



International Food and Agribusiness Management Review
Volume 9, Issue 2, 2006

Executive Summaries

RESEARCH

Conceptual Links between Two Mad Cow Crises: The Absence of Paradigmatic Change and Policymaking Implications

JoAnne Labrecque and Sylvain Charlebois

BSE, perhaps one of the most significant food safety predicaments the world has seen in recent years, is changing many trading parameters for international food marketing. Industrial imprudence has led to the inception of a devastating human-induced crisis that has captured the attention of many industry leaders, policymakers and citizens around the globe. It seems that humanity has reached a key juncture in the relationship between food supply and food policy, and both public and private agencies are failing to grasp the essence of the problem. Because of BSE, the state, the corporate sector and civil society in general are facing difficult decisions. In food safety, public policy often lags behind the restructuring taking place in the food system and is often reactive. Food manufacturers are driving the political agenda on food safety, arguably at the expense of producers. By considering the structure of the food supply chain, cohesiveness between the industry and government is more necessary now than ever before.

Food safety will face many obstacles in the future. Market abnormalities and behavioral system inefficiencies may in the future create more unpredictable outcomes. To establish efficient worldwide food safety standards, an extensive social and political process is necessary. Some initiatives have come forth with new insightful ideas, but nothing as of yet has had any managerial panache. The abnormality of markets allows countries to protect their interests and make decisions to protect their market without passing any moral judgment on the issue at hand. The task of making collective decisions about food safety is and will be up to socio-political systems around the world.

The BSE crisis that occurred within the British beef industry is analyzed in this article by taking into account that the affected economy is political rather than purely economic. By doing so, the British industry is examined as a behavioral system inside socio-political structures (i.e. power/dependence relations) and processes (i.e. cooperative/conflictive relations). The first objective of this research is to understand how the British BSE crisis, which created environmental uncertainty within a beef distribution channel, influenced policy-making processes and

structures of Canadian related federal and provincial agencies seven years later. In addition, by conceptually contrasting the two distinctive BSE events, the second objective will be to assess whether the British BSE event had any influence over Canadian public policies related to food safety prior to May 20, 2003, the day the announcement of the diagnosis of the first Canadian BSE case was made public by the CFIA.

Performance Improvements through Implementation of Lean Practices: A Study of the U.K. Red Meat Industry

Keivan Zokaei and David Simons

The UK red meat industry has undergone several crises such as the (BSE) Bovine Spongy Encephalopathy; better known as the Mad Cow disease epidemic, outbreak of Foot and Mouth disease; and extensive change including the UK retail chains oligopoly increased supply chain power, higher penetration of low cost imports (both new EU members and other regions) and, most importantly, decoupling of the subsidy payments from production. In this situation, there is an immediate need for operational and logistics improvements. This paper puts forward Lean Thinking as a source of best available practices and a business model, which encourages continuous pursuit of perfection. Lean Thinking has offered massive benefits to other sectors of the industry from automotive to banking. The authors propose a taxonomy of different layers of lean implementation – known as the 3P's model (i.e. philosophies, policies and practices). This paper reports only on part of the findings from an extensive research program, which looked into eight red meat value chains in three countries. This paper identifies the bottom-line impacts from implementation of two specific lean practices, i.e. Takt-time and work standardization, at the various stages of the supply chain from farm to point of sales. The analyses show that these two lean practices offer 2-3% potential cost savings to each actor along the supply chain, against their current selling prices.

A Framework for Evaluating Return on Investment in Management Development Programs

Kara Lynch, Jay T. Akridge, Scott P. Schaffer and Allan Gray

Investment in managerial training and development by food and agribusiness firms represents both an important tool of strategy to build competitive advantage and a significant commitment of financial resources. As such, there is increased interest in evaluating the impact and effectiveness of such managerial development investments. One such form of evaluation is through assessment of the return on investment (ROI) of training and development activities.

ROI is a financial analysis metric that involves a comparison of total benefits to total costs. Using ROI to evaluate training investments presents a challenge in that the results of training and development programs are not typically evaluated in terms of their effect on business results. As a result, while much has been written about ROI assessment in theory, useful tools for implementation of the idea are not

readily available for training and development investments. The objective of this research is to develop an evaluation process using ROI to assess the financial performance of management development programs for food and agribusiness firms.

