches are moving away from anonymous commodities to a source of known supply. The retailer endorses the systems to ensure traceability.

The retailer also has the most incentive to give credible promises – if they do not back up their promises in one department – such as seafood or produce – then this lack of trust will be reflected across the whole store.

4.2 Volatile demand and supply

Not only does the whole chain have to be involved in the value creation and innovation process, but both ends of the chain are subject to volatility. In most industries, supply is managed in response to volatile demand, with inventory used to buffer any inefficiency. In fresh food on the other hand both demand and supply – quantity and quality - are volatile. Toyota for example does not have to manage the impact of droughts on the supply of gearboxes. Dell Computers do not have to cope with a hail storm that influences the quality of computer chips.

In managed fresh food systems someone takes responsibility for coordinating supply and demand.

Thus value chains essentially aim to replace markets with management as the mechanism to coordinate the interface between volatile demand and supply. This is not easy when both demand and supply vary.

For example, a single supermarket or food service customer is unlikely to take all the crop or livestock produced. The product that does not meet customer specifications still has to find an alternative outlet, usually via wholesale markets. Thus trading and markets still provides a pressure valve outlet when supply and demand is not fully aligned. And trading provides the opportunity to dispose of the whole farm production.

With fresh food inventory cannot be used to buffer sub-optimal information management.

Fluctuating prices are part and parcel of the commodity business. There is no ‘blame’ attached when supply and demand are not aligned and producers receive low prices or buyers have to pay high prices. However, in managed systems someone takes responsibility for forecasting and managing supply and demand. If a supermarket does not program accurately and growers suffer, then the supermarket (or the supplier) will be held responsible. Or if growers do not produce the quality and quantity that they proposed then they will be held responsible.

4.3 Perishable products

Information inefficiencies are typically exhibited in the middle of the chain – but the root cause is at either end.

With perishable products inventory cannot be used as the buffer to manage sub-optimal information management. The efficiency of a manufacturing supply chain can be easily assessed by the level of inventory in the chain. This is not as simple with a fresh food supply chain where there are many forms of inefficiency including wastage, repackaging, out-of-stocks, discounted sales and having to purchase from non-preferred suppliers. Many of these inefficiencies – such as out-of-stocks and discounted sales – are hidden costs that may not be managed and monitored. Inefficiencies can be larger than the visible costs of wastage suggest.

Furthermore, information inefficiencies are usually exhibited in the middle of the chain where demand and supply interface. One of the values provided by the meat-processing sector and produce agents is the risk management associated with volatile demand and supply. However, this is usually where the symptoms of the problems can be found – but the root cause of the problem is likely to be at the retail (demand volatility) or producer (supply volatility) ends of the chain. The extent of these problems is often not realised until the chain tries to replace markets with management coordination.

For example, retailers can play an important role to assist producers move production peaks. Times of excess production are a feature of many fresh food production systems such as lamb and sweet corn. The retailer needs to work with suppliers/growers to develop strategies to market the additional supply. Alternatively the producer is likely to face considerable losses as the excess is disposed onto commodity markets at a significant price discount.

4.4 Marketing the whole crop or carcass

Leading retailers are working with their suppliers to assist in marketing the whole crop or carcass.

Peach trees produce fruit in a range of sizes – and not exactly to retailer specifications. The whole crop has to be marketed with grower profitability sensitive to the price received for all sizes. Similarly, prices received for all cuts of the carcass significantly influences profitability to meat businesses.

The Tesco, ASDA and Waitrose case studies illustrated that each retailer has strategies for working with suppliers and producers to assist in marketing the whole crop or carcass.

4.5 Strategy development

Successful fresh food strategies are more than the sum of the parts.

Developing a winning fresh food strategy requires a suite of integrated components[8]. The system is more than the sum of its parts. For example, marketing skills need to be complemented with improved demand and supply forecasting capabilities. Similarly, developing a collaborative relationship between retailer and supplier is pointless unless leveraged to generate higher rates of product innovation.

Competition based on new business designs also encourages product/service diversity. Traditional product-based competition in industries such as the food industry inevitably leads to price driven competition. It is difficult to maintain product and quality diversity when all firms are operating under the same business model. In fact it could be argued in the fresh food industry that new products/services will typically be associated with innovation in business design.

Retailers and suppliers who together are building new capabilities are reaping the rewards.

