Customer complaint handling program has also been established to provide recovery strategy for the customers. The nature of the complaint can be divided into two, which are justified complaint and non-justified complaint. The lab manager and the quality assurance manager are the key person to lead the team. Their challenge is to resolve the customer complaint as soon as possible by providing solutions and eventually eliminate all the complaint completely by solving the root cause of the non-conformance.

10.0 Creating Value Via Value Chain
The value chain analysis serves as a foundation for the author to proceed with the analysis to investigate the possibility of creating value at each value activity described above.

10.1 Inbound Logistic
The most important raw material for the plant is the CPO. Good quality finished palm products can only be produced from good quality CPO. Therefore controlling the quality of the CPO that coming in to the plant is extremely important and crucial in order to minimize the processing cost as well as improving the refining yield. Poor quality CPO not only can increase the consumption of the bleaching clay, phosphoric acid, steam and etc. but also can also affect the stability of the finished product especially the shelf live of the oil. The worst experience that Cargill had was the “good quality” finished product produced from the bad quality CPO turned rancid in just a day. This resulting in a high rework cost to re-refine the oil again before it could be shipped out to the end users.

To ensure the quality of CPO being purchased, Cargill has drawn up a CPO suppliers monitoring program in which all the CPO suppliers are constantly being tracked and monitored. Generally they can be classified into 4 categories. Category A is for suppliers with the best quality while class D is for the worst quality. With this system in place Cargill tried to source more CPO from suppliers of categories A and B. Suppliers of category C will be suspended whereas category D will be bared totally. In addition, Cargill long term plan with those suppliers is also helping and guiding them and giving
them advise on how they can improve their quality better in the future so that they can upgrade themselves into a better category. Cargill is also very cautious about some unethical CPO suppliers that trying to send in sludge oil (CPO mixed with sludge) into our factory in their attempt to gain more profit. This sludge oil once mixed with good CPO can deteriorate the entire quality of the CPO in the storage tank and the lost is huge.

In Malaysia, supplier of CPO, i.e. the plantation owners are having an upper hand in negotiation as the industry refining capacity is approximately 12 million versus the supply of CPO of only 9.2 millions. Hence, getting sufficient CPO supply to sustain the pipelines is very challenging especially during the month of January, February and March where there is a shortage of CPO. This is a very challenging because Cargill doesn't own any oil palm plantation in Malaysia unlike other competitors such as Felda and Golden Hope. The job of the merchants is to ensure sufficient delivery of CPO for the plant operation so that we can meet the all the customers' shipment requirement for the finished products especially during the month of January, February and March. There are 2 major festivals that fall in that period which are the Hari Raya Puasa and Chinese New Year. The traditional trend is the demand will tend to pick up tremendously during that months. In order to capture this seasonal value, it is very important to ensure sufficient CPO is being delivered to the plant on time in order to keep the plant run smoothly without any commercial downtime. One of the ways for the merchants to take care of this is by having long term contract with the CPO suppliers. The basis for this contract is Cargill shall help the CPO producers to get rid of their CPO during the month of October, November and December when there is an over supply of CPO. On the other hand, the CPO millers must ensure that they give priority to Cargill during the month of January, February and March when there is a shortage of oil. With this long term contract being written up, Cargill can 100% sure that by solving all the logistic problem, they can meet all the customers requirement without any default, hence gaining customers confidence. However the more definite and long term solution for Cargill perhaps is to get an oil palm plantation in Malaysia so that it can manage the whole oil palm value chain more thoroughly especially the CPO quality and
supplies. By doing so, Cargill can eliminate the problem of bad quality CPO sending by unethical or poor managed CPO millers as well as the consistency of CPO supply. With that strategy, Cargill can give better assurance as well as provide better value for the customers in the future.

Other raw materials are plant consumables such as bleaching earth, phosphoric acid and etc. Cargill can't afford to examine all the raw materials that coming in. However in order to eliminate the quality problem, Cargill buys only from recognized and well known suppliers that can provide quality assurance for the company such as Taiko Clay for bleaching clay and Wilson & Bright for phosphoric acid.

As for the packaging materials such as cartons, tins, bottles and etc., Cargill has developed a monitoring system to examine the quality of the materials. This is to ensure that no damaged cartons, leaking tins and deformed bottles have been sent to the customers, which can jeopardize the image of the Cargill as a whole. The packaging material suppliers are selected and approved based on a selection criteria as follow:

Delivery timeliness – 30%
Quality conformance – 30%
Responsiveness to problem – 25%
Price – 15%

Audit systems have been designed as per Cargill ISO 9002 standards and approved suppliers are being audited once a year to verify conformance and also to improve performance as well as to establish good working relationship.

