

Introduction

This is no ordinary book - and that, I guess, is a statement made or view held by many an author.

What makes this book truly unique though is the way its structure has been derived. This book has been years in the making. I have been 'writing' it in the grey space between my ears for at least the last decade, in fact - ever since I stopped being a fresh produce retailer.

The reason it has taken until now to get my thoughts onto paper is quite simple. I had lacked an appropriate structure.

This might sound like an odd statement to make. Thousands of books are published every year and most follow a very simple structure. They have a beginning, a middle and an end.

Well, this type of structure has never worked for me - probably, because my mind does not operate along linear principles.

The structure around which this book has come together is the CON-Factor Construct. This is an analytical tool I developed to foster critical thinking and problem solving skills based on the learnings from our business consultancy work at The AgriChain Centre. As is the case so often, it took me several years to realise that the CON-Factor Construct would serve as an ideal structure for this book.

So here they are both - book and Construct.

The book consists of several segments: two introductory pieces which aim to define produce versus horticulture and introduce the concept of the value braid; the chapters following the CON-Factor outline; a group of thought pieces which address different situations within the fresh produce industry and a selection of opinions previously published in journals and newsletters. The final chapter, entitled 'Convergence' aims to pull the learnings from those three segments together and suggest a way forward.

My focus has been shaped by both hands-on involvement at growing and retail levels, as well as the intellectual pursuit of thinking about how the industry operates and how it could do better.

I started my produce industry career as an apprentice nurseryman in a fruit tree nursery in Germany in the 1970s. In the early 1980s I was growing perennial and vegetable plants commercially in New Zealand. By 1989 I was managing the fresh produce business for Progressive Enterprises, which then owned the North Island based Foodtown and 3 Guys supermarket chains. Later Countdown was added to the equation and I was able to extend my learning nationally.

I have over the years metamorphosed into an agribusiness consultant, company director, publisher and educator. At some stage in my life, I have also worked as a landscape gardener, journalist, Labour Department employment officer and university lecturer.

The point I am trying to make by sharing some of my background with you is to emphasise that the views I communicate in this book have evolved over many years and originate from more than just one perspective.

I would like to thank my business partners Anne-Marie Arts and Keith Budd for their tolerance with my urge to put pen to paper over the years. A big thank you also to Kathryn Foulkes-Baker who acted as editorial assistant and Lisa Ritchie who in her usual calm and professional style managed to turn my various outputs into something resembling a book!

Last but not least, my profound thanks to my publisher, Gordon Prestoungrange, Baron of Lochnaw, for his guidance during the last decade.

This book will appeal to anyone, in New Zealand and elsewhere, keen to understand better how fruit and vegetables get onto retail shelves and what goes on behind the scenes in order to satisfy the consumer, a challenging task in anyone's business.

Auckland, Easter 2010

Hans Maurer

For starters

Where the scene is set

Produce or horticulture?

What comes first, the chicken or the egg? The chicken, of course. No need to debate this; everyone knows that chickens lay eggs. So where does the chicken come from then? From the chicken farm, of course; where it probably hatched from an egg!

We all know that old argument, don't we?

So let's bring the argument into our industry then. Are we the horticulture industry or are we the produce industry? Or are we both? Can we be both? What defines us if we are different? If we are different that is...

I have thought about this long and hard over the years as my career took shape and I moved through various components of the value chain, long before it was called that. I have resolved in my mind that produce and horticulture are not the same, are not interchangeable terms and have to be treated as unique and defined elements of the same value chain. Here is where I am at with this. The focus of horticulture is production. The focus of produce is the consumer.

I am not on my own with this view. Wikipedia suggests that "*horticulture* is the industry and science of plant cultivation including the process of preparing soil for the planting of seeds, tubers, or cuttings", whereas "*produce* is a generalised term for a group of farm-produced goods, not limited to fruit and vegetables. More specifically, the term "produce" often implies that the products are fresh and generally in the same state as when they were harvested. In supermarkets the term is also used to refer to the section where fruit and vegetables are kept. Produce is the main product sold by greengrocers, farmers' markets, and fruit markets."

New Zealand as a country is focused on agricultural production and wikipedia is dead right - *produce* can mean all sorts of things, but we also fit the next part of the definition.

