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Strategic Planning For Improved Competitiveness by Regional Commodity Industries

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Many dynamic factors affect regional fruit and vegetable industries and impact their competitiveness, economic viability and growth or decline. The many challenges faced by regional industries are related to the changing markets, consumer and customer needs, strategies of competitors, cost conditions, government policies, technological developments, new regulations, international trade conditions and many other forces. Therefore industries must constantly strive to successfully recognize, adjust and respond to these many dynamic conditions in order to maintain or improve their competitiveness.

At the firm level, strategic planning, with a future orientated emphasis on competitiveness and performance, has substantial potential to aid individual firms and other organizations to anticipate and adapt effectively to the key forces affecting their industry. In this paper we discuss the topic of utilizing strategic planning techniques in the broader context of a regional commodity industry to aid the industry's performance and competitiveness.

Fruit and vegetable industries typically involve a number of inter-industry linkages among a closely related set of firms, organizations and industry segments which have many common interests and are jointly impacted by a number of key driving forces. While the industry's firms will continue to strongly compete with one another and with other regional industries, industry strategic planning may identify and give emphasis to selected key issues and elements of common interest for which certain types of joint efforts can help set the stage for improved performance of

the regional industry. These broad industry issues may include, for example, developing strategies to better serve the needs of its customers through improved quality and grade standards, generic demand expansion, overcoming export trade barriers, etc. for facilitating industry performance. Thus industry strategic planning for certain broad-based aspects of importance to the industry can supplement strategic planning and management by individual firms and organizations within an industry.

In this paper we will draw primarily upon our recent experiences with the Michigan apple industry to illustrate the industry strategic planning approach. This work with the apple industry has involved a number of research components and analyses that provide an informational base for industry planning efforts improve their competitiveness and economic viability. In addition to the experiences with the apple industry, we can also draw upon somewhat similar experiences with several other commodity industries.

The primary objective of this paper is to discuss some of the main elements of strategic planning for a regional commodity industry along with several analysis components that can be useful as input for this purpose. We will also discuss in a later section an integrated package of methodological approaches that are appropriate for the purposes and the context of industry strategic planning.

Major Analysis Components For Industry Strategic Planning

Our experiences in an industry strategic planning context show that there are a number of major components of an overall analysis that can aid an industry in planning strategically. These research components can together provide an extensive informational and analytical package that university research analysts can provide which

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will be useful for improved performance by a commodity industry (as discussed in Woods). Each of these components will be discussed in later sections of this paper. These key components include:

1. Situational analysis
2. Identification and analysis of major driving forces
3. Analysis of key success factors
4. Gap analysis
5. Determination and clarification of priority issues and needs
6. Analysis and identification of appropriate action alternatives
7. Follow-up with in-depth analyses of selected priority action alternatives
8. Impact analysis
9. Strategy review and re-evaluation

Situational Analysis

Situational analysis is a useful approach that takes into account the industry's driving forces, key success factors, opportunities, major problems, key issues, etc., along with their interrelationships. For this purpose a SWOT analysis -- including evaluation of the industry's *strengths, weaknesses, opportunities and threats*, as is commonly used in a business school approach to strategic planning for a firm -- can be quite useful in the context of industry strategic planning as well.

The situational analysis needs to draw on a variety of information sources to provide an up-to-date perspective on the industry in its dynamic environment. The information for the situational analysis can be obtained from a combination of interviews with key informants, industry surveys, group discussions with industry organizations, consumer surveys, trend and shift-share analysis and the other methods.

The situational analysis can help to clarify the industry's current strengths that can be used as a foundation for enhancing the industry's future competitive position. To illustrate this aspect of the situational analysis, Exhibit 1 shows a list of important strengths which are based upon our work with the Michigan apple industry.

The situational analysis can also be very useful in identifying important opportunities for improving the industry's competitive performance and contributing to its future growth. Some of these opportunities will likely be of a newly emerging nature, while others may be more long standing, but continue to present important opportunities for further development in the modern setting.

To illustrate the opportunities aspect, some of the top priority opportunities that were identified in our industry situational analysis for the Michigan apple industry are listed in Exhibit 2. These have a strong industry consensus as currently important industry opportunities. Most of these opportunities are related to the major driving forces and key success factors of the industry as well as to major market demands and to certain strengths of the industry.