Based on extensive review of the education literature, a three-phase model for ROI evaluation is developed. These phases include assessment planning, data collection, and data analysis. The first phase establishes the objectives for the training program, the purpose for the evaluation, and determines the specific evaluation techniques to be employed. The second phase, data collection, involves application of a battery of techniques including a survey of open-ended questions specific to the objectives for each training program. The last phase involves analysis of the data collected and determining return on investment. This model is then tested and applied to a management development program developed by the Center for Food and Agricultural Business at Purdue University. The framework developed in this paper will provide a useful tool for those involved in developing, delivering, and evaluating managerial training and development activities.

IQF Catfish Retail Pack: A Study of Consumers' Willingness to Pay

Kwamena Quagraine

The foodservice sector including restaurants and fast-food outlets has long been a major market outlet for U.S. farm-raised catfish products. However, the catfish industry has expressed interest in expanding sales through the grocery market channel because of the competitive nature that imported fish fillets pose at the foodservice sector market. It is envisaged that the marketing strategy of country-of-origin labeling (COOL), emphasizing "U.S. farm-raised catfish" can be better pursued at the grocery retail market level than at the foodservice sector level. Proper household-size retail packages for catfish could be used to provide labeling information on origin, price, quality, nutrition, product safety and other relevant product information to consumers. That way, a positive relationship could be developed between consumers and U.S. catfish to establish a U.S. farm-raised brand equity and loyalty, and probably a guarantee of quality and safety.

The study examined consumers' willingness to purchase a household-size pack of individual-quick-frozen (IQF) 6-fillets of catfish, and determined how much (\$/lb) households will be willing to pay (WTP) for such a retail pack. A mixed logit model was applied to data obtained from a consumer survey conducted in selected southern U.S. cities.

The variables examined included: willingness to pay for an IQF 6-fillet household-size pack of catfish; frequency of fish purchase (attitudinal variables); importance of product origin and packaging in fish purchasing decisions (informational variables); and demographic factors. About 56% of respondents expressed positive WTP values for a household-size 6-fillet pack of catfish. The average price households were willing to pay is \$4.37/lb. Forty four percent were not willing to pay any price for this product. The responses comprised of 58.1% Whites, 31.1% Blacks and 3.3%

Hispanics. Females constituted 61% of the responses, the average age was 44 years, and average household size is 3. Important factors found to affect willingness to pay include; fish buying patterns, household size, race, age and gender.

The attitudes of respondents regarding frequency of fish purchase were varied, implying that marketing strategies for new products should view consumers as a heterogeneous and not a homogenous group. Frequent fish buyers were willing to pay more for the product and as such continued availability of the product is important to market success. Targeting this group of shoppers will be an effective marketing strategy based on attitudinal segmentation. There is also the need for a clear indication of product source or origin on retail food packages to enable buyers make informed purchase decisions. Promotion of a household-size 6-fillet pack of catfish should target consumers in regions where fish consumption is high and there is potential for the sale of retail packages in regions where the Hispanic population is high.

INDUSTRY INTERVIEWS

Feature - Executive Interviews

Introduction

Francesco Braga, Executive Editor, IFAMR

It is a pleasure to write this short introduction to this Special Feature with four contributions from students who attended the 15th Annual World Food and Agribusiness Forum, Symposium, and Case Conference which was held in Chicago Illinois on June 25-28, 2005.

IAMA pays particular attention to future colleagues and strives to assist them as they complete their academic education. Thanks to the generosity of a number of institutions and individuals, IAMA offers several travel grants to help defer the cost of attending the annual World Conference. There, students from all over the world enjoy the opportunity to network with peers and senior colleagues, the access to potential employers, and the possibility to be alerted to and develop new professional ideas and skills.

The four contributions that form this special feature document one of the activities that IAMA offers to student members attending the World Conference. Students are individually linked with a senior corporate or government executive, or with a senior academic, and, at the conference, have the opportunity to interview him or her. Links are arranged according to common professional interests, and students are encouraged to prepare a formal contribution to the IFAMR.