Our supermarkets have *produce* departments not *horticulture* departments and *produce* is exactly what is sold by the other

consumer distribution channels such as greengrocers and farmers' markets.

In the US and Canada the attribute *fresh* is added and the individual in charge of fruit and vegetables in the supermarket environment is known as the *fresh produce* manager.

On that basis then, all growers are part of the horticulture industry whilst merchants, wholesalers and retailers are participants in the produce industry. And as the produce industry's purpose in life is the movement of horticultural product from the farm gate to the dinner plate, the horticultural industry is actually a part of the wider produce industry as well.

Indeed there are some industry participants who are permanently wearing two different hats at the same time, like the apple grower, for example, who is managing his own export programme!

The other issue we have is that when Government decides to engage with the horticultural industry through its industry body Horticulture New Zealand, for example, the consumer driven side of the equation otherwise known as the produce industry does not necessarily consider itself addressed - or even worse, does not know at times what is going on around it.

Before we selectively get precious though about which industry we belong to and which one we would rather not be a part of, we might just as well remember that we are lucky enough in New Zealand to have a truly pan-industry body - United Fresh. United Fresh members come from the entire spectrum of the combined horticulture and produce industries and United Fresh Executive Committee and general meetings are the only events where the entire fresh produce value chain is sitting at the same table and every member is there by right as opposed to being an invited guest.

We now need to get into the habit of using our pan-industry organisation, United Fresh, to address pan-industry issues.

For further information: www.5aday.co.nz

Forget supply chains - value needs to be the name of the game

There are numerous articles available to researchers and practitioners alike which describe supply chain management in general and within the fresh produce industry in particular. I have also contributed to this collection of written expression on the topic through peer reviewed articles, pieces written for HortSource, the produce press in general and, of course, through my Sauerkraut column on the HortSource website.

Why add another one then? Why indeed?

The reason is very simple: time does not stand still. Over time, action takes place, successes are achieved, mistakes are made and lessons are learned. Or in the words of Reg Revans, the father of Action Learning, $L=P+Q$, where L stands for learning, P for programmed knowledge and Q for insightful questions.

Over time then, I have been: a practitioner, i.e. a supermarket executive with responsibility for fresh produce purchasing functions; a formal learner by way of completing an action research based doctoral thesis focused on the fresh produce supply chain and ways to improve it; and a consultant to industry on strategic supply chain matters. And without having set a formal investigation framework at the outset, I have in recent months reached the conclusion that a pure supply chain focus is not only insufficient to achieve sustainable value as produce moves through the supply chain, but also downright counterproductive.

To be very clear - of course supply chains do exist; and naturally, there is an absolute need for the different organisations that form the chain to cooperate in order to ensure that value is created and sustained. As we learn more about the behavior of chains we also need to be prepared to look at them in a new light.

A chain that wants to be successful in a sustained fashion does need to work on three aspects. These are firstly its own internal processes (1), secondly the cooperation with the respective up- and downstream elements of one's chain (2) and thirdly the way value is created and shared (3).

It has been my experience that most energy appears to be going into (2), some effort into the creation aspect and very little into the sharing aspect of (3) whilst internal processes (1) are taken in the main as given and if work is undertaken to optimise them, then it is typically done in isolation.

Yet without internal processes within an organisation being correctly optimised, it is literally impossible to create sustainable value for one's own organisation, let alone the chain as a whole. Value creation within one's own organisation is the starting point for future participation in a successful value chain.

I will therefore focus here on the issues within an organisation that represents one's own link in any chain which will lead to the introduction of a new concept - the **Value Braid**.

The Value Braid



Link construction

Whenever value chains are discussed in the literature, the focus is placed on chain performance and the need for participating links to work hard at ensuring that as product gets passed from one link to the next, effectiveness and efficiency are maintained without loss of momentum.

The reality is that this concept relies on the links themselves being organically optimised. A supply chain that works well can be compared to a well oiled machine that benefits from regular

maintenance to ensure the engine runs smoothly, gets a regular oil check and is tuned as required. If this concept is accepted for the overall chain performance, it follows that a similar approach is advisable to ensure the robustness of individual chain links. Dealing with an individual link is by default more specialised than dealing with the chain at large because if individual links are ineffective, the chain as a whole will not work properly either. It is therefore critical that the composition of individual links is better understood than is currently the case.