Some of these apple industry priority opportunities for the future relate and build onto past industry strengths, while others, such as expanding export markets and more tray-pack marketing, are opportunity areas that have not been major strengths of the Michigan industry in the past. Hence the export and tray-pack opportunity areas are identified as new strategic directions with substantial potential for the Michigan industry in the future.

The situational analysis can provide useful perspectives on key industry problems and weaknesses as well as important threats to the industry. As with all phases of the analyses for strategic planning, it is important to anticipate *future* threats and problems as much as possible as well as to analyze the current situation. In this way the analysis can help the industry to be pro-active -- hopefully before threats and problems become overwhelming.

Although the situational analysis can provide useful insights on industry problems, the industry strategic planning process will need to involve further prioritization discussions among industry leaders to decide on top priority problem areas for industry improvement. This aspect will be discussed further in a later section.

Exhibit 1. Strengths of the Michigan Apple Industry.

- Location
- An array of quality varieties
- Strong combination of fresh and processing markets
- Flavor of Michigan apples
- Large volume production (the No. 2 or No. 3 apple-producing state)
- A number of strong support organizations (including university research and extension)
- Strong, realistic, bargained pricing of processing apples
- Apples are effectively combined with other fruit and vegetable crops

Exhibit 2. Priority Opportunities for the Michigan Apple Industry.

- Expand domestic demand for Michigan apples
 - ◆ Fresh
 - ◆ Processing
- Improve fresh quality
- More tray-pack marketing
- Packing house modernization
- Orchard modernization
- A superior supply region for bagged apples
- Expand export markets
- Varieties to best fit changing markets
- Exploit the combination of large processing and fresh markets
- Greater industry coordination and strategic planning

Major Driving Forces And Key Success Factors For A Regional Industry

An important result of the situational analysis should be a clarification of an up-to-date analysis of the industry's driving forces and key success factors. We are using the term "driving forces" to mean those which are most important in their impact on the industry and must be taken into account and dealt with effectively for current and future industry success.¹ Industry strategic planning needs to include an analysis of the major driving forces that are impacting that industry and

the forces that will be especially important in the future.

Another and related key component of the overall analysis is to identify and analyze the *key success factors* for the regional industry. The key success factors are those that will determine how well the regional industry responds to the driving forces in order to continue to be competitive and economically viable in the future. We are using this concept in regard to those factors which a regional industry must deal with effectively or achieve in order to be successful.

Thompson and Strickland (1992, page 84), use the concept of key success factors in the context of a firm and describe these as "... strategy-related action approaches, competitive capabilities and business outcomes that every firm must be competent at doing or must concentrate on achieving in order to be competitively and financially successful." We use a similar concept for key success factors, but apply it in a broader,

¹ Michael Porter in his book *Competitive Strategy: Techniques For Analyzing Industries And Competitors*, (1980) discusses the importance of industry driving forces, and refers to these as "fundamental evolutionary processes within an industry." Arthur Thompson and A.J. Strickland (1992) use the term "industry driving forces" in a manner similar to our use of it, while these authors emphasize the implications for an individual firm whereas we are using it in the context of the implications for a regional commodity industry.

more general way to a regional commodity industry rather than a firm.

Analyzing the key driving forces can be fairly complex because of the many factors impacting the industry in the rapidly changing market environment. These driving forces may vary considerably from industry to industry. It is important to understand these driving forces, and how they are inter-related to one another as they impact the industry.

Some prioritization of the driving forces (or which *groups* of inter-related forces) that are most important is needed so that the analysis concentrates on those forces which are most crucial to the industry. The relative importance of the major driving forces and interactions are, of course, likely to change somewhat over time. Certain driving forces may remain important for many decades. Others may be emerging as forces of increased importance; while others may decline in their importance. As the relative importance of the driving forces change over time, the priorities for the industry will also change.

To illustrate this important aspect of an overall analysis for industry strategic planning, some of the major driving forces which impact the U.S.-Michigan apple industry will be outlined here. Although the emphasis is on an analysis that is related primarily to the Michigan regional apple industry, it is important to evaluate the driving forces that impact the entire U.S. apple industry as well as Michigan in order to provide an appropriate context for the overall analysis. Some of these more important major driving forces based upon our analysis are listed in Exhibit 3.

Key success factors need to be determined for (a) the regional industry as a whole, as well as for (b) the major types of firms within the industry such as shippers, packers, processors, and growers. Identification and analysis of these key success factors can be very useful in setting an regional apple industry such as in Michigan. Although each of these key success factors could be discussed in considerable detail, because of space limitations here, we will merely list some of these to illustrate a set of key success factors for one industry with which we have worked closely.

