

MEETING CUSTOMER NEEDS IN A CHANGING INDUSTRY

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Dairy businesses and the dairy industry are not alone in facing highs, lows and constant change. Let's look at the case of the beverage Snapple as an example. In 1993, Quaker Oats purchased the Snapple brand for \$1.7 billion. In 1997, Quaker sold Snapple to Triarc Beverages for \$300 million. In 2000, not quite three years later, Triarc sold Snapple (in combination with other items) for between \$900 million and \$1 billion. What happened on this seven year roller coaster ride for Snapple was more than just change in ownership; it was change in attitude, people and ideas. It was about finding the right "fit". John Deighton details the differences in corporate philosophy and managerial leadership that surround the Snapple brand (Deighton, 2002). While our dairies don't have the same scale of change as in this example, there are numerous examples of cows, employees, and even nutritionists who find either the chance to make only fair progress or to experience fantastic success depending on whether they are able to find or create the right "fit."

Creating the right "fit" starts with understanding customer needs. This goes beyond just current needs today, it means being able to look ahead and see what might be around the bend. Let's look at some trends in the dairy industry both nationally and here in the Northeast to get a better picture of what's ahead. No surprise to anyone is the continuation of three trends that we see both nationally and in the Northeast: (1) a decrease in dairy farm numbers, (2) an increase in dairy herd size and (3) an increase in milk production per cow. Nationally from 1980 to 2000, the number of dairy farms dropped from more than 300,000 to just over 100,000 while herd size increased from 32 to 88. From 1980 to 2000, US per cow production increased from 11,891 to 18,204 pounds. Nationally, US milk production climbed from about 128 billion pounds in 1980 to about 167 billion pounds in 2000 (Blayney, 2002).

What does this mean in the Northeast? Milk production in the Northeast rose from about 26 billion to more than 29 billion pounds in 2000. From 1980 to

2000, the Northeast market share of US milk production dropped from 20.4% to 17.7%. In 1980, the Northeast had 16.3% and in 2000 had 22.2% of the US dairy farms. In 1980, the Northeast had 20.1% and in 2000 had 18.3% of the US cow population. Northeast dairy farms numbers have been more stable, while herd size and milk production per cow has grown more slowly compared to other regions. Historically, we have been slower to change. Will this trend continue? What is your role in shaping our collective future? What does all this mean for you and your clients?

Let's look at the trends one at a time. First the stability in farm numbers has allowed the Northeast sales and service infrastructure that supports dairies to continue to have a large and somewhat geographically centralized client base with which to work. With increasing pressures on land use and economic instability, the stability that we have experienced in the past is likely to disappear. Second, slower change in herd size, particularly in Pennsylvania, is likely due at least in part to specialized groups within the dairy population. The same pressures of land use and economic realities, as well as unknown factors like environmental regulations, will likely change our dairy landscape to include more larger herds. Third, the lagging behind of the Northeast in production per cow represents a huge opportunity to influence this trend in a positive way for most of our dairies. And so with all that — and a ton of feed, let's explore some ways that you can meet your customers' needs and find that perfect "fit" in this changing industry!

Changing Roles and Responsibilities

Not surprising, the skill level needed to meet the demands of the industry in 1980 was much different than what is needed in 2003. Technical expertise in nutrition, knowledge of current products, nutrient requirements, computer software and common feeding practices were once enough. I have often heard it said that today's dairy producers are "more sophisticated" and "more demanding." Not surprising when thinking about the intensity of the dairy business: of the size,

scale and scope for our modern industry. Those who work with dairies look for competitive advantages both in product sales and in personal skills. What are your competitive advantages in your current role? What are you doing today to create a better “fit” with your clients for tomorrow?

Clearly the basics of sound ration formulation and feeding management practices make up a vital portion of your service to dairy producers. Without meeting those basic needs, it is not possible to move beyond the ration and into the business relationship. Your own unique combination of skills and talents are what you use to build those strong business relationships that meet your customers’ needs. My purpose here is to help you think more critically about what skills you already have and what else you might develop as you grow in your business role.

