Evolution of Milk Recording Services

- Single provider in geographic areas. Competition not a factor.
- Non-profit and/or government based organizations, perhaps with subsidy.
- Price for services kept low to farmers.
- Low profits result in less investment in new products and services.
- Service businesses reluctant to invest in sales resources.
Evolution of Milk Recording Services

- Customer equates price with value.
- More vulnerable to outside factors
- Utilization declines
- Lower volume applied against high fixed costs result in price increases
- Without added value, more pressure from declining demand.

Value-Added Business Philosophy

- Proactively look for ways to enhance or enlarge our services
- Create meaningful value and exceed customer expectations
- Make our products and services so important customers cannot afford to replace us, without price being an issue
The Three Dimensional Bundle of Value

Company

Product

People

- Image and reputation
- Focused brand strategy
- Advantage of member-owned cooperative
- Loyalty to the organization as well as the individual
- Value that our organization adds vs. that from external factors
- Must be recognized by the customer
Product

- Cannot sell value that does not exist
- Must differentiate from competition
  - Alternative is commodity basis and price sensitivity
- New products that contribute to herd profitability
  - Fresh Cow Summary including Transition Cow Index®
  - Upgraded Udder Health Management reports
  - Profit Opportunity Analyzer SM
- Expanded supply products
- Product releases must be coordinated and supported with marketing and training programs

People

- Most critical of the three components
- Change attitudes and performance
- Three-pronged approach:
  - Information
    - Training, expertise and confidence
  - Motivation
    - Compensation tied to revenue and service
    - Increase in recognition programs and opportunities
    - What gets rewarded and recognized is what gets done
  - Separation
- We must believe in the Value of our products and services
Annualized Percent Cows Tested, January 2004 - May 2008

Results of AgSource Adoption of the Value Added Philosophy
+393,669 Annual Individual Cow Recordings, through May 2008

Conclusion

- Value-added marketing has strong application to milk recording services
- Requires commitment from all levels:
  - Employees
  - Management
  - Board of Directors
Conclusion

To be successful, we must:
- Continue to increase actual value of our products and services
- Be less dependent on external factors and programs
- Increase customer recognition of value

Thank you

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