Dr. Eluned Jones, Texas A&M University, advised the students during this activity at the 2005 Conference in Chicago. In addition she served as Guest Editor of this

special feature and selected these four contributions from the 17 that were received by IAMA. Thank you, Eluned! The publication of this special feature in Volume 9, Issue 2 of the IFAMR, published in May 2006, is timely as we head to the 2006 Conference in Buenos Aires. The hope is that these contributions will inspire and motivate the students attending Buenos Aires.

A special thanks also to all executives who donated their time to nourish our students. We all know how busy you are and how precious your time is. These efforts, in the true spirit of IAMA, are most appreciated. Again, thank you! By the way, the odds are that you met a bright person who in the near future might come to work for your organization. Best wishes to both of you!

A final word to the students attending Buenos Aires: be inspired, be enterprising. Do not be shy, and take the opportunity to approach your senior colleagues. IAMA conferences are really unique, as you have informal and uncluttered access to a number of key players in global agribusiness. They are always looking for bright individuals; this may be your unique chance to build that key personal link that later may result in a world of opportunities. Again thank you to the senior executives, to the students, to Dr. Jones.

Gianluigi Zenti, President, Academia Barilla SpA – The Changing Consumer: Demanding but Predictable

Jochen Hartl

Consumers' choice is getting more complex and differentiated. These changes pose new challenges for food manufactures, but also provide new opportunities for them to add value and differentiate products. For this background it is crucial to understand and predict consumers' behaviour to meet future consumer demands.

To contribute to this discussion, this report describes how consumers' behaviour, in particular with regard to Italian food, has changed from the perspective of Barilla, one of the leading manufactures of Italian food. Academia Barilla Director Gianluigi Zenti, who is credited with building the Barilla brand in the US, gives an insight into evolutions on the demand side and how Barilla responded to them.

Two major conclusions can be derived. First, consumers hold more differentiated views about Italian food today, for instance more and more consumers know about regional Italian food.

However, they often do not get the full information regarding real Italian food versus substandard imitations. Thus, the basic mission of Academia Barilla is to develop, protect and preserve the cultural identity by educating the consumers about real Italian food.

Second, the evolution of food is that the physical component of a product becomes less, psychological and cultural related components become more important. Thus,

for Barilla it is more and more important not just to rely on the plain physically components in order to be recognized by the consumers; rather it is becoming essential that consumers link their products with emotional and aspiration values. Gianluigi Zenti emphasizes the importance to build equity in the area. Barilla took that challenge and builds on emotional and aspiration values by promoting authentic Italian food, lifestyle and image.

Robert T. Martin, Managing Director and Regional Executive, Bank of Montreal, BMO Financial Group – Doing Business in China

Juan Liu

This interview concerns doing business in China given the rapid changes and industrial development of that country. This report is based on an interview with Robert T. Martin, Managing Director & Regional Executive of BMO Bank of Montreal in June, 2005. Recent federal government financial reform efforts in China have facilitated foreign banks' business development as part of the Chinese WTO market-opening commitment. Foreign banks' development in China's markets is based on two key drivers: client demands and product expertise. Foreign banks are concerned about the capability of competition and sustainable development, and new product introduction in niche market that are regulatory compliant.

Outside BMO's home markets in North America, China is currently the country with the largest number of offices. BMO's business activities in China present a small but increasing percentage of BMO's financial performance. BMO is the leading foreign bank in terms of foreign exchange volumes in China. BMO's major financial services in China focus on corporate investment banking with emphasis on building institutional relationships. It also assists new Chinese immigrants by providing them financial information and building up their first banking relations with Canadian banks. Moreover, BMO has started direct investment through its investment bank in a Chinese fund management company since 2002. This investment makes BMO a frontrunner in its field in terms of direct shareholdings in a Chinese fund management company.

Martin's comments reflect the big opportunities and challenges in China's market. In financial markets, it remains relatively restricted while facing gradual liberalization. Martin provides his opinions on the current important issue of China's entry into WTO and Chinese currency revaluation. He also stresses the importance of maintaining good relationships with government regulators and on-going dialogues with various sectors and industry groups.

For first-entry clients into China, Martin suggests that they should not become overly optimistic. Since China is changing and developing quickly, first-mover advantage is not the only issue that matters. Reasonable expectations of the Chinese market can only be made with regular visits to China and continuous intelligence gathering to keep abreast of the evolving dynamics.