Exhibit 3. Some Major Driving Forces Impacting the U.S. Apple Industry.

- U.S. and international markets and prices
- U.S. markets for both fresh and processing are:
 - ◆ Large volume
 - ◆ Primarily slow growing and mature
 - ◆ Highly competitive
 - ◆ Commodity markets
- High quality is very important for U.S. fresh markets
- Changing variety preferences
- National supply-demand balance
- Strong competition among major production regions
- International markets are increasingly important
- Grower prices are often well below their costs
- Successful pest control
- Regulations related to pesticides, environmental and food safety issues and public perceptions
- Technological changes and modernization for growers, packers and processors

Some Additional Driving Forces Affecting The Michigan Apple Industry

- Michigan's competitiveness and comparative costs
- Strong competition from Washington with the Washington industry's especially high overall performance in fresh markets
- Major competing supplies from several regions in processing markets
- Strong, bargained prices for processing apples in Michigan in contrast to competing states

Exhibit 4. Key Success Factors For A Regional Apple Industry.

- Provide adequate, dependable quality
- Strong customer orientation by suppliers
- A cost-competitive region with competitively priced products (on a delivered basis)
- Ability to supply the varieties and types of packs demanded by the market
- Modernization and progressiveness
- Overall responsiveness to various market and economic conditions
- Strong industry programs for advertising, promotion, merchandising and marketing
- Large volume and well-linked combination of processing and fresh markets
- Visionary, progressive industry leaders
- Adequate industry input suppliers (such as specialized fruit machinery, key inputs, etc.)

Gap Analysis

Once the key success factors have been clearly identified and understood in a realistic perspective, each of these can be dealt with in terms of a gap analysis. That is, the key success factors for the regional industry need to be analyzed in terms of the questions: Does the industry perform well enough in regard to that key success factor in order to be a competitive industry that is likely to prosper and grow? Or are there significant *gaps* in the industry's performance that need to be improved?

The gap analysis approach used in a industry strategic planning context can be illustrated with one of the key success factors for the Michigan apple industry -- the production and marketing of varieties that fulfill changing customer demands. Accomplishing this in a market environment of rapidly changing preferences is especially difficult for an industry such as apples because (a) the long-term orchard investments that can last several decades make it expensive and difficult to rapidly switch varieties, (b) the need for a critical mass of supplies for a new variety to establish a viable market for it, and (c) the many small, vertically-linked firms which perform the production and marketing functions must adjust together in a coordinated fashion to provide high performance in meeting the changing variety preferences. How well does the Michigan industry perform in regard to this key success factor of providing the varieties most in demand?

Supplying a mix of varieties has traditionally been a high performance strength of the Michigan industry. This is especially so since Michigan has supplied an array of flavorful favorites for con-

sumers including certain traditionally preferred varieties such as McIntosh and Jonathan. Michigan has combined these varieties increasingly in recent years with large volumes of high quality Red Delicious as supplied also by a number of other regions.

In recent years there are growing consumer preference trends with increasing U.S. demands for a wider array of varieties for fresh markets. This is in contrast to a previous heavy overall emphasis in U.S. apple marketing during the 1970s and much of the 1980s upon three varieties -- Red Delicious, Golden Delicious and perhaps Granny Smith -- in many U.S. grocery stores. The recent increasing demand for a wider array of varieties provides more opportunities -- particularly for a state such as Michigan that has emphasized for decades a wide mix of varieties.

On the other hand, there seems to be declining demand for certain of Michigan's older varieties, especially for fresh markets. These declining demands cause certain major adjustment challenges and some performance gaps for the Michigan industry. Michigan continues to produce and market, with at best somewhat of a mixed level of performance, some of the established varieties that seem to be in declining demand.

Consistent with the preference trends on newer varieties, Michigan has high performance in supplying some of these -- including high quality newer varieties such as Gala and Jonagold which are two of the most rapidly expanding varieties in Michigan during recent years. Michigan has lesser performance, because of its climate and shorter growing season -- and hence, a gap -- in producing some of the other newer varieties which have increasing demand.

