

- 3) To investigate the managerial obstacles and opportunities encountered by Cargill Oilseed Malaysia when moving towards value creation activity.
- 4) Suggestion and recommendation on how Cargill Oilseed Malaysia can implement the value creation strategy more effectively.

2.0 Significant of Study

Value based competition has been perceived as a new ecology of competition. In the fast changing globalize business environment, many people believed that the only sustainable advantage comes from products that are out-innovating the competition due to the changing demand of customers. Value can be defined as the combination of benefits received and costs paid by the customers (Understanding Management pg. 217). A product that is low in cost but does not provide benefits is not a good value. For example, People Express Airlines initially made a splash with ultra-low prices, but travelers couldn't tolerate the airline's consistently late takeoffs at any price.

Delivering value to customer should be at the heart of strategy. Managers need to understand which parts of the company's operation create value and which do not. A Company can be profitable only when the value it creates is greater than the cost of resources. When a company does not accurately appraise its value-creating potential, it may become complacent.

Following is the outcome of the interview with Dr. Raja of Cargill Nutrition Division Malaysia on how he has used the Value Based Selling successfully in creating value to the customer and at the same time increased its market share:

"Jaya Gading Sdn. Bhd. is one of the largest broiler middleman cum contract grower in the East Coast of Malaysia with the capacity of 400,000 broilers. This operation needs 800Mt of broiler starter and broiler grower per month. This customer also engages in hydroponic vegetable farming, tiger prawn farming and transport services."

The broiler farms are strategically located along the Segamat Highway and Gebeng in Kuantan. The feed delivery to the farm from a local feed mill called Sin Heng Chan (SHC) which is only a few kilometers away from the farm can be arranged. Sin Heng Chan is also known for long credit term (normally 90 days) to the customer, which makes it almost impossible for Cargill to make a deal with customers in the East Coast, especially Jaya Gading.

Cargill with a strong determination to deal with this customer made 6 visits to this customer to find out precisely what the customer is really looking for from the feed supplier. It took almost a year to come up with his facets because customers are very reserved on the actual facts. Cargill Feed came up with the following facets for his customer:

- a) Feed conversion ratio requirement is 1.9 – 2.0
- b) Average market weight is 2.25kg
- c) Marketable age is 42 days
- d) Shank color is Roche color fan no: 6
- e) Credit term is 90 days

The current supplier, Sin Heng Chan was delivering some of these forms, but not all. This gap represents an opportunity for Cargill. After knowing the facets Cargill decided to offer the customer his Standard Broiler Starter and Grower feed which is the right product to meet his requirements, only with cash term. Cargill's broiler feed was priced more expensively - \$1.80/bag.

A comparative study was conducted with 20,000 broilers to convince the farmer that cost of production (\$/kg of meat) should be used to measure feed efficiency and not the actual direct feed cost as it is commonly used.

Result of the comparative study showing that:

- a) Medication cost was lower by \$0.17/bird
- b) Birds attain required body weight by a day earlier compared to the competitor feed
- c) Mortality was lower by 1%
- d) Dressing percentage was increased by 2%