

Collaborative Relationships – Measuring Success



Improving Scotland's food and drink businesses through collaboration

SCOTLAND
OF FOOD & DRINK

Once partners in a supply chain have agreed to work closely together and have developed a shared vision and mutual goals, it is important that they develop and set performance measures, allowing them to measure their progress towards achieving those goals. Many companies have their own internal performance measures and as some of these are shared with their supply chain partners, it can highlight issues occurring in other parts of the supply chain that have an impact on performance and point to areas where joint supply chain action to address these would benefit everyone.

For the **Argyll Food Producers**, their first joint venture was a new experience and they had to risk capital, with no method of working out whether it would be successful for them. As they've gained experience, they now find it easier to quantify risk and benefits and assess which are the most suitable events to attend – they now know that it takes a certain number of people per food seller to make an event profitable.

Managing costs is also something that needs to be monitored – for the first event, for example, the companies didn't co-ordinate transport. Subsequently, they have addressed logistics and are sharing transport and reducing costs.

Key Point from this case study:

- The group had to learn new skills and develop new products to enter a new market – for example, they had to learn how assess the risk associated with each event

For **Highland Thermo Logistics (HTL)**, **Long Lane Deliveries (LLD)** and **Waltons of Oban**, there is no pressing need to engage in joint strategy and planning, as they are separate companies which collaborate where they see opportunities, but also compete for other business. They don't set targets, but they have been open and fair with each other, in order to build up trust.



HTL and **LLD** have service level agreements, and have exchanged price cards. HTL has set most of the prices for the Highland deliveries, which **LLD** accepts as fair. For **Waltons** and **HTL**, the arrangement is very informal - business is offered and shared as it comes up. **HTL** estimates that its fuel savings are already 5% or more and that 10% of business growth is as a direct result of collaboration with **Waltons** and **LLD**.

Key point from this case study:

- Each partner has to be able to see the opportunity and track the impact on their business

The new joint venture company between **Mackie's** and **Taypack – Mackie's at Taypack** – employs nine people. The overall objective is to grow **Mackie's at Taypack** sales to £3 million within two years and to increase the number of employees to 15. The company aims to secure listings with the major multiples, independent retailers, delicatessens and wholesalers – and to investigate export opportunities. The company will also continue work on new product development within the snacking sector.

These targets will be monitored by a daily communication about the business, as well as formal board meetings and monthly sales and production meetings – and an internal newsletter to keep all staff informed of progress.

Key point from this case study:

- **For a formal relationship, formal targets and measures are key to success**



Salmac Sales Limited was founded in 1985, selling farmed salmon on a commission basis. In 1992, Andrew Walker took over as Managing Director and in the early part of this decade the company evolved into a distributor, trading a wide range of Scottish seafood. The objective was to increase sales volume, in order to grow the company's margin income.

Salmac's core products now include prawns and scallop meat, as well as salmon, and the company has offices in Aberdeen and Boulogne-sur-Mer, France. **Salmac** employs 15 people and turns over approximately £20 million per year. Just over a third of its sales are to the UK, with the remaining two thirds to export markets including Ireland, France, Belgium, Spain, Italy and the United States.

The company doesn't have formal goals agreed with suppliers, but there are regular discussions with salmon farmers and shellfish suppliers about the market and supply conditions. This enables future planning in terms of sales which helps improve the return on the product. Between **Salmac** and **Select Shellfish**, (a joint venture partnership with one of its main suppliers), there is advance notice of what is coming in, which allows the company to sell proactively, ensuring above-market prices and product freshness. In turn, Select Shellfish is able to pass market information back to the boats, allowing them to plan their catch and landings accordingly.

Key Point for this case study:

- **Feedback both ways along the chain helps everyone to understand what is required for success and play their part**

For **David Sands** and **Stephens Bakers** collaboration has led to real success for each company. The relationship now accounts for almost 30 per cent of **Stephens'** sales and eight per cent of **David Sands'** turnover.

At managerial level, the two firms meet on a quarterly basis to review progress, whilst sales are analysed on a weekly basis. The quarterly meetings also afford them the opportunity to discuss strategy and business planning. They look forward at a five year timescale for both businesses and share business issues and learning.

For example, at a meeting in February they will review the Christmas results and plan for the following year. Any issues which need resolved will be aired and solutions discussed.

They are very open about profit margins as both businesses are, to an extent, dependent on each other for building profit. They understand that profits have to be fair to ensure that each thrives.

Key Point from this case study:

- For a formal relationship, formal targets and measures are key to success

Further information is available from:

Argyll Food Producers

www.argyllagriculturalforum.com

Highland Thermo Logistics

Email: Freeze.htl@virgin.net

Long Lane Deliveries

www.longlanedeliveries.co.uk

Waltons of Oban

www.waltonsofoban.co.uk

Mackie's at Taypack –

www.mackiescrisps.co.uk

Salmac Sales

www.salmac.co.uk

David Sands Ltd

www.david-sands.co.uk

Wm. Stephen (Bakers) Ltd

www.steakbridie.com

For further information about the Cultivating Collaboration project please go to

www.ctwo.org.uk