Determination And Clarification Of Priority Industry Issues

Determination and clarification of priority issues and major needs of the industry is a crucial component of the overall strategic planning process. This component is related to the analysis and information-gathering steps discussed previously -- including the situational analysis, and the determination of the industry's driving forces and key success factors as well as gap analysis. These analysis components can be aided by industry surveys and discussions with industry leaders. Some of the industry's key issues and needs will be identified from these previously discussed analytical steps. On the other hand, determining and clarifying the priorities on issues and needs usually is rather complicated because of the many complexities of a regional subsector with its diverse, but interrelated, set of vertically-linked firms and organizations. Therefore special attention needs to be given to industry discussions (which can be aided by university analysis) on industry issues and needs which warrant their priority attention.

As a part of the analysis of priority industry issues, some attention needs to be given to identification of which issues are appropriately dealt with entirely by individual firm actions and which issues may be aided by some facilitative joint efforts to improve industry performance along with the continued foundation of highly efficient and competitive firms. These latter types of issues may include some related to industry reputation for quality, technological research needs, improved industry practices guidelines, etc. as well as generic industry promotional efforts and export market evaluation.

Prioritizing among the various issues and needs for the industry to deal with in its strategic planning efforts is especially necessary because simultaneous efforts on *all* important issues and needs is probably unrealistic. Thus priority-setting on those issues and needs that deserve most immediate attention is quite important.

Analysis of Potential Action Alternatives

Identifying appropriate action alternatives which might be used to help improve perform-

ance on some of the industry's priority needs and key issues is another important step. For an industry, this will be related to selected broad-scope issues and the action alternatives will be of a stage-setting nature. For example, an industry may consider setting some more modern grade or quality standards which can help improve the industry's performance and reputation in serving customer quality needs.

For another example, this approach may be helpful for a regional industry to achieve a needed critical mass of volume of a certain variety in order to effectively meet some market requirements. Some type of guidelines for the region might be helpful, therefore, on ways to best take advantage of the region's abilities for producing certain fruit varieties and/or types of pack that are in demand. With many relatively small farms and marketing firms in a regional industry, often a single firm cannot provide the needed volume to effectively serve certain markets especially with the larger customers. For the region as a whole, however, the action alternative of developing some informational guidelines might encourage many growers and firms to sufficiently emphasize a certain variety or type of pack so that in total the industry can better serve customer needs in a high performance fashion.

To illustrate both (a) the determination of priority issues, as discussed in the previous section, and (b) an analysis of industry actions, some of those which the Michigan apple industry is pursuing as part of their strategic planning efforts are listed in Exhibit 5.

In-Depth Evaluation Of Selected Remedial Action Alternatives

As the industry strategic planning process continues, certain subcomponent analyses of selected priority problems, issues, and/or potential action alternatives need to be analyzed in greater depth than that provided in the initial overall industry analysis. For example, in our apple industry project we have been requested by the industry strategic planning task force and other industry organizations to do a series of in-depth analyses and evaluations of selected issues or remedial action alternatives that have been identified as

Exhibit 5. Priority Issues And Actions For The Michigan Apple Industry.

- Quality improvement for fresh apples
 - ◆ A premium grade for Michigan
 - ◆ A total quality management or improved management practices system for Michigan
- Variety evaluation and strategies
- Domestic demand expansion
 - Strategies of the Michigan Apple Committee
 - ◆ More market research
 - ◆ Expanded budget and overall program
 - More emphasis on trade field people and new varieties
- Pest management "stewardship" plan
- Export expansion programs
- Increased marketing of tray packs

high priority. This illustrates the iterative and interactive nature of the research work when it is being done with close linkage with industry leaders and organizations. This component on in-depth analysis of selected priority issues and/or action alternatives also adds to the usefulness and relevancy of the overall strategic planning analytical effort.

Impact Analysis

After the strategic planning process has proceeded to the extent that the industry has implemented some actions as a result of this planning process, an important next stage can be analysis of selected dynamic industry changes and their impacts upon the region's competitive position. Some of these changes may have occurred as a result of the stage-setting industry programs such as generic demand expansion, while other important impacts may be because of new or continuing driving forces. Often the net impact will be because of a combination several actions and certain change forces as the dynamics of the market and the industry evolve over time.

Strategy Review And Re-evaluation

Another later stage, which is part of a feedback loop for the overall analysis, is that of strategy review and re-evaluation. This relates, in part, to the impact analysis for industry strategies which have been implemented or have evolved over time. It can also involve an up-dating and review of other industry changes that have oc-

curred through a successive round of the previously discussed strategic planning analysis components including a review of how changes are occurring in the industry's major driving forces, key success factors, gap analysis, priority issues, etc. The effectiveness of certain industry actions and/or programs need to be periodically examined and evaluated by the industry.

