

# Governing Value Creation and Capture in New Zealand Agribusiness Value Chains

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TE WHARE WĀNAKA O AORAKI

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# Introduction

Organisations such as [Te Hono](#) and the [Primary Sector Council](#) are urging New Zealand producers of food and fibre to move from volume to value.

This raises an important question: *How can New Zealand agribusiness govern global value chains that create value for overseas consumers and capture some of that increased value for local producers?*

The [Our Land and Water National Science Challenge](#) funded a research programme led by the Agribusiness and Economics Research Unit ([AERU](#)) at Lincoln University to address this important question.

This Research Briefing summarises the major result from this [research programme](#), which identified 11 attributes of successful agri-food global value chains.

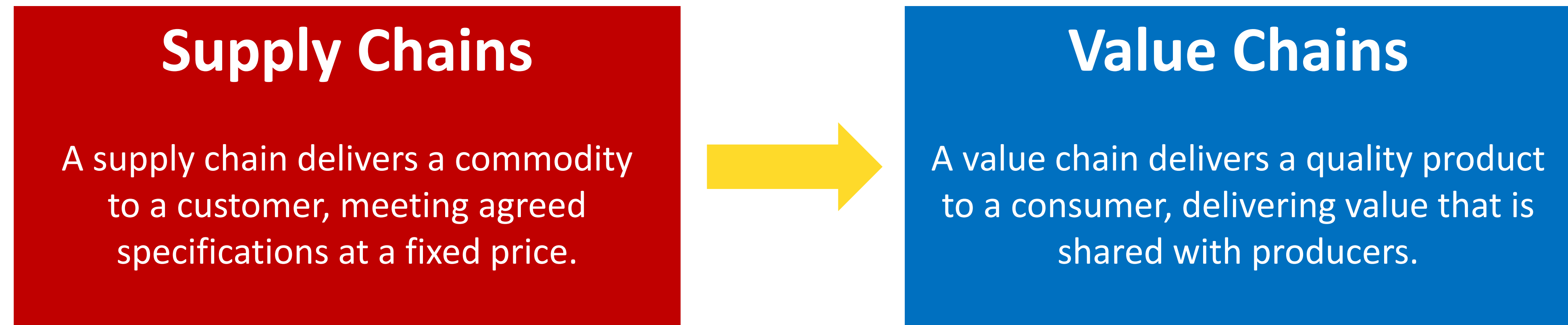
National  
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OUR LAND  
AND WATER

Toitū te Whenua,  
Toiora te Wai

# From Supply Chains to Value Chains

The move from volume to value requires a transformation of supply chains into value chains.



Private sector agribusinesses and public sector policy are supporting this transformation in New Zealand. This research programme studied five New Zealand case studies recognised as successful examples. It identified 11 attributes associated with success.

# The 11 Attributes at a Glance

1.	Focus on consumers (market orientation)
2.	Information enriched
3.	Incentive alignment
4.	Channel leadership
5.	Integrated network governance
6.	Value co-creation
7.	Resilience and adaptability
8.	Brand ownership
9.	Product quality
10.	Geographic and time compression
11.	Shared values

# Focus on Consumers (Market Orientation)

The price final consumers are willing to pay drives all value in the value chain.

Accurate knowledge about consumers must be shared with all members of the chain to ensure value is created and captured:

- What market segment do we target?
- What product qualities do they value?
  - Taste and other physical attributes?
  - Sustainability and other credence attributes?
- What words do they use for these qualities?
- Who are the key market influencers?

The five case studies in the research all put considerable effort into understanding the values of their final consumers.

- Consumer surveys
- Focus group discussions
- Taste tests
- Recording feedback on web-based platforms
- Interviewing chefs in restaurants

In the academic literature, this focus on consumers is called *market orientation*.

# Information Enriched

A global value chain from New Zealand producers to overseas consumers can be lengthy, involving several links in the chain and diverse cultures.

This means a value chain needs to work out how information about producers can be shared forward along the chain, and how information about consumers can be shared backward along the chain.

The five case studies all value face-to-face or *kanohi ki te kanohi* relationships for bringing together value chain members.

Everyday platforms such as emails and telephone are also useful for direct communication and for distributing market oriented information.

