HANDS ON VALUE CHAINS

1. **Start with the Market** - Many agriculture development workers start with production. You remember the movie <u>Field of Dreams</u> "build it and they will come." With the right technology, you can produce almost anything almost anywhere, but can you sell it?
    a. Market Analysis – How long is your value chain? (sweet corn on the road to Chiangrai)
        i. Needs to be done periodically – markets change and consumer preferences change.
        ii. What do you need to know?
            1. You need to be able to measure and quantify your market.
            2. Who buys now or who will potentially buy?

               It is important to know not only which attributes customers desire, or are repulsed by (milk example), but also to be able to estimate the cost of adding these attributes to the product. It is ultimately the difference in the cost of adding attributes, otherwise known as value, compared with what the customer is willing to pay these *attributes, that determines whether to bring a product to market.*

   a. End users

   b. Value-added processors (import substitution-investigate what raw materials are being imported by processors)

3. How much are the end users paying?

4. Volume of sales – is it increasing, static or decreasing?

5. What do you need to know about the current suppliers?

6. Do you have a competitive advantage?

   For any given product, there may exist an almost infinite number of combinations of price, taste, packaging, convenience and perceived health attributes such as all natural, organic or hormone-free.

   a. Is your product:

      i. Cheaper?

      ii. Closer to the market?

      iii. Higher quality?

      iv. Unique? (niche)

Exploratory research aimed at understanding consumer perceptions is also useful in determining how to best position a product, since even the tastiest product is not likely to catch on if it is never tried. One example of this is the well-known kiwi fruit, formerly known as the Chinese Gooseberry. Sales of the fruit took off, only after exploratory research revealed that consumers found the name rather unappealing. Subsequent re-branding and marketing as the Kiwi by a group of New Zealand producers launched the hairy oddity into the limelight in the late 1990s.

v. Multiple revenue streams (NPI)

1. Soymeal for feed
2. Oil for cooking and bio-diesel
3. Eggs
4. Meat
5. Manure
6. Fish

2. Early-stage challenges to bringing a new product or service to market.

    a. inadequate understanding of:

i. markets,

ii. competitors

iii. Customer preferences –

Why does a consumer choose to purchase, or not purchase, a particular product. Producers should rely on solid research and not their own personal experience or intuition in marketing a product.

iv. Often struggle to define what value their product brings to the market.

3. Look for existing value chains that can be exploited.

4. *The producer who is considering adding value beyond his current production process faces an entirely new set of costs including facilities, equipment and packaging materials that must be evaluated.*

5. If you are looking at value added processing, what about:

    a. Supply of raw materials? (not enough soybeans)

    b. Capital investment? (equipment, soybeans came in once a year, storage)

    c. Transportation? Delivery cost were high because NPI was far from the market

d. Costs of production? (imported raw materials, equipment breakdown, electricity)

e. Potential quality issues? (aflatoxin)

f. Business environment? (Government corruption)

6. *Developing a clear and compelling value proposition is the first phase of an effective market opportunity assessment. In many ways it is the most important part of the process. After all, how can you sell a product or service if you can't articulate its value?*

7. The three stages to develop a compelling value proposition:

   a. Identifying customer benefits

   b. Linking these benefits to mechanisms for delivering value

   c. Mapping the basis for differentiation or market play

8. *Broadly speaking, all businesses deliver value in one or a combination of three categories of differentiation: cost, quality and service. These bases for differentiation include many value delivery mechanisms such as warranty, performance and accessibility. Identifying which of these categories your product benefits fall into allows you to effectively differentiate yourself from your competition.*