University Research Input And The Importance of Industry-University Linkages

Effective strategic planning by a commodity industry needs to make use of analyses and information from a variety of sources. University research can provide one source of analysis and information that can be useful for these planning purposes -- especially with a holistic analytical approach to the many industry complexities and different industry segments.

The potential of university research in a strategic planning framework is particularly great because industry strategic planning helps set a broad perspective which can be very useful to the industry's firms, but is of a broader analytical nature than small firms often take. Hence, the university has some potential comparative advantage in providing this type of broad-based analysis that can be useful for improving a commodity industry's performance and competitive position.

Throughout all phases of the industry strategic planning research efforts, effective linkages with the industry are important. While university research can provide an important and useful analytical base, any planning of strategies to help

facilitate or set the stage for improved competitiveness of a regional industry requires implementation by the industry itself. Thus effective linkages with the industry through its leadership and organizations are essential. In this way, university background analyses and research can be put to good use. On the other hand, university research for strategic planning, if not effectively linked with the industry, is likely to be relatively sterile and little used.

Strategic planning with a regional commodity industry involves a number of differences compared to strategic planning with a single firm or organization. There are many additional complexities when working with strategic planning in an *industry* setting. The linkages to the industry involve the complex, but related, set of firms and organizations in the vertically linked industry system of growers, packers, shippers and processors as well as promotional commissions, associations and other special industry support organizations. Fruit and vegetable industries are often comprised of many relatively small firms, with perhaps a sprinkling of medium-sized to medium-large firms as well. Industry leaders and effective university-industry linkages must effectively deal with these complexities and industry diversity if there is to be progress on selected facilitative or "stage-setting" strategies for improved industry performance and competitiveness. On the other hand, it is recognized that the great bulk of decisions and actions for any implementation for improved performance will remain with the individual firms and organizations.

Industry *leadership* is crucial for the consensus decision-making that is a major element of the overall process of industry strategic planning. Therefore the results of the research need to be framed and linked to the industry in a manner that recognizes the importance of industry leadership and consensus decision-making.

In the apple industry strategic planning project, linkages with the industry were facilitated by the formation of a specific industry-wide strategic planning task force. This Michigan Apple Industry Strategic Planning Task Force is comprised of representative leaders from all the industry's major organizations (see Exhibit 6). The representa-

tives to this task force or "futuristic industry round-table" include visionary leaders from many major firms and organizations who have a comprehensive and analytical understanding of the industry, including its current situation and future needs. They also aid the continual linkage and two-way information flows with the various industry organizations and segments. Because this task force was formed for the specific purpose of facilitating industry strategic planning efforts, discussions with this group are particularly relevant and help identify specific components as the research progresses.

Priority Setting Based Upon The Status And Potential for The Region's Competitive Position

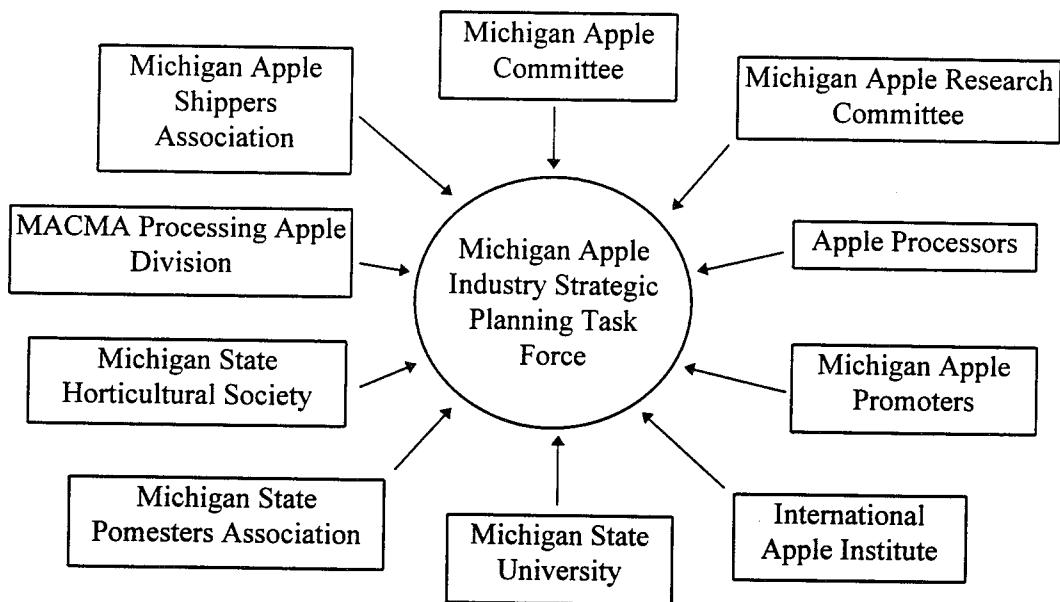
An important early-stage component in the overall research process can be an overview analysis of the status and potential for the regional industry. This can include a broad perspective of the region's competitive position, background information on the industry's current status and broad indicators of the industry's future potential. This overview analysis can help to set research priorities for those industries with greatest needs and potentials.