Cultural and bilingual skills (including knowledge of Māori cultural values in some of the case studies) can be critical.



# Incentive Alignment

A market oriented value chain needs to ensure that product qualities valued by final consumers are protected at every link in the value chain.

This means ensuring that incentives faced by each actor in the chain are aligned to the product qualities valued by consumers.

If environmental stewardship is a factor, for example, then incentives for producers, processors, distributors and retailers must be aligned to support environmental claims made to final consumers.

In some of the case studies, incentive alignment is achieved through contracts with specified risk and reward sharing clauses.

In other case studies, the value chain is made up of firms with a trusted commitment to shared values (see Attribute 11), which can achieve the same outcome.

Incentives for producers are particularly important if the desired product attributes (such as environmental stewardship) involve extra production costs.

# Channel Leadership

There are two elements to channel leadership in a value chain.

1. Vision holder: The member of the chain that cares for the underlying vision that creates value for the final consumers.
2. Power holder: The member of the chain that holds a strategic asset that allows it to exercise market power.

These elements need to be aligned to protect the brand's value proposition to final consumers, and to share premiums along the value chain.

Because the case studies are market-oriented value chains, the power holder is typically the retailer (who is closest to the final consumers).

Nevertheless, the vision holder is typically closer to the producers.

This is particularly evident in the Māori enterprises studies in the research, where Māori *mātauranga* and *tikanga* are key elements in the value proposition.



# Integrated Network Governance

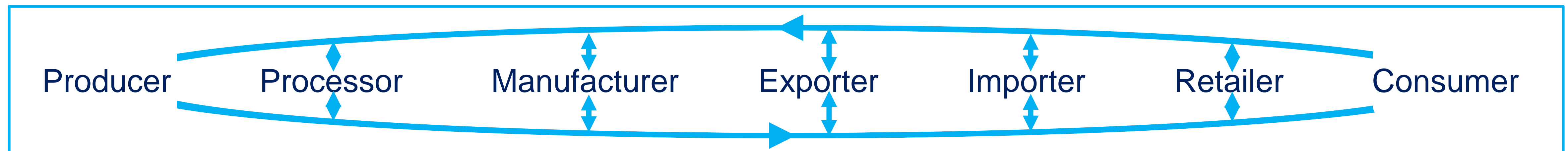
It is possible that each link in a value chain is governed without reference to any other part of the value chain (see page 6).

At the other extreme, every link might be governed, formally or socially, by a single institution to create an integrated network (see below).

An integrated network is generally better at protecting value along a chain.

No value chain in the study has a fully integrated governance model, but participants commit to collaboration along the whole chain.

Participants in the study identified the value of sustaining a vibrant culture among the diverse partners in the chain, sometimes reinforced with social events or shared communications.



# Value Co-creation

A feature of some value chains is that the creation of new value requires collaboration by different parts of the value chain.

A retailer might identify an opportunity that requires changed behaviour by processors, or a producer might identify an opportunity requiring different marketing by retailers.

Co-creation might be a *purposeful* element of a chain (that is, intentionally designed in the governance of the chain), or it might be *associative* (that is, derived from day-to-day operational improvements).

All of the case studies recognise the benefits of value co-creation.

In some cases, producers take part in retailer events to raise the profile of the product, and the profile of the retailer, for a targeted market segment.

Partners in a value chain are sometimes chosen because of their recognised ability to participate in value co-creation.

This can include the choice of retailer, based on the retailer's knowledge of a particular market segment.

# Resilience and Adaptability

Primary sector producers face challenges related to scale and continuity of supply:

- Seasonal limitations
- Adverse weather events
- Environmental constraints
- Biosecurity threats

This creates issues of resilience and adaptability for agri-food value chains.

These issues are particularly important for value chains where consumers or retailers put great weight on assured supply.

The case studies all reported experience of these challenges, which had been periods of great stress and heavy workloads.

The variety and uncertainty of the different challenges make formal risk plans difficult.

Instead, the ability to be resilient and adaptable in a crisis is an essential aspect to sustaining a successful value chain.

The case studies reported that shared values among participants in the chain are very helpful in fostering resilience and finding solutions to a serious challenge.

# Brand Ownership

The ability to control and maintain the integrity of the brand narrative throughout a lengthy value chain to final consumers is critical for creating and capturing value.

