



Global Value Chains: Governance and Enablers

The Food Industry

**Sloan Industry Studies Annual Meeting
2005**

Jean Kinsey
Professor, Applied Economics
Co-Director, The Food Industry Center
University of Minnesota, USA



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Global Value **Networks:** Drivers The Food Industry

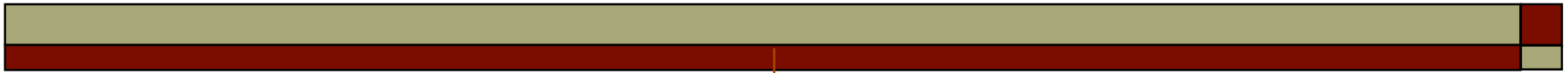
- ✦ **Quest for efficiency in production and distribution. (Price competition)**
- ✦ **Fragmented (global) consumer tastes**
- ✦ **Global supply of raw materials & global consumers with counter trends of LOCAL, NATURAL & SUSTAINABLE food supply.**





Global Value Networks: **Boundaries of “who does what” keeps moving**

- ✦ **Number of activities add value to food as it moves from field to fork.**
- ✦ **Traditional roles outsourced, vertically integrated, shed to whole new types of companies.**
- ✦ **Horizontal mergers to achieve competitive scope and scale.**
 - ✦ **Started with Wal*Mart-> Retails merged -> manuf. merged -> farmers merged**



Transport, Delivery

Aggregate, Store

Add Value (Process, Package, Cook)

