

Marketing Value-Added in Milk Recording Products and Services

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Cooperative Services
A subsidiary of Cooperative Resources International

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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



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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.



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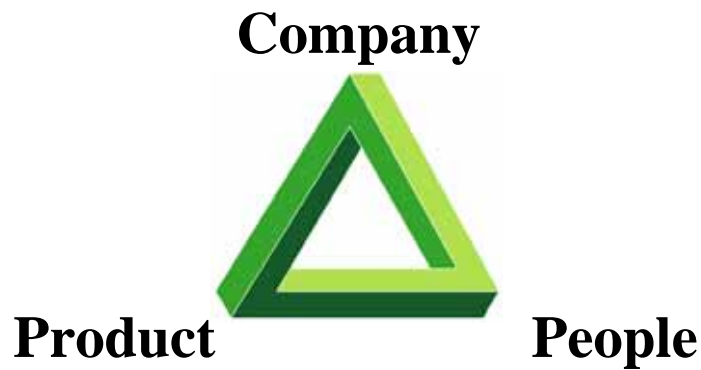
Value-Added Business Philosophy

- 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



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The Three Dimensional Bundle of Value



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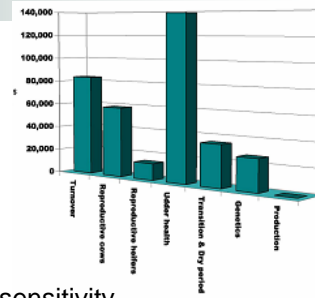
Company

- 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



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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



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People

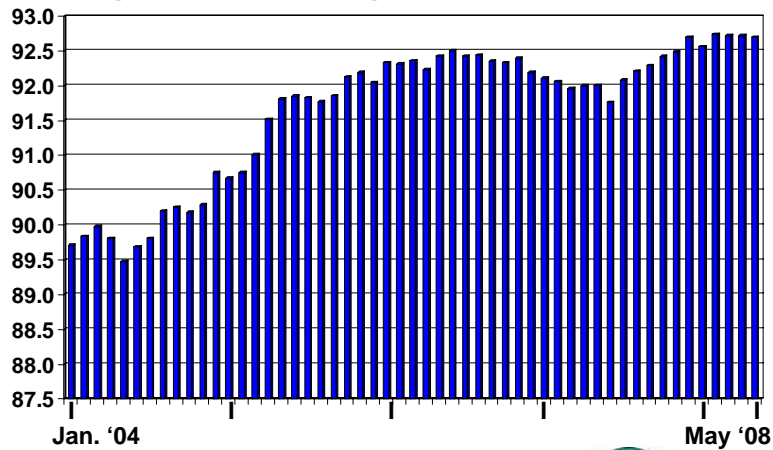


- Most critical of the three components
- Change attitudes and performance
- Three-pronged approach:
 - Information
 - Training, expertise and confidence
 - Motivation
 - Compensation tied to revenue and service
 - Increase in recognition programs and opportunities
 - What gets rewarded and recognized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



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Annualized Percent Cows Tested, January 2004 - May 2008



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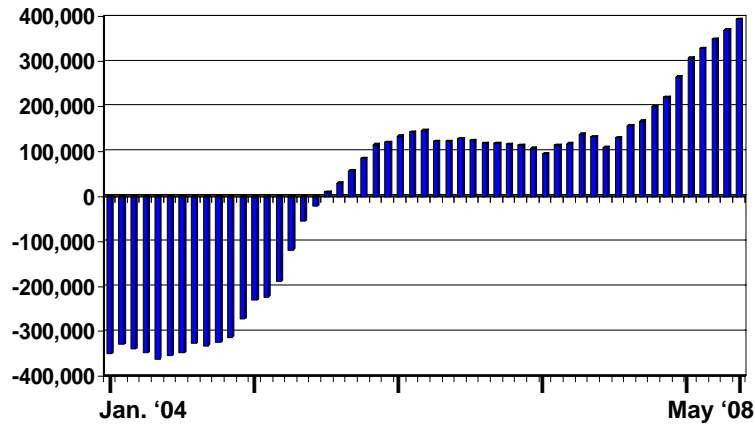


Results of AgSource Adoption of the Value Added Philosophy

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+393,669 Annual Individual Cow Recordings, through May 2008



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Conclusion

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



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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



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Thank you

- For more information:
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 - www.agsource.com



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