10.2 Operation
The buzzwords for operations would be maximum production volume and production rate, minimum utility consumption in order to exploit the economy of scale hence reducing the processing cost, minimize non-conformance products through improved technology and etc.
Apart from all the operational efficiency and continuous improvement that drives the production cost lower and lower again, Cargill put quality as his top priority when come to product delivery. Cargill Oilseed Malaysia has been accredited ISO 9002 in the year of 1995. Quality procedures such as Quality Monitoring Scheme (QMS) covers all quality aspects of process activities are part of ISO 9002 system. It is documented in the Document Management System and is designed for each product line. The QMS outlines for each specific area, from raw materials to final products stage, measurement, performance standards, department/person responsible, testing methods, frequency of samplings and measurements as well as a brief section on corrective actions which guides operators and laboratory assistants on actions to be taken for non-conforming situation. Cargill policy is to deliver high quality and value added products only to the customers. Non-conformance products are barred totally from being delivered to the customers.

Stringent quality control and consistent product quality has help Cargill to gain a lot of customers confident as well as solving their problem. Cargill utilized high technology equipment such as OSI, GLC and etc. to conduct the experiments to ensure high accuracy and reliability of the results. Feedback from one of the Cargill's distributor from Sri Lanka, Burn Philip Lanka expressed that they recognized the psychology value that Cargill delivered. They experienced stress reduction due to high quality assurance and on time delivery given by Cargill. Time value that Burn Philip recognized was they didn't have to waste anymore time to reestablish a new brand because the current private brand that Cargill delivered enable them to penetrate the Sri Lanka market successfully.

Besides quality, Cargill Oilseed Malaysia is hoping one step ahead, faster than other competitors do in the same industry. Despite the ISO 9002 certification, Cargill is heading towards the food safety accreditation by certified organization. Cargill intend to get his food safety accreditation by June 2000. With the food safety program being fully implemented in the new millennium will bring Cargill a quantum leap into value as more and more
downstream processing industries especially multinational companies are more and more conscious about food safety.

10.3 Outbound Logistic
Managing the outbound logistic of the value chain is one of the most difficult task for Cargill to accomplish especially for the international markets. This is because the outbound logistic involves not only the internal parties, but also the external parties such as the shipping agents, haulier companies, contena companies, the port authority, the custom and etc. The challenge of managing the external parties is the degree of control-ability. Many instances arises where when one party is delaying, it affects the whole outbound logistic of Cargill. If Cargill can manage the outbound logistic successfully given the current scenario (demand more than supply), it represents another quantum leap into value for both the Cargill and the customers.

From the value creation point of view, managing the outbound logistic in another word also means managing the inbound logistic of the customers. The customers now are more demanding and more powerful than last time. They choose only suppliers that can assist them to achieve their business objective and goals. The outcome from the customers' survey conducted by Cargill discovered that besides the price, most customers ranked On Time Delivery in the top of their list. Kerry for example, a multinational food application company in Johore Bharu, does not has big storage tanks at their site. Kerry is also having tank constraint to blend their products. What Cargill does is to provide special tank for Kerry to do blending according to the ratios provided at Cargill's location. The blended product is then trucked and delivered to Kerry's facility batch by batch at Kerry's convenience according to the availability of their tank space.

Cargill foresee the opportunity of being an innovative customers solution provider particularly the foreign customers by being able to manage the outbound logistic effectively. The game plan for this would be continuously to improve the supplier relationship with them. By having the supplier to understand Cargill's business better, they will appreciate the relationship
better, hence things can become easier. Other business strategy such as joint venture or contract agreement with the suppliers would help but is subject to the justification of Cargill.

Stock management is very important to fulfill certain unplanned or urgent customers' orders. The lead time required from production to packaging for the bulk product is approximately 4 days, whereas for specialty fats and packed products is 21 days. Cargill keeps the finished products in 2 forms, which are ready but unpacked products and ready and packed products. The ready but unpacked products are stored in the storage tanks. These generic products can supply for various customers through proper blending and etc to meet quick customers' orders. The ready and packed products on the other hand kept for special customers only with specific labeling on it. The quantity stored is depend on the economy conditions and seasonal trend. The demand tends to pick up during festival seasons.