The retailers and their suppliers who together are building the capabilities to underpin these new systems are reaping the rewards. They are building agile companies that together form chains that are beating their competitors.

The third and final white paper in the series discusses how the four distinguishing characteristics of fresh food can be leveraged in crafting a winning strategy. The development of a new set of performance measures that allows firms to diagnose and manage new ways of doing business is presented.

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[8] The attributes of successful fresh food firms were summarised in the first White Paper in the series.

Fresh food category management: measuring performance

The third in a series of three white papers

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Summary

Successful fresh food retailers and suppliers execute a suite of integrated strategies. They develop new ways of doing business that is difficult for competitors to understand and copy. Business design and process innovation provides the foundation for successive waves of product and promotion innovation.

The complementary nature of the strategic elements means that introducing only one or two elements is unlikely to increase performance – and possibly decrease profitability.

The new way of doing business requires the introduction of a new set of performance metrics that align interests and actions along the whole chain from retail store to primary producer. This white paper, the third in a series of three, outlines the issues relating to the development of such metrics for each unique fresh food chain.

Contents

1. Introduction

Consider the following scenario where a retailer is aiming to evaluate the performance of its fresh food business.

Traditional performance metrics do not evaluate strategy across the whole system of creating fresh food value.

The retailer, who has been developing collaborative partnerships with selected meat and produce suppliers in an effort to differentiate themselves based on their fresh food offering. The retailer faces the challenge of evaluating performance of the strategy across categories such as potatoes, tomatoes, lamb and pork. The traditional performance measures or metrics used by the retailer and suppliers does not fully allow the retailer to evaluate strategy across the whole system and pin-point areas for further improvement.

The retailer and its suppliers are able to monitor short term performance at a firm level, but the current performance measures do not adequately capture the long-term competitive impact across the whole system.

Synergy across the whole strategic package is critical.

This white paper, the third in a series of three, summarises the strategies and the associated performance measures, which executed together, lead to high performance in fresh food. The first white paper set the scene by outlining the evolution of the supplier into a genuine innovation partner. The second discussed the strategic options available to fresh food retailers and supplier and highlighted the importance of developing an integrated suite of strategies. It is not a case of simply cherry-picking one or two elements, but rather appreciating the synergy between the various dimensions and executing a strategic package[9]. It therefore follows that integrated performance metrics must also be adopted to monitor progress.

For example, investment in developing collaborative partnerships along the chain is pointless unless these relationships are used as

[9] The strategy literature refers to the synergy between various strategy elements as complementarities.

the foundation to either reduce costs or enhance the rate of product and service innovation.

2. Fresh food strategy development

The second white paper introduced the four distinguishing characteristics of fresh food:

Managing the four characteristics of fresh food involves system design challenges.

- Value – and the point of differentiation – can be created along the whole chain: from genetics to retail outlet.
- Both demand and supply are volatile.
- Perishable products, which places a number of constraints in managing volatile demand and supply.
- The need to market the whole crop or carcass.

Managing these four characteristics of fresh food raises a number of system design challenges. Successful fresh food retailers, suppliers and growers have developed systems with innovative solutions to these challenges.

Success is based on all three levels of performance: (1) the ability to create value for the end consumer (effectiveness), (2) the ability to provide value at the least cost (efficiency), and (3) the ability to change (innovativeness).

The system, which creates the foundation for collaborative innovation, involves creativity along the following dimensions.

There is a focus on total delivered costs.

- Product differentiation occurs at multiple levels along the chain.
- There is a balance on the needs of consumers with the characteristics of on-farm production.
- Supply driven promotions are used to move excess production.
- Trading capabilities may be adopted where required to market some parts of the crop or carcass.
- There is a focus on total delivered costs, and not simply cost reductions at each point on the chain.
- Demand and supply forecasting systems are introduced, including the risks associated with under or over-forecasting.
- Information flows up and down the chain.
- There is an appreciation of the full range of implications of sub-optimal information management. The difficult to measure impacts (e.g. retail out-of-stocks) are incorporated along with easy to measure impacts (such as wastage).

The risks of associated with over and under-forecasting are understood and managed.

The following table summarises the main challenges facing fresh food retailers and their suppliers. After discussing the use of performance metrics in the next section, section four outlines a number of potential performance metrics for each of these challenges.