Ross McLaren, Retired President and CEO, Shaw's Supermarket, Inc. – The Changing Consumer: Demanding But Predictable

Nkosazana Mashinini

The Research Question

Food consumption patterns have changed to a considerable extent in the 21st century. One feature of these changing consumption patterns is that consumers have become more demanding. For developed countries, enhanced income has increased the demand for processed foodstuffs and high-value food services. Consumers now have a lot of money to spend. In most cases, higher incomes foster the demand for a much wider variety of products from which consumers can choose, thus increasing the propensity for indulgence. Another fact that has played a significant role in changing consumers demand is increasing urbanization which has altered lifestyle patterns. A notable feature is the increase in the number of women entering the labor force. All these have triggered the demand for convenience. It is important for food retailers to be able to anticipate and respond to these changes. The present report reviews the current situation with regard to consumer buying and expenditure patterns and how the retail industry is responding.

Study Description and Methodology

As part of the activities for the 15th Annual World Food and Agribusiness Forum, Symposium and Case Conference held in Chicago in June 2005, an industry interview was conducted with the retired President and CEO of Shaw's Supermarket Inc, a major US food retailer, to address the key issues of the industrial organization and clientele, consumer buying behavior, and strategies to deal with these changes in consumption and expenditure patterns. The interview followed an agreed format of both open-ended and structured questions and the responses were recorded, analyzed and subsequently reported at the end of the conference. An opportunity was provided for the interviewee to comment on the initial draft report before it was finalized.

Results

From the perspective of the food retailer, the changes in consumer consumption and buying behavior have been quite radical. The food retailers have witnessed the tendency for improved purchasing power to cause demand to change towards high-value service products like processed and ready-made food which are more convenient. Consumers demand more prepared meals that must come as ready-to-prepare or ready-to-eat, causing the market share of supermarkets to go down relative to those of fast-food chains and restaurants. Food retailers consider that the recent introduction of food standards and control measures are an influence of media hype that advocates stricter regulation and has in turn given rise to the demand for product traceability. Most products on Shaw's shelves, for instance,

satisfy the traceability requirements and labeling needs to meet consumers' demand.

Management Implications

There seems to be a greater degree of client orientation in the way retailers do business because, recognizing that 'retailing is about meeting consumers' needs and good retailing is anticipating their needs before hand'. A stronger role for Research and Development is recognized to enable stakeholders deal with these changes because some of these changes, particularly those related to health concerns and food safety issues, need scientific research support. Management expertise is required to anticipate these changes and respond to them in the appropriate manner.

Harsha de Silva, Director, E-development Labs (private) Limited and Senior Economist, LIRNEasia – Agricultural Market Development through Information and Communication Technology (ICT): A Developing Country Experience

Olubukola .A. Oyewumi

LIRNEasia (www.lirneasia.net) is the Asian affiliate of LIRNE.NET, collaboration among leading universities in Denmark, the Netherlands, South Africa and the United Kingdom. LIRNEasia endeavors to transform governance and regulation of ICTs in the Asian region from obstructive, inhibiting regimes, into ones that will allow opportunities for people to use ICTs in ways that will improve their lives. They also seek to expand opportunities for entrepreneurs to introduce and market products and services with minimum government interference.

Dr. Harsha de Silva joined LIRNEasia in 2001 as a senior consultant economist and he is presently a director at the organization. He was the lead conceptualization and design member of World Bank funded Sri Lanka Development Gateway (LkDG) in 2004. At LIRNEasia, current projects being led by Dr. de Silva at LIRNEasia include, analysis of the subsidy system to extend coverage to the unconnected rural households in India and assessing Asia's first least-cost subsidy auction in design for rural telecommunications in Nepal.

He is the architect and implementer of Govi Gnana Service (an agricultural knowledge service: GGS). GGS is an innovative ICT enabled agricultural marketing solution that is now being hailed as perhaps a key breakthrough to address the perennial problem faced by farmers in finding markets for agricultural produce. He created an ICT enabled prototype for auctioning tea, named "electronic open outcry spot auction platform for tea" for the Colombo Tea Traders Association.