In Michigan, the Agricultural Experiment Station has initiated and stimulated this type of overview analysis of the status and potential of a number of agricultural related subsectors or industries. Then, for some of these industries, additional follow-up research has been undertaken with greater in-depth analyses of the industry's competitive position and various factors that can improve the overall future of that industry.

Comments On Research Methods For Industry Strategic Planning

A number of research methods can contribute important useful information and analysis results for the industry strategic planning process. Analytical results and relevant information from the different methods must be effectively combined and integrated for greatest effectiveness in aiding the industry for these purposes.

Exhibit 6. Michigan Apple Industry Strategic Planning Involves Many Industry Organizations.



Interviews With Key Industry Informants

One of the most important aspects early in the analysis is to use interviews with key industry informants to gain up-to-date analytical insights about the industry, its driving forces, key success factors, various interactions, key issues and problems, etc. Interviews and discussions with key informants who are the most knowledgeable, analytical and visionary are extremely important for a realistic and broad perspective early in the analytical process for industry strategic planning.

With all commodity industries with which we have had experience, we have found that in-depth interviews with key informants to be a very important component of the overall analysis. It is interesting that Michael Porter indicates in his book The Competitive Advantage of Nations that he used this technique extensively.

Identifying the most visionary and knowledgeable key informants is an essential step. Often these people will include capable staff of some of the key industry organizations and visionary management of the top firms. These industry leaders can also help identify other knowl-

edgeable key informants in the industry. Sometimes extension agents who work closely with the industry which is being studied can be very helpful for the analysis process -- both as key informants themselves and by identifying additional industry informants.

For the key informant phase of the research, large numbers of observations are *not* the most important aspect. It is most important to identify the people who most thoroughly understand the industry in analytical, visionary and insightful ways. It is also important to interview key informants who can provide an understanding of each industry segment.

In-depth interviews with these knowledgeable people can be an efficient way of rapidly learning about some of the most important forces and issues of the industry. This is a standard, though informal, research method that is widely used by businesses. It is also a very relevant, valid and useful research approach for university economists whose objective is to provide useful information for industry strategic planning purposes.

Analysis Of Published Information

Several types of analyses of existing published information and data can be useful. For example, in our work with the apple industry strategic planning process, we analyzed, at the industry's request, a number of key industry trends, such as market volume and price trends by regions, based upon published data that are related to the major markets for the Michigan region. Along with this, a shift-share analysis was made of the different regions (including Michigan) and their market shares over time. This provided indications of how the competitive position of Michigan has been changing during recent years in comparison to other regions. Thus a useful set of information was provided as an early analysis component for the industry strategic planning efforts and to clarify some of the basic situations as part of the recent status and current competitive position of the Michigan industry.

Group Discussions With Industry Leaders

Important information for the strategic planning process can also be gained through discussions with *groups* of industry leaders. This is a way to add to the information from key industry informants in a synergistic fashion. Meetings by industry leaders, such as by the boards of directors of industry organizations, key firms, industry committees and task forces, etc., commonly deal with selected issues and problems of the industry, and in the process, they also discuss their analyses of the driving forces, key success factors and certain types of relevant action alternatives for the industry. In our work with the apple industry strategic planning project, extensive use of this group discussion method has been used with a number of industry organizations. The Michigan Apple Industry Strategic Planning Task Force was especially useful for this purpose. We have also used this method considerably in work of a strategic planning nature with other commodity industries.