My action learning approach in my professional and academic activities over the last ten years have now lead me to the following assertions:

- A successful supply chain link resembles a yeast braid, which is constructed from individual strands.
- If the dough used to bake a yeast braid is not kneaded enough, it will not rise properly.
- Dough that does not rise properly will not turn into a well baked yeast braid.
- A well baked yeast braid consists of five strands, expertly woven together by the baker's hands.
- If the five strands are not woven together well, the yeast braid might taste OK, but will present as messy, crooked and out of alignment.
- The five strands that form the link an individual business represents in the supply chain are
 - a. Customer focus
 - b. Quality status & management
 - c. Information capability
 - d. Communication skills
 - e. Physical product movement

Each strand will be briefly discussed to assist in explaining the nature of a value chain link - or **Value Braid**.

Customer focus

The purpose of a value chain is to satisfy customer needs. Each link in the chain needs to focus on four categories of customers. These are its suppliers, its direct customers; i.e., the next link in the

chain, the ultimate consumer and the internal customers (such as team members) within the link itself. Each group has of customers has its own needs, its own pressure points and its own set of rose tinted glasses. Unless their needs and aspirations are understood and aligned, value creation is next to impossible.

Quality status & management

Quality is a concept discussed ad nauseam, written about extensively and not well understood. Some years ago I introduced the concept of interactional fusion quality. This was based on the realisation that produce of good quality had the potential to be of average or poor quality by the time it has passed through the supply chain if the journey either took too long or if the handling processes along the chain were questionable.

Similarly, produce of questionable origin entering the supply chain would not improve through travelling along a well designed, managed and skilled supply chain. The law of perishability does not allow for such eventualities. Quality management is not a destination or a point in time, but a never-ending journey and must be treated as such.

Information capability

The paperless world has yet to arrive but we are increasingly becoming dependent on electronic communication for just about all aspects of produce moving from grower to consumer. Living in a market economy means that not every IT system in use is the same. Many 'off the shelf' systems pronounce 'connectivity' as one of their virtues, referring to their supposed ability to connect with other proprietary systems up and down the value chain.

How much data do we want to share though? How much data do we need to share? At what point in the process should data be shared? In which format should shared data be presented? How can we protect our data from abuse - and to what extent does the shared data need to be 'translated' in order to meet the needs of our customers?

These are just a few questions for starters. The point being that technical capability alone is no longer enough. How we manage data

is getting just as important as whether we can cope with the technical aspects of data transmission.

Communication skills

The ability to communicate well has always been one of the mainstays of building and maintaining good business relationships. Competence in the areas of accuracy, timeliness, relevance and sufficiency from both content and process perspectives are paramount in ensuring value is added rather than reduced as produce moves through the value chain.

What constitutes 'sufficient' information though? How much reliance should we place on automated data collection as opposed to the good old fashioned human approach? Can identical communication models be applied to all fruit and vegetable sectors?

And if these questions were not enough - do we need to consider the role of social media solutions such as Twitter to reach our customers?

Physical product movement

This aspect always appears to work well in any business. After all, I must be doing something right if I can get my tomatoes to my wholesaler every day in one piece?

Indeed, but what improvements could be made? To what extent is physical product movement impacted by the information needs of my customers? Could I save money by sending the truck earlier? Or later? Or getting my neighbor to deliver on my behalf?

Does it make a difference whether I am sending my produce to a wholesaler, to a retail distribution centre or direct to a consumer via an e-Bay or Trade Me listing?

How do I keep my product moving and how do I integrate this strand of my vale braid with the other four?

And last but not least - the yeast

Think of the yeast as the magic ingredient, your unique selling proposition, the critical core competence that differentiates your product or offer from that of your competitor. It does not matter how well a braid has been assembled, if the yeast is missing, the dough will not rise and the braid will not achieve its potential, regardless of

how long it is kept in the oven! The same applies to your business. What is your 'yeast'?

Your 'yeast' ultimately underpins the success of your business, as evidenced by the degree to which you are able to have the five strands of the braid working in harmony as the business connects with the respective up- and downstream elements of your value chain.

A paradigm shift is needed in the way we think about our business. Before we can successfully participate in supply chains or value chains, we need to ensure the link our business represents is optimised - and that link is called the **Value Braid**.