Table one: Fresh food challenges

Strategic imperative	Challenge	Description
Whole chain value creation	1. Consumer alignment	Whole chain is aligned to the needs of the end consumer: which is reflected in the development and execution of marketing (or category) plans
	2. Whole chain attributes	The chain can deliver "credence" value attributes[10] to consumers
	3. Customer involvement	The supermarket or food service customer plays an active role in innovation and ensuring value is created for the end consumer
	4. Collaborative Innovation	Innovation is seen as a whole chain activity and not just from the individual firm perspective
	5. Delivered costs	Cost reduction efforts focus on total delivered costs and not just costs at each link in the chain
Volatile demand and supply	6. Demand forecasting	Systems and accuracy for demand management, including seasonal programs, daily/weekly ordering
	7. Demand risks	The risks of over and under-forecasting demand are addressed along the whole chain
	8. Supply forecasting	As above on the supply side
	9. Supply risks	The risks to each level of the chain of over and under supply forecasting have been quantified
	10. Chain efficiency	The chain has identified and monitors the physical implications of sub-optimal information management – and not just inventory
	11. Information management	Demand and supply information flows up and down the chain – ideally based on a single information platform offering transparency.
Whole farm marketing	12. Primary production	Production and breeding decisions are based around the needs of the market and not just production factors
	13. Whole farm marketing	The chain works with the primary producer to manage the whole crop, carcass or catch
	14.Specification setting	The optimum balance between consumer value and production economics has been achieved

[10] "Credence" attributes are those that consumers cannot easily assess even after consumption. Examples in fresh food relate to genetics (Angus beef), regionality (King Island), production system (organics or natural), and post-harvest management (21-days aged beef).

3. Performance metrics: importance and attributes

The previous section reinforced that firms execute food chain strategies in order to gain a competitive advantage, and not just to increase the efficiency of their current way of doing business. The aim is to change the basic system – reflected in changes in business design and the complementary set of strategies. The challenge in chain metrics is to capture the full complexity of system change such that managers can diagnose the system, highlight opportunities and monitor performance. There are both short and long-term effects that need to be captured by the appropriate metrics.

The challenge is to capture the full complexity of system change.

The four compelling reasons for developing and executing an integrated set of metrics for the whole chain are:

3.1 Confidence in long term chain investment

The main danger is that the long-term competitiveness effects of chain strategies will not be captured, with a corresponding, but unintentional, emphasis on the short term impacts. The investment horizon will automatically be shortened with a lack of focus on the long-term competitive impact of chain strategies.

The marketing area provides a powerful analogy and lesson. Essentially marketing has lost influence at the board table as a result of its failure to monitor the long-term impact of marketing investment. Marketing is increasingly viewed by senior management as a cost of doing business, rather than as an investment in long-term customer and brand equity. The buck stops at the marketing profession's failure to develop metrics that cover the full impact of investment.

Marketing has failed to monitor the long-term impact of marketing investment,

For example, a number of studies have highlighted that price promotions frequently have the dual effect of short-term revenue increases, but at the cost of brand equity and long-term profitability. The absence of metrics to monitor the real long-term costs of price promotions ensures that they remain an overused weapon in marketing's armoury.

Chain strategies face a similar danger given the failure to develop integrated metrics that cover the full impact of chain investment. Chain strategies face the danger of being viewed in the narrow terms of logistics efficiency, rather than at the heart of competitiveness.

3.2 Multiple levels of performance

Value creation and innovation performance – as well as cost reductions – need to be measured.

Similar to the above point, an inappropriate set of metrics runs the danger of focusing purely in terms of efficiency performance. The other two levels of performance – (1) value creation and product differentiation and (2) innovation – are likely to be neglected. And yet the whole objective of chain strategies is to address the major weaknesses of commodity markets – a lack of product differentiation and low rates of innovation.

3.3 Align company interests and actions

Aligning the interests of the different companies in the chain is one of the keys of high performing food chains. New metrics are required in order to address this challenge. The vast majority of metrics employed by companies take a firm specific perspective on performance and do not encourage chain collaboration.

The danger is that, in the absence of new and relevant metrics, companies will focus on their own level of the chain and neglect whole chain performance. Whilst each company may perform well the overall system may not be performing.