Industry Surveys

Large sample surveys of industry segments such as growers, shippers, packers, etc., can be a

useful method for gathering some of the important broad-based information that is needed for industry strategic planning project. Surveys of industry participants can contribute information for the situational and gap analyses for the industry. For the later stages of the industry strategic planning process, where consensus decision-making is necessary for certain types of actions for improved industry performance, an industry survey can also contribute to the industry's consensus decisions.

In our work with the Michigan apple industry, we have used large sample surveys of different industry segments including shippers, growers and packers. These surveys were done at the request of the task force of industry leaders who have been working on planning strategies for their industry's improved performance. For example, in our recent work with the Michigan apple industry, we completed a mail survey that was sent out to all growers and all packers.

For part of the apple industry surveys, we used in-depth personal interview techniques with key industry informants and industry segments with small numbers of participants. This approach was used, for example, in a survey of all Michigan shippers. This method was practical because there are only 20 shipper firms in this key industry segment.

In the case of the apple industry project, the various surveys were, in part, organized in a situational analysis or SWOT framework. Thus the questionnaire asked about industry strengths, weaknesses, opportunities and threats (or problems). In addition, some important attention was given in the surveys to industry participants' views and indications of support regarding selected action alternatives which had been identified as possibilities by industry leaders, organizations and the strategic planning task force.

In some of our strategic planning type of work with other commodity industries, no formal, broad-based survey of industry participants were used. In these cases, the industry leaders decided that key informant information and group discussions with industry leadership were sufficient and higher priority for the needed analysis for strategic planning purposes.

Consumer Surveys and Customer Market Research

Consumer and trade surveys can be an important market research component of the overall analysis for industry strategic planning. Consumer surveys can help determine the latest consumer preferences, behavior and perceptions that are important in determining the industry's needed directions to serve these customer needs. These can thus provide important insights on the customer demand aspects of the driving forces and key success factors for the industry.

Trade and consumer surveys can be especially important for commodity industries for which the final phases in the marketing channels are carried out by private label or commodity marketers, and/or food manufactures and retailer-wholesalers who are not particularly oriented toward the commodity's interests. In contrast to large branded food manufacturers who routinely use market research for strategic planning for their firm, commodity industries often use little in-depth market research about the preferences and needs of their customers. Nevertheless, knowledge of changing consumer preferences and behavior is important for a commodity industry's responsiveness in effectively serving the needs of its customers.

In the apple strategic planning project, at industry request, we have integrated consumer preference and behavior information based on focus groups (Beggs, Ricks and Heinze) and several consumer surveys (Ricks, Heinze and Beggs). This is partly because the industry strategic planning task force, the Michigan Apple Committee, and certain other key industry organizations have recently emphasized market research for up-to-date information on consumer preferences and behavior as a high priority informational component for their strategic planning.

An example of some of the results of the consumer market research are shown in Exhibit 7. These results from consumer surveys show that 80-90% of consumers rank flavor, crispness and unblemished fruit as "very important" in their

apple buying decisions. By contrast, color, variety and price are "very important" to a considerably smaller 36-46% of consumers. These results suggest that apple industry strategies to effectively serve consumer preferences should give considerable emphasis to flavor and to crisp, unblemished fruit while continuing some attention to color, variety and price.