Package and Merchandise Ideas

Most of our dairies value great ideas and strategies for success, but only a small portion have the desire and skills to develop their strategic directions alone. Most dairy producers rely on a variety of individuals both within and outside of their businesses to generate ideas and help them to move their dairy business ahead. If you want to provide added value to your dairy producers, be an “idea practitioner.” Davenport et al. (2003) describe an “idea practitioner” as “the first person who comes to mind when you need a strategic thinker to do a special project.” The authors indicated that there are some similarities among the diverse group of “idea practitioners” that they studied. All of their subjects studied followed four common steps: (1) Scouting, (2) Packaging, (3) Advocating and (4) Implementing ideas.

Scouting for ideas can include broadening your network of experts, attending conferences like this and reading a variety of publications. Packaging for dairy producers is extremely critical. If the information or idea comes from well outside the dairy industry, then the package needs to be wrapped with some specifics for adaptation. Advocating is important. All ideas, even great ones, need to have buy in from the farm. Without implementation, your great ideas get blown away, like dust in the wind.

Challenge the Process and the People

As herd size grows and more employees are needed, the role of the dairy agribusiness professional expands as well. No longer is the “client” the same owner,

operator, feeder, etc. Increasing numbers of employees mean challenges in implementing new ideas and in maintaining consistency of various parts of the operation. Written and effectively used standard operating procedures are just the first step for many. Gaining the consistency that is needed day in and day out requires monitoring and corrective action. It means challenging both the process and the people.

Challenging the process is more than simply troubleshooting or problem solving. Many of us do quite well when there is a crisis at hand, a drop in milk production, a high incidence of metabolic diseases, or some other technical issue. Challenging the process involves looking for areas of risk – What happens if? Challenging the process means finding the next limiting factors, before the limitation becomes apparent. For the feeding management within the dairy start by asking:

1. How will this dairy respond to a sudden change in forage quality?
2. How current is the information being used?
3. How well can this dairy deal with staffing changes?
4. Where is the greatest opportunity to reduce vulnerability with the feeding system?

Challenging the people is often more difficult. Do you know the strengths and weaknesses of key people involved in feeding management at your customers’ dairies? This group of people has a big influence on your success. They put your knowledge, advice, products, and ideas to work – or they don’t.

Helping these key individuals to be more successful will not only strengthen business relationships, it will also help to make better use of your time in the long run. Here are five things that you can do:

1. Teach people how – Encourage the dairy to develop training programs and participate if possible. Include materials in Spanish as appropriate.
2. Teach people why – How many people running the feed mixer know that one cow with subclinical ketosis costs about \$78 (Geishauser et al., 2001)?
3. Ask what they think – Be specific with questions and you can find out valuable information that is not readily apparent.
4. Encourage communication at the farm – Post critical information like milk production for

employees to see. Better yet, involve the employees in monitoring.

5. Learn their names and gain their respect.

Help the Best Get Better – Lead and Inspire

Recognize that the rate of change within a business or an industry is not only dependent on those individuals or groups that are “holding back progress,” but it is also dependent on the speed at which the innovators move forward. Often the most powerful force for change is positive rather than negative. Keep a positive attitude and be a leader – especially during adversity. Here are two examples of tough motivational challenges (Harvard Business Review, Jan 2003).

- Encourage Risk – R. J. Pillari, President of BP America in Warrenville, IL
 - Left a secure marketing position to lead a group of scientists — “You can help a person step into that slightly uncomfortable space where people and organizations achieve extraordinary results.”
- Build Trust – S. Butcher, four time winner of the Iditarod
 - Got lost during the 1983 Iditarod and walked in front of the dogs for nearly 20 miles to finish in 9th place.

In providing inspiration for our best dairies and our best dairy producers, sometimes you will lead the way and sometimes you will need to get out of the way. Understand what is changing and what needs to be changed. Understand where you fit best. Be positive

and enthusiastic. If you see the glass as “half full” then you see opportunities for you to excel. If you see the glass as “half empty”, then get busy and fill it up!

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