Grow Crops, Raise Animals

Monitor Quality, Safety –Set Standards

Marketing, Consumer Research, branding

Handle Waste, Environment

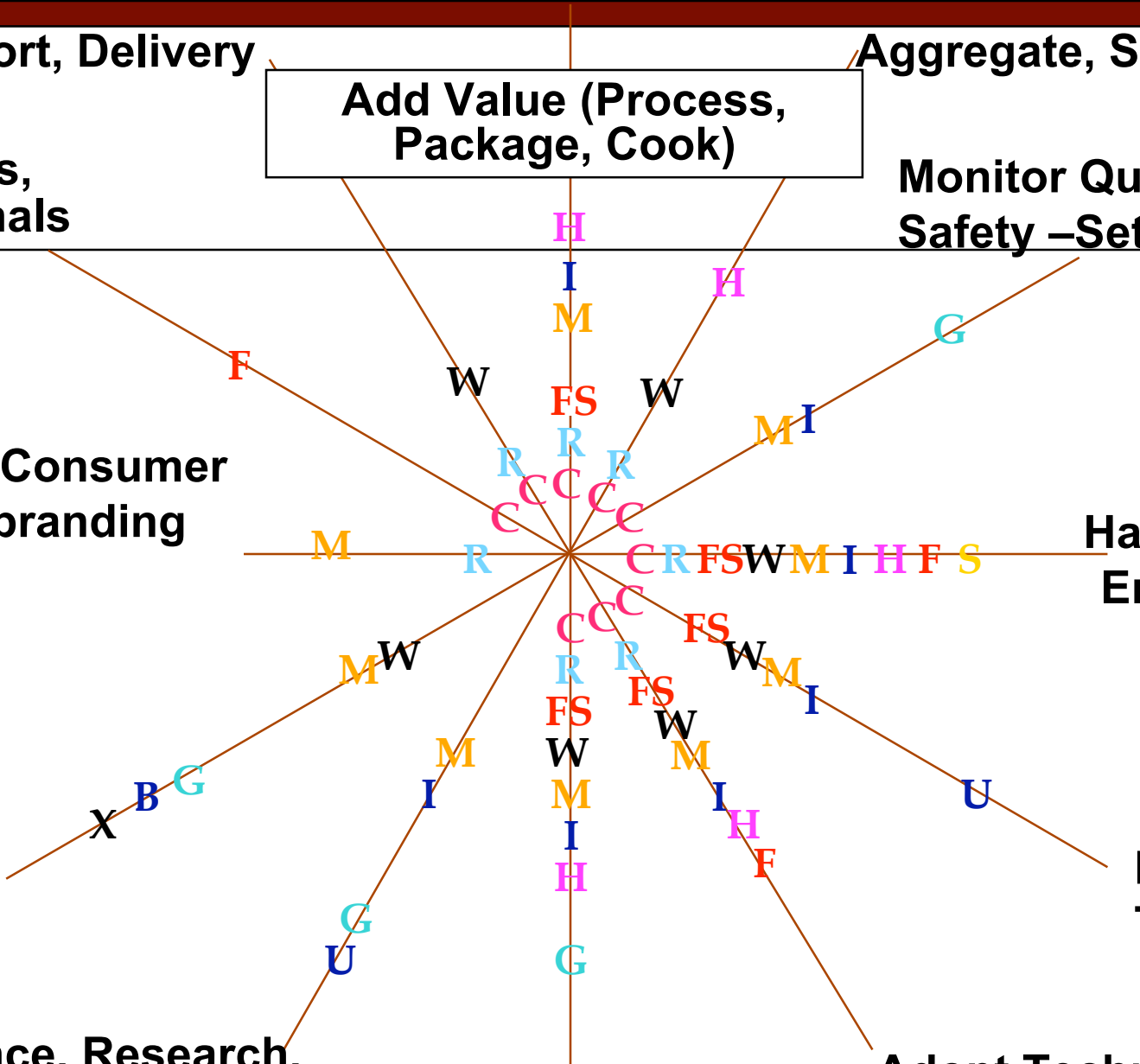
Finance, Credit

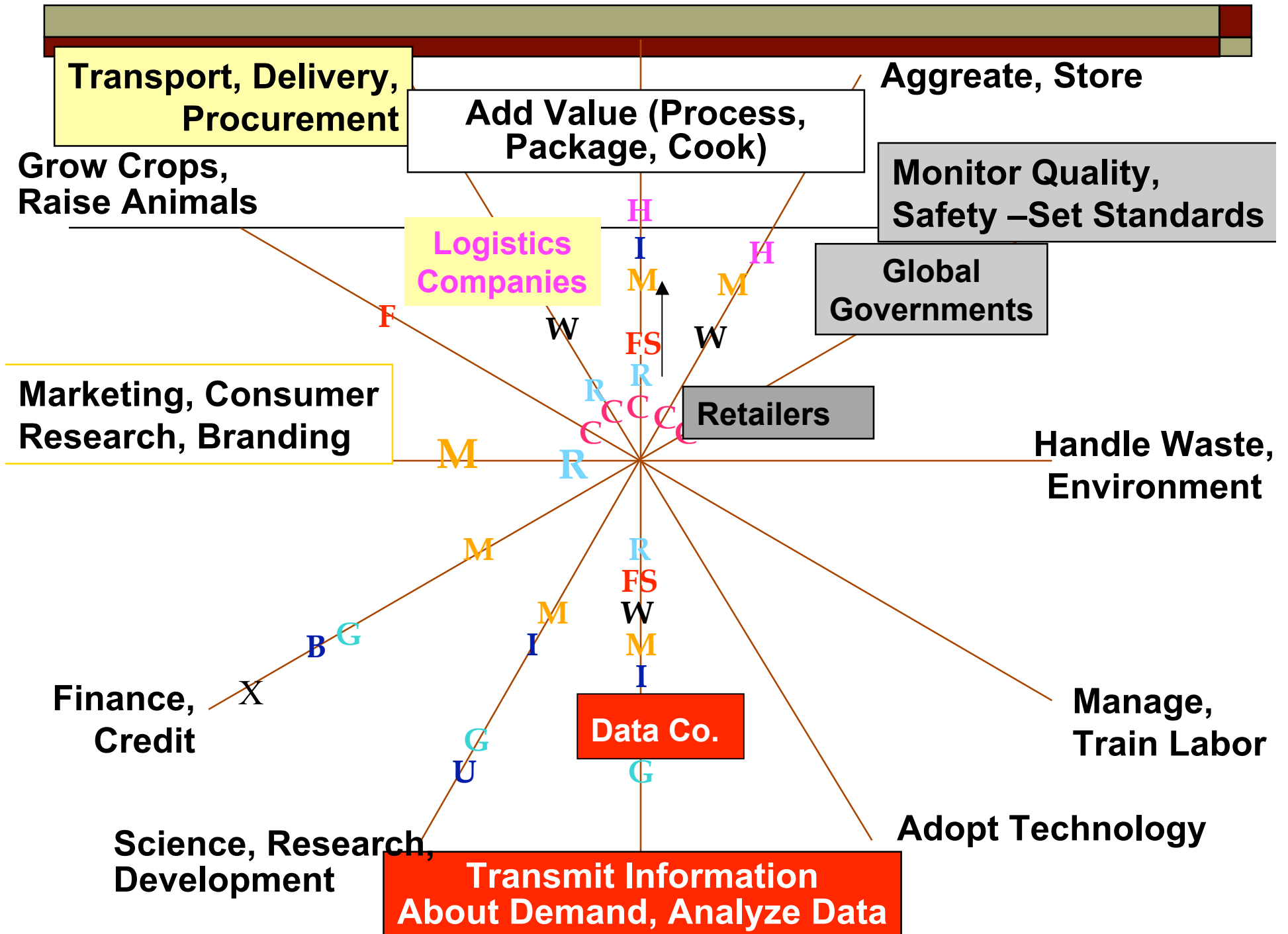
Manage, Train Labor

Science, Research, Development

Transmit Information About Demand, Analyze Data

Adopt Technology





Global Value Networks: How power has changed in Food Industry

Period	Farmers	Manufacturer	Wholesaler	Retailers
-1900	Dominant	Minor	Major in Few trades	Very Minor
1900- 1950	Declining	Dominant	Major in many trades	Minor
1960- 1970	Minor	Dominant	Dominant	Minor
1980- 2000	Very Minor	Declining	Rapidly declining	Dominant

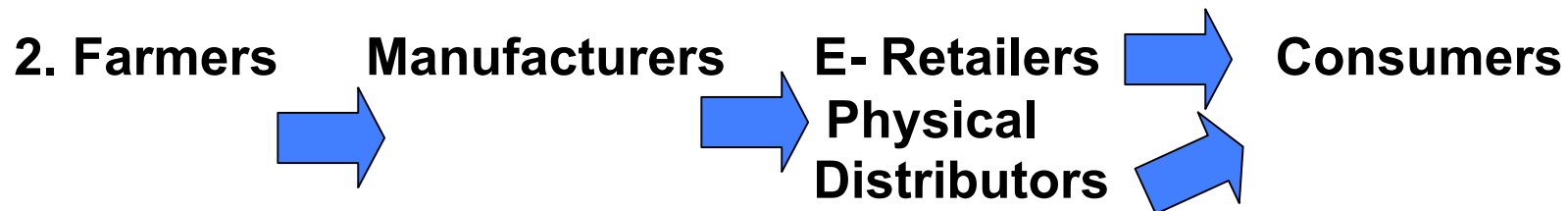
Source: C. von Schirach-Szmigiel, Unilever Board Member

Global Value Networks: Restructuring Drivers in the Information Age

<u>Dimension</u>	<u>Industrial Age</u>	<u>Information Age</u>
Product Features	Standardized	Mass Customization
Product configurations	Stable	Mobile
Customer Expectations	Value and satisfaction	Value and Delight
Price Configurations	Discrete Prices	Bundling
Competitive Strategies	Seek Sustainable Advantages	Sequential & Overlapping Advantages

Source: C. von Schirach-Szmigiel, Unilever Board

New Value Chain Structures in the Food Industry



3. Going Back to Farmers – the story of the value of an egg in Denmark