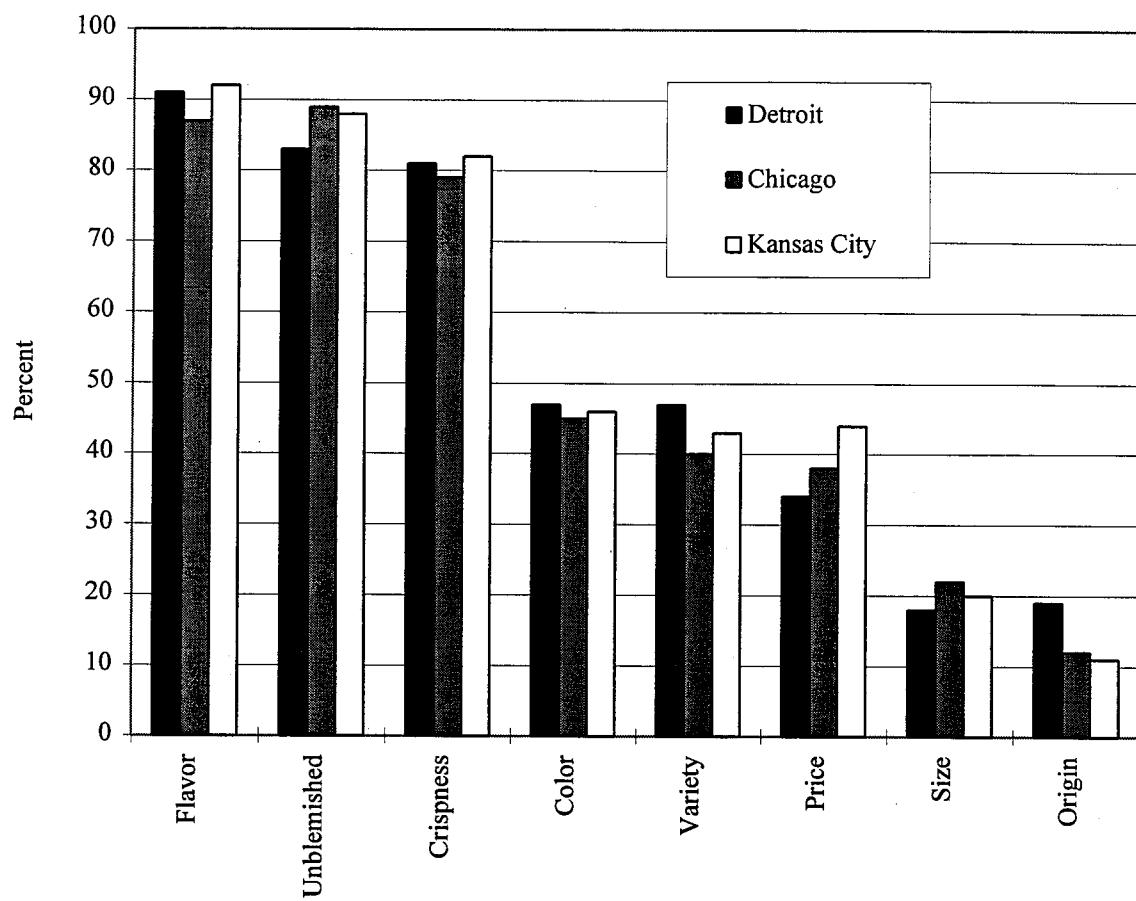
Preliminary Analyses With Industry Review And Feedback

A key feature of the analysis that is needed for effective industry strategic planning is that a holistic approach is needed with interactions between industry leaders and the analysts during the process. A very broad perspective is also important, along with an understanding of the interactions of many complex factors that impact the industry and its priority issues. Because of this, no one person, including university research analysts, can be expected to understand completely all of these complexities, interactions, priorities and impacts of the various relevant factors. Therefore another very useful method that we have used as the overall analysis proceeds is that of writing up preliminary analysis components in an integrated fashion, and then obtaining extensive industry review, analytical reactions, group interactions and additional informational input from industry leadership. This is another latter-stage key informant component in the overall methods package.

The Michigan Apple Industry Strategic Planning Task Force has been used extensively for this purpose. In addition, review, discussions, additional information input, modifications and additions to the analysis have also been based upon the insights of other key industry organizations and leaders.

In the above fashion, the analysis incorporates the insights of a number of key industry leaders. This broadens the base of input from knowledgeable people and the visionary analysis which is needed for the complex, future-oriented strategic planning for a dynamic industry.

Exhibit 7. Importance of Apple Characteristics - Percent of Consumers Ranking Characteristic as "Very Important."



Summary

The competitiveness and economic viability of a regional commodity industry, as well as its component firms and organizations, can potentially be enhanced by planning strategically for the future. Industry strategic planning, especially in selected priority issues, can help set the stage for appropriate responses to the many dynamic changes and driving forces that impact such an industry -- and hence contribute to the industry's competitiveness and potential future growth.

The analysis and research input for industry strategic planning must take into account the industry's complexities and dynamics. A broad perspective is needed. University research and extension that are closely linked with the industry can provide an integrated package of analytical

and informational input that is useful to a regional industry as they plan for the future. A number of analysis components have been identified and discussed in this paper as an analytical framework to assist an industry to plan strategically.

One key point that needs to be emphasized is that because of the continuous, ongoing nature of the many challenges that face an industry, there is also an ongoing need for strategic planning in a dynamic manner to meet the challenges in these rapidly changing times. Although planning strategically needs to be oriented to the future over a period of several years, the process will be most effective in an ongoing basis as industry conditions, problems and priorities change. Frequent updates are needed. Areas of emphasis for the industry strategic planning will change over time as the industry's priorities change.

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