Chain metrics will encourage a total chain perspective, encouraging an understanding to the total system and supporting collaboration. Kanter (2003) for example points out that alliances and relationships require new management tools and metrics. The traditional command-and-control techniques applied in traditional firms are not appropriate to a value chain world. New metrics – and a new mindset – will be required.

Appropriate performance measures support the required behaviour.

Collaboration also involves aligning actions as well as interests. Chains need to institutionalize the required change in behaviour along the chain and provide the appropriate incentive systems. Metrics are required to support the required behaviour and support the appropriate incentives.

3.4 Managing risk and reward

Food chain strategies change the reward/risk for firms in the chain: strategies are never neutral with respect to risk and reward. An important role of metrics is to assist firms understand, manage and monitor their risks and rewards.

For example, demand and supply forecasting systems need to address the costs and risks associated with over and under-forecasting. Forecasts are rarely – if ever – exactly spot on. Forecasting must quantify the risks to each party of over and under-forecasting.

In the absence of such metrics, chain strategies can have unpredicted long-term impacts and can undermine the development of cooperation and trust. Appropriate metrics can underpin dialogue and lead to improved decision making.

3.5. Performance metrics attributes

Performance measures need to reflect the underlying strategy.

The most important point to emphasise is that the appropriate performance metrics will be those that reflect the underlying strategy. Successful fresh food chains are those that adopt a suite of integrated strategies: which will be monitored by the relevant performance measures.

The above discussion suggests that the optimum chain metrics will exhibit the following five characteristics:

- <u>Multiple performance measures</u>: Chain metrics must not only measure efficiency and cost management, but must also capture the ability of the chain to create value for consumers and to innovate.
- <u>Time horizon</u>: metrics will cover both the short and long-term impacts of chain investment, strategies and tactics.
- <u>Past and predictive measures</u>: financial measures capture past performance, and need to be balanced by predictive measures of performance.
- <u>Hard and soft measures</u>: hard measures (such as sales, margins, ROI) will be supplemented by soft measures (such as partnership strength) that provide insight into the underlying competitiveness of the firm and chain.
- <u>Risk and reward</u>: chain investments are not risk neutral, and metrics need to be able to capture the risk and reward profile of different strategies.

4. Fresh Food Performance Metrics

The aim is to develop a relatively small set of powerful metrics that quantify and track the factors that lead to a competitive system. The following metrics provide examples that may be used. The list is not exhaustive, but clearly needs to be refined and reduced for each chain.

4.1 Value creation

The first set of metrics aims to monitor the ability of the chain to create superior value for the end consumer.

Table two: Value creation performance measures

Challenge	Metric	Description	Rationale
Consumer alignment	Price range index	Ratio of the highest price to the lowest price in the category	The chain has aimed to provide a range of values to different consumer segments
	Premium product sales	The proportion of sales of premium products in the category	Demonstrates the success of evolving the category from basic commodities.
	Brand investment	The investment in retail and/or supplier brands	Reflects the aim of developing brand equity
	Market research investment	The nature and type of market research by the retailer and supplier	Indicative of a consumer orientation and investment for the future
	Marketing promotions	The number and type of non-price based promotions	Non-price based promotions which reflects developing appeals based on factors other than price
Whole chain attributes	Credence marketing percent	Percent of sales of products with credence claims (such as organics, providence etc)	Marketing based on the chain as a total production and delivery system.
	Traceability protocols	The presence of systems to support credence marketing claims	The ability to manage the total chain as a unit
Customer involvement	Scanning data sharing	The sharing of retail scanning data with suppliers	Reflects a focus of working with suppliers to focus on the consumer
	Buyer KPI’s	The importance of buying price on buyer assessment	Price-based criteria tend to drive the category to a commodity bias
	Retail price comparisons	The presence or absence of formal retail price comparisons by supermarkets	Such measures may lead to a focus on price to the detriment of quality and other consumer attributes.
	Retail supplier relationship	An audit of the strength of the relationship between retailer and supplier	A system for measuring the relationship (as asset).
	Competitor benchmarking	A system of benchmarking quality and price against the competition	A focus on providing superior value to consumers