	<u>Egg</u>	<u>Danish Egg</u>	<u>Aunty Em's egg</u>	<u>Hen Ruth's egg</u>	<u>Hug, Pet and Pick your egg</u>
Kroner	1	2	4	8	20



Global Value Networks: **Enablers**

- ✦ **Information Age technology:
Internet/Communications**
- ✦ **New Logistics Companies (C.H. Robinson)**
 - ✦ **Third Party Quality/Safety Auditors**
- ✦ **New technology (RFID, Genomics)**
- ✦ **Global Food Supply**
- ✦ **Mergers and Acquisitions**



Global Value Networks: Organization

✳️ **Retail: Consolidation** into <5 international companies (Only Wal*Mart is large outside U.S.)

–Yet all retail is local and independents are growing

✳️ Retail and wholesale merge --> **self distributing retail**

✳️ **Bifurcation of Retail** into PRICE sellers and EXPERIENCE sellers

✳️ Outsource procurement and transportation to **logistics companies**



Global Value Networks: Organization

✳ **Manufacturers: Mergers** for strategic sales and dominant position in some field (i.e. Pepsi buys Quaker for Gatorade, sells Tricon restaurants) (General Mills sells Darden restaurants, buys Pillsbury to increase supply for more restaurants)

✳ **Manufacturers: Divestment** to try and find core competence and/or spread risk (Kraft & Philip Morris) (Grand Met (Diagio) buys , then sells Pillsbury to concentrate on liquor).

✳ **Manufacturers, Retailers and Foodservice Co.** establishing **locations in Asia, S.A. etc.**