The brand story can be modified in reaction to market signals, and it can be tailored to different market segments.

The stories must be aligned with the core values of the chain to maintain integrity.

Promises made by the brand must be delivered to maintain consumer trust.

The five case studies are very focused on maintaining brand integrity.

A key challenge is to profile the brand with final consumers, especially if market power lies with the retailer. Initiatives include:

- Employing brand ambassadors in market.
- Welcoming other actors in the value chain to meet producers in New Zealand.
- Adopting organisational artefacts that reinforce key cultural values.
- Using social media and other digital platforms to connect with consumers.

# Product Quality

Product quality is particularly critical in chains dealing with food products, since food safety and emotional or cultural connections to food are large concerns.

Generally, consumers are willing to pay a premium, only if they judge the product to be high quality.

Quality judgements involve a range of factors. If any one factor is missing (or if a product claim is thought to be dishonest), then the consumer may dismiss a product as low quality.

All of the case studies pay very careful attention to quality control, including the validation of all product claims.

For Māori producers in the case studies, the authenticity of product claims was enforced by commitment to cultural values practised and respected for generations.

Some chains set strict standards for product quality throughout the value chain.

Some chains enter into formal certification schemes audited by the industry or by an independent third party.

# Geographic and Time Compression

The focus on creating value chains does not mean the traditional issues of supply chain efficiency and reliability are no longer important.

Proximity of production and processing facilities contributes to reduced transport costs and greenhouse gas emissions.

Time compression is also an important consideration, both in getting products from producer to consumer in good condition and in developing new products ready for the marketplace.

The value chains involving perishable food recognise the importance of efficient supply chains that minimise food waste and maintain food quality.

One of the value chains involved an artisan product; it created a web-based platform for consumers to deal with the artists directly.

One of the value chains had become a global enterprise, allowing it to create a supply chain network involving several countries.

# Shared Values

One of the most important insights to emerge from this research is the importance of *shared values* in sustaining value chains.

An authentic commitment to shared values encourages collaboration along a chain, both to co-create value and to solve challenges that might emerge.

An authentic commitment to shared values can also be an important aspect of value chain governance, reducing the need for tightly specified contracts in advance.

In all of the case studies, the research team saw evidence of shared values being an important element of the value chain and a foundation for the product brand.

In some cases, values are expressed in posters on a workplace wall, or codified in public documents on websites.

For the Māori enterprise value chains, there is explicit commitment to values such as *kaitiakitanga*, *hihiko*, *whanaungatanga*, *rangatiratanga*, *manaakitanga* and *pono*.

# Next Steps

The Our Land and Water National Science Challenge is funding further research to test the results of this programme.

The new research is working alongside four industry partners who are either creating a new value chain or transforming an existing supply chain into a value chain.

The new programme is called [Rewarding Sustainable Practices](#).

The research will finish in June 2022. It has a dedicated website at:

<https://ourlandandwater.nz/incentives-for-change/rewarding-sustainable-practices/>

If you would like to be on the distribution list for material from the research, please send an email to Paul Dalziel at:

[paul.dalziel@lincoln.ac.nz](mailto:paul.dalziel@lincoln.ac.nz)





# Further Reading

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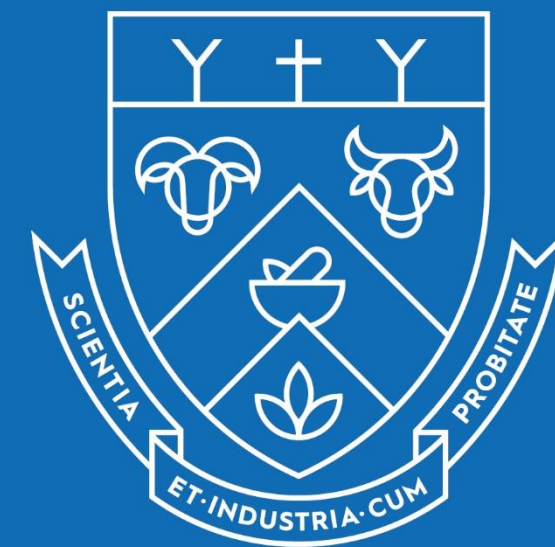
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