10.4 Marketing and Sales
The merchants in the marketing department are the front liners who deal with the customers in day to day business operation. Customers are those people that use our products. More than just transactional approach of business operation, being ethical and being customer oriented although important but is no longer sufficient in this tense competitive environment.

Value base competition is about creating distinctive value for the customers. Cargill is using Value Based Selling (VBS) as the tool in daily marketing activities. Value based selling therefore is the new strategy of dong business with customers. By using VBS, merchants are not only selling the physical products but also value that is recognized by the customers. Each customer has his own hot button. The merchants' job is to identify their hot buttons by probing deeply in order to have deep knowledge of customers' needs. Having deep knowledge of customers' needs means understanding them better than other suppliers do. The ultimate goal for marketers is to become the premier customer-solutions for palm products for all the customers.
The mindset used when approaching a customer using VBS must be 180 degrees different than in the past. The old commodity mentality and transactional approach must be changed to one of a value proposition for customer for whom he is willing to pay. Value Based Selling is a good tool to win business. The following 2 case studies illustrate how Cargill Animal Nutrition Division and Cargill North Star Steel have used the VBS successfully to win businesses from their competitors and to lock in their customers.

10.4.1 Case Study 1

"It was difficult to convince a farmer who used competitor's fish feed for a long time to try our superior Tilapia feed. But, with the right toll VBS and POP (Proof of Performance), we not only to give and exact picture of how the expensive feed actually can bring a good return by achieving lower total production cost than other feeds.

Kim Her Fishery (Terengganu), Mr. Tan is an Tilapia fish farmer and middleman in Terengganu. He had been using the competitors feed for more than a few years. He owned 30 cages and one-month production is 5 Mt. to 7 Mt. He used Dinding feed for him and also exchanged it with a Malay farmer while collecting their fish.

I met Mr. Tan in Terengganu while visiting the fish farm. I aimed to convince him to use our Tilapia fish feed. But he told me that he had been using the competitor's feed for years and encounters no problems. So I tried to find out his facets by asking a lot of situational questions. Finally, I discovered that he had a problem during the transportation of the fish to Singapore. The mortality was very high. Besides that, I also realized that he never calculated the FCR and importance of FCR in cost saving, and also never tried our feed before. I used this golden opportunity to prove to him our feed was so amazed that our superior results and especially FCR. I saved cost of production. I managed to calculate and showed him that by using production by just paying RM1.00 price premium. Besides that, I also explained to him that our feed could maintain good water quality and thus increase the survival rate. Adding to this,
I offered him the total value package that the technical support will be given and also promised of consistency feed quality.

At the middle of April, he started to order feed from Nazra. From May until today, he uses 100% Cargill 6113 and 6123 for rearing the Tilapia. He also supplies 6113 and 6123 to the Malay farmers that he used to supply them with Dinding feed as he collects fish from them. So, the sales of Tilapia were increased to a convincing level.

Later, I met him in the Nazra's office. He gave credit to us in front of Haji Nainy. He told us that he experienced the value of Cargill Tilapia feed. The survival rate of Tilapia was more than 90% and the flesh is thicker than others are. The Cargill feed also received good response from his Malay farmers. They like to sell fish to him and exchange it with Cargill feed. He got profit not only through high survival rate and good quality fish, but also feed demand from Malay farmers. He told me that he earned higher profit than last time. Now, he even promotes Cargill feed to his friends and also to Singapore.

Cargill often delivers a relatively higher value to the customer, however, is paid the same amount as any supplier. The animal Nutrition Division discovered that there was an opportunity to capture the credit for the full value of the products offered to the customer. VBS allowed the division to better understand the worth of their value propositions and therefore collect a higher reward.

10.4.2 Case Study 2

* A quality product, good service, and a competitive price are the basic requirements for doing business with the majority of our customers. How can we become a preferred, even 100% supplier? We accomplish this goal by providing value that our customers can recognize. At North Start Steel, we are reaping the benefits of such recognized value with Ryerson, our largest full line metals distribution customers.
In many cases, a competitive advantage is created when a supplier deliver new value to one part of a customer’s business. In the case of Tyerson, one delivered value was never a game. Instead we literally attacked our business partner with six value initiatives simultaneously. The initiatives include programs that allow North Star to manage Ryerson’s inventory and give them a computerized link into our available stock. We also attacked by offering customized packaging, drastically improved delivery performance, reduced lead times through guaranteed stock/rolling availability, and technical assistance to Ryerson’s “Applications Group” that looks for ways to build the better mouse trap. The costs to North Star Steel for implementation of these value initiatives is listed below:

