



Partnering for Success in the New Economy

By Joe Prochaska, President,
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New technologies are driving many of the changes taking place in ag retailing, but the key to their value is how effectively you manage them in your business.

In our series on retailer management, we have presented the essential role of general management skills in your agricultural retail business. In the past, experience alone could be enough to drive your business, but today you need to partner with members of a larger team.

The range of retailer decisions is also becoming very complex for one person to manage. They include genetics, seed coatings, nutrient management, specialty crop marketing, employee retention — and the list goes on. You have to manage your business differently today because of this, and a fresh approach to building a new team through partnering is an effective competitive strategy.

Your Value in the Supply Chain

These technological changes are forcing a shift in ag retailers' position of strength in the chain of supply from manufacturers to customers. Central to this is the concept of "product," changing from physical crop inputs like chemicals to a bundling of value-oriented, knowledge-based inputs based on information. This is an essential for review as you put the final touches on your 2001 business plan.

In the past your role as a link in the supply chain was clear: sourcing high-quality agronomic inputs at a good, even best, price for a cost-driven customer. As you added value and competed through service, many supplier relationships were based on a price-value proposition. If a supplier did not deliver, another "distributor" was selected and you remained the strongest link in the chain to your customers.

Competitive pricing remains important, but information and knowledge are now gaining ground as priorities in the product mix.

Now you risk becoming a weaker link in the supply chain to your customers if you are not aligning your strategy with the best possible supply chain partners. Consider genetics, where it is not a matter of just selling seed anymore. A more competitive strategy is to partner with companies that can supply the knowledge, people and total package of support that adds value for your customers, helping them become more fully competitive with knowledge-based products.

Actions to Strengthen Your Position

To put into action this concept, which is being rapidly adopted in other industries, here are action areas to consider:

1. Aggressively seek out new technology partners who can best complement your goals, and do this ahead of the competition.
2. Secure partnerships with companies and people who have a solid record of integrity, product performance and teams building.
3. Consider a more formal relationship with legal arrangements for a long-term partnership hinged to mutual financial investments.
4. Structure your business differently, with new partners becoming an integral part of the business. They will not be employees or owners, but new members of your business team with a vested interest in your success. There is reason to take action because there is a very limited number of top-level knowledge partners available to place on your team.

Focus on Opportunities

You now need to review your game plan for strengthening your position

as a key link in supplying your customers. Important areas to focus on include:

1. Have business plans that clearly reflect the role of your supply partners in bringing new levels of value to your customers.
2. Reexamine your target markets where you have competitive advantages. You must be very focused on priorities for partnering to provide maximum leverage.
3. Select partners who will make your current strengths even stronger, acting as a barrier to entry for competitors. The competition must understand that to compete will require an investment that is too late for them to make.
4. Select the partners who will help your customers see your team as unmatched in meeting their needs to achieve success. You want your customers to select your business as the essential retail link in their own chain of success, that will ultimately meet the needs of our end customers — the food consumer.

According to an old adage, each of us is only as strong as the weakest link in our chain. Today this is more true than ever before. And today you must select supplier partners who will be as strong a link as you are in the critical chain that brings both supply and knowledge, to your customers. Partnering for success is an opportunity to strengthen your position as the essential link of value to both your suppliers and your customers. □

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