4.2. Volatile demand and supply management with perishable products

Table three: Demand and supply management performance

Challenge	Metric	Description	Rationale
Demand forecasting	Demand forecasting accuracy	Annual and seasonal programme accuracy	Accurate demand forecasts form the foundation for supply management.
	Demand risk management	The risks of over and under demand forecasting have been evaluated – and are managed	Forecasting is never totally correct – the costs and risks of variation management need to addressed.
	Ordering accuracy	Daily and weekly ordering accuracy	Seasonal demand forecasts need to be linked with daily and weekly ordering systems.
	Order risk management	The risks of over and under-ordering different product categories have been assessed	A tendency to over or under order means costs to some level of the chain.
	Order completion	The proportion of orders filled	Ability of the chain to deliver product as required
	QA rejection rate	Proportion of deliveries with a QA reject	Ability of the chain to deliver to specifications
Supply forecasting	Supply forecasting (program) accuracy	The accuracy of meeting seasonal programs	The production ability of the chain to meet customer requirements
	Supply risk management	Risks of over and under-supply forecasting	Forecasts will never be totally accurate and the ability to assess and manage over and under-situations is critical to performance
	Supplier concentration	The number of suppliers in the category	Fewer suppliers reflects the objective of working closely with suppliers to grow the category
	Price volatility	Index based on price volatility over a specific time period	High volatility reflects commodity price movements and a production driven orientation

Table three (continued)

Chain efficiency	Wastage/shrink	Percent of product not sold	Basic retail ordering efficiency measure
	Retail out-of-stocks	A system for measuring OOS at the retail shelf	An external consumer orientation that supplements wastage management (very few retailers have such an OOS system)
	Discount sales	The proportion of sales to alternative markets	Sales to alternate customers/markets usually carry a significant discount.
	Non-preferred buying percent	Non-programmed buying from second tier suppliers	Along with discount sales, provides an indication of chain efficiency.
	Shelf life	Shelf life at retail and home level	Increases in shelf life result following increased chain efficiency.
	Total procurement costs	Product cost plus all other costs associated with managing procurement risk	Focuses attention on whole chain costs, including risk management alternatives
Information management	Information platform	A single (Internet-based) platform for sharing information	Provides transparency and real time information to support decision making.

4.3 Whole Farm Marketing

Table four: Whole farm marketing

Challenge	Metric	Description	Rationale
Primary production	Production programs	The presence of programs for specific customers	A customer rather than a simple production focus
	Planting and harvesting decisions	Customer input into planting and harvesting decisions	A customer rather than a simple production focus
	Breeding objectives	Consumer attributes in the breeding program	A long-term focus on the consumer
	Genetics variable cost percent	Genetics (seeds, breeds) as a proportion of total variable production costs	Investment in future performance for the end consumer
	New crop yields	Yields of new crops as a proportion of traditional crop yields	Ability to efficiently produce new crops/varieties
	Price risk/reward management	The presence of minimum/maximum pricing in contractual systems	Aims to share the risk and rewards associated with pricing in commodity influenced markets
	Production consistency	The ratio of the peak production month to the lowest production month	Aim is to have even production – and hence price – throughout the year
	Pricing consistency	The ratio of the highest price month to the lowest price month	Reflects the aim of offering consumers the confidence in stable pricing throughout the year
Whole farm marketing	Chain marketing	The proportion of production marketed by the chain	An indication of the chain's ability to maximize total returns
Specification setting	Product specifications	Supplier and grower input into retail specifications	Reflects the need to balance consumer and production demands along the chain

About the Authors

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Michael is a director of O'Keeffe & Associates, a strategy consultancy specialising in the fresh food industries. Over the past four years he has worked with fresh food retailers and suppliers in the UK, USA, Canada, Japan and Korea as well as Australia.

He is Chairman of Hortical, who develops and commercializes of non-intrusive sweetness testing in fruit. He is also Chairman of the Premier Fruits Group, a fruit and vegetable grower and supplier to Australian supermarkets.

O'Keeffe & Associates have developed a number of tools to assist firms develop, execute and monitor fresh food strategies including:

- Relationship audits
- Fresh Food Category Management manuals
- Innovation audits and NPD processes
- Strategic planning workshops
- Whole chain metrics and performance measures.

O'Keeffe and Associates has developed and delivers a number of modular training workshops and programs that are customized for individual clients, including:

- Strategic planning in fresh food
- Understanding and working with fresh food retailers
- Fresh food category management
- Retail scanning data analysis.

O'Keeffe also serves as visiting Senior Research Fellow at the University of Kent and is on the editorial Board of "Supply Chain Management: an International Journal", published in the UK.

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