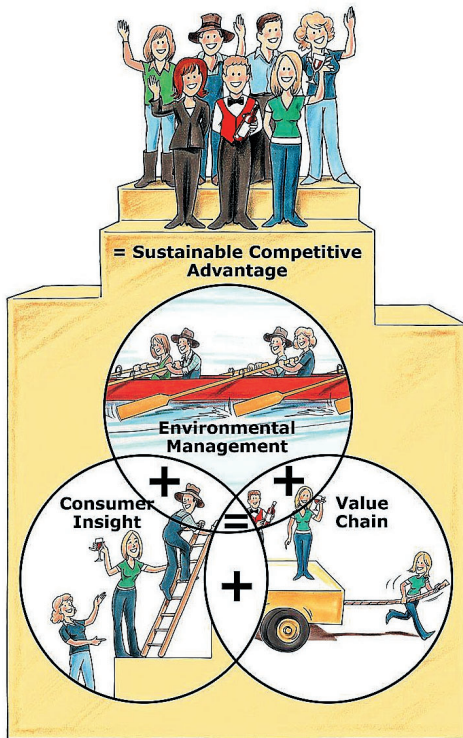


Understand, work together to achieve sustainable goals

Primary Industries and Resources South Australia concludes its four-part series on value chains in the wine industry



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product.

In doing this, the businesses are working together along the whole value chain to increase wealth for all businesses in the value chain – they are not competing with each other to increase their individual share of the value.

As Adelaide's 14th Thinker in Residence, Professor Andrew Fearn brought the concept of value chain management to a wider audience.

Through the Vine to Dine project, he analysed Oxford Landing Estate wine being produced in South Australia and sold in Tesco supermarkets in the United Kingdom. While the project was specific to one product's value chain, some of the learnings were applicable across the in-

dustry. Traditionally, wine businesses have pushed products through to the consumer focusing on what they can produce and then finding a market.

In a sustainable value chain, businesses along the chain work together and communicate effectively with each other to make better decisions about using resources to provide a product that meets consumer demands.

They share information, have strong, trusting relationships and are all working towards achieving a common goal. This means the businesses can make better decisions about how to allocate resources by focusing on the areas that create consumer value.

Using value chain management in a more formalised way allows businesses to analyse what they are doing, approach it in a more coordinated manner and broaden where they look for opportunities available to their business.

Details: PIRSA, Annabel Mugford, 08 8226 0185 or mugford.annabel@sa.gov.au, pir.sa.gov.au

DURING the past four months, Primary Industries and Resources South Australia has explained the concept of value chains and how to assess a value chain and make it stronger and more competitive.

While the language might be new, a number of successful wine businesses are already operating under the same principles.

There are three critical elements to sustainable value chains – working together with the other businesses in the chain, understanding consumers and being environmentally sustainable.

While businesses might be working on one or all of these elements, the real benefit and sustainable competitive advantage is realised when all three are considered together.

Knowledge about consumers and customers needs to inform how the businesses work together and what environmental management practices make good business sense.

By focusing on what consumers want and working together to create a product, it is possible to increase the total value of the



Competing for your slice.



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Family winery looks for new ideas

GEMTREE Vineyards is constantly looking for unique collaboration opportunities locally and internationally as a way of staying ahead of the competition.

Managing director Andrew Buttery (pictured) says that in order for his company to stay ahead of its competitors, it needs to think outside the square.

"We want to challenge the existing distribution model and build relationships and collaboration opportunities in a way other people in the industry are not," he said.

One new opportunity for Gemtree has been to join Food Adelaide.

"The relationship we've formed with Food Adelaide is giving us access to market intelligence and trade opportunities we have not had before," Andrew said.

"Together we participated in HOFEX, a large food and hospitality trade show in Hong Kong, and it was a very interesting experience.

"It gave us access to a broader buyer base and allowed us to showcase our food and wine products as being complimentary – wine was featured alongside of mussels,



abalone, oysters, tuna and olive oil – and it was unique compared to other exhibitors."

Gemtree has also established a joint venture with a Spanish wine company.

"For us, it is a new way of approaching international markets," Andrew said. "We are sharing resources to promote our products in North America.

"The relationship is relatively new but we share common goals and values, and our products compliment each other. It is working well and I see it as being a long-term relationship which we might use to expand into other markets."

Details: Gemtree Vineyards 08 8323 8199, gemtreevineyards.com.au

Innovation key for staying ahead

IN a tightening wine market, companies are looking for new ways to attract consumers and, at the same time, ensure competitors cannot replicate their products or ideas.

A value chain, and the companies within the value chain's long-term competitive advantage, is driven by its capacity to innovate – a coordinated response to an increasingly dynamic and uncertain market and operating environment.

Companies must pursue continuous improvement, in existing processes – marketing, operations management, purchasing and logistics – and in developing products and services that add consumer value.

Collaborative innovation, or co-innovation is when companies along the value chain work together to improve processes or develop new products to meet consumers' needs – the purpose of which is to improve the competitiveness of the value chain as a whole.

Co-innovation is a powerful option for a value chain, but it requires the foundation of partnership within and between firms and a focus on innovation, which often needs to overcome structural, cultural and organisational barriers.

Strong relationships and information flows provide the opportunity for collaboration and innovation. There needs to be enhanced knowledge sharing, shared processes and systems, and more effective forms of governance, difficult for competitors to copy, creating a more resilient form of competitive advantage.

Co-innovation may take two forms: new products and/or new processes. Businesses in the value chain may develop new, value-added products or services for particular value chains and targeted consumer segments, or they may improve processes for existing products or services beyond organisational boundaries.

The health and strength of a value chain can be measured by the level of collaborative innovation. Businesses can assess themselves by answering a series of questions:

- Do the businesses in the value chain have common strategies and performance measures, which include the different types of innovation?
- Are there incentive structures and resource allocation systems which prioritise and reward innovation, including relative emphasis on the particular value chain by those participants who are involved in multiple value chains?
- Is innovation a mutual activity among chain partners with knowledge, costs, risks and benefits shared?
- Does communication of consumer insight occur throughout the chain and provide the basis for which all innovation programs are then built?
- Is there a culture of risk-taking and collective experience of – and attitude to – failed innovation?

Details: PIRSA pir.sa.gov.au

Report opens opportunities for government, industry



PROFESSOR Andrew Fearne, a world-recognised leader in value chain management and consumer behaviour, will release his final report as part of the 2008 Adelaide Thinker in Residence program.

The report will recommend potential opportunities for industry and government. South Australian Minister for Agriculture, Food and Fisheries; Industrial Relations; Forests and Regional Development, Paul Caica, and Prof Fearne will officially release the final report *Sustainable Food and Wine Value Chains*, at the Rural Media SA Royal Adelaide Show breakfast on Thursday, September 10.

Following the release, the full report will be available at pir.sa.gov.au/valuechains.

Details: Rural Media SA ruralmediasa.com



Government of South Australia
Primary Industries and Resources SA

PIRSA Value Chain Development Unit
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www.pir.sa.gov.au/valuechains