Table 7: North Star Steel Costs Breakdown

<table>
<thead>
<tr>
<th>Items</th>
<th>Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vendor managed Inventory</td>
<td>$150,000</td>
</tr>
<tr>
<td>NSS Availability Electronic Link</td>
<td>$23,000</td>
</tr>
<tr>
<td>Customized Packaging</td>
<td>$64,000</td>
</tr>
<tr>
<td>Improved Delivery Performance</td>
<td>$0</td>
</tr>
<tr>
<td>Guaranteed Availability</td>
<td>$0</td>
</tr>
<tr>
<td>Applications Group Assistance</td>
<td>$0</td>
</tr>
</tbody>
</table>

These value initiatives totaling $237,000 in costs to North Steel have increased our sales to Ryerson by 50% over the past 24 months. Even with this obvious success, we are not satisfied. The attack continues with a new initiative in the planning stages that will allow us to invoice shipments and receive payments from Ryerson electronically. This will remove float time, eliminate lost invoices, and increase the ease of doing business with North Star Steel. The bottom line is that we have not only increased profits using VBS (Value Base Selling), but we have made it difficult for Ryerson to change suppliers. We have created such a spread between North Star Steel and the rest of the pack, that they cannot afford not to buy from us.
On 2/11/1999, we will unveil a new award at NSS, Ryerson will become the first recipient of the North Steel Value Recognition Award. When they hang the award in their Chicago purchasing office, it will be just one more way for us to remind Ryerson on a daily basis of the value that we provide.

VBS skeptics say that steel is a commodity product that is sold on quality, service and price. These skeptics have obviously not heard about North Star Steel's value attack on Ryerson.”

10.5 Services

Customers' needs and requirements may change over time. Furthermore, the customers may not know their needs and value facets as detail as they should. One of the services Cargill should provide is to help the customers to understand their needs better in order for Cargill to match. One of the ways of doing so is to conduct customer survey. The questionnaires of the survey shall be designed as to probe deeply into the customer requirements and needs in order to improve continuously. By knowing the customers' needs, Cargill can re-position himself to attack the value that recognized by the customers.

Cargill also needs to re-establish the customer complaint program. The members of this customer relationship group shall includes members from all the related functional departments such as marketing, operation and quality assurance and etc. instead of just the marketing department alone. The purpose of the body is to manage customers complaint and to resolve customers problem more effectively and speedier in a shorter time. A study conducted by the Technical Assistance Research Program discovered that 96% of a business' customers don't complain when they have a problem. This means that for every complaint the average business receives, there are 24 silent unhappy customers. Yet if a customer does complain, he is likely to come back. The act of complaining can actually increase customer loyalty. The merchant who is dealing with the customer, shall see customers complaint positively and not too defensive or protective when problem arises. This perhaps may require paradigm shift from traditional way of thinking. No
complaint does not mean that customers are happy. The following table illustrates what happens when customers complain. Base on the outcome of the survey, we should constantly welcome customers to give feedback.

Table 8: Customers Complaint Statistic

<table>
<thead>
<tr>
<th>Unhappy Customers Who Will Buy From You Again*</th>
</tr>
</thead>
<tbody>
<tr>
<td>No complaint : 9% (91% won’t come back)</td>
</tr>
<tr>
<td>Complaint not resolved : 19% (81% won’t come back)</td>
</tr>
<tr>
<td>Complaint resolved : 54% (46% won’t come back)</td>
</tr>
<tr>
<td>Complaint resolved quickly : 82% (only 18% won’t come back)</td>
</tr>
</tbody>
</table>

* % of customers with major cause for complaint (over $100 loses) who will buy from you again.

(Source: U.S. OCAWhite House National Consumer Survey)

The customers management program shall includes the following:

a) Make it easy for customers to communicate
b) Systematically address customers feedback
c) Follow up with customers
d) Evaluate and improve
e) Recovery strategy

Not all customers are created equally. Customers are very unique from one to another. What pleases a customer does not necessarily please another. After knowing the customers' needs and requirement, the strategy shall be to segment the customers according to values that recognized by them and to manage each segment differently.

Research and Development (R&D) is another services that Cargill should provide to his customers. The R&D shall focus on new findings on applications and nutritional aspects of palm products. R&D on competitors'