

IDEA



What Is Relationship Management

Initiative for the Development of Entrepreneurs in Agriculture

Peter Goldsmith

As we move into the 21st century, agricultural producers are looking for new ways to create value. For many, marketing commodities like corn, soybeans, or hogs in traditional markets and earning a proper income is becoming more and more difficult. Producers are looking for alternative products and markets. One option available is through Relationship Management. What is Relationship Management?

Relationship management (RM) is a fairly new practice having arisen out of the quality movement in the 1980's. It is a process where suppliers work very closely with clients. In traditional agriculture the marketing stages are separated with little information flowing between processors and producers. RM is about developing a relationship with the downstream firms such as 1st handlers, processors, and retailers. Instead of a competitive relationship between producers and processors, where their gain is the producers' loss, RM is about partnering, sharing information and working together to drive costs out and quality into the market.

How does partnering with 1st handlers and processors create value?

Producing products in the modern economy is a challenge for everyone in the food supply chain, not only producers. Given the rise in importance of identity preservation, product segregation, niche markets, and global competition, 1st handlers and processors are looking for high quality suppliers that can give them an edge. If a group of producers can effectively provide service to a 1st handler or processor, the group will be valued and command a premium.

Are there any examples of RM currently in Illinois?

Yes! There is a group in its second year of operation, The Ag Guild of Illinois™, LLC (<http://www.agguild.com/>). This dynamic group of farmer is forging new frontiers providing service to corn and soybean processors in the region. They exemplify relationship management by working with the end

user to determine the most appropriate types of corn or soybeans to increase the processing yield of predetermined nutrients at the feedmill, food plant or other end use (Ag Guild.com). Thus the Guild adapts itself to the needs of its clients providing value through excellent service.

How do producers get started?

- 1) *Learn* the market. Make contact with 1st handlers and processors who are looking for 1st class service.
- 2) *Inquire* about programs already in existence. Take advantage of these to begin the relationship.
- 3) *Assess* what it will take to not only comply with the contract specifications but also exceed them?
- 4) *Think* about group action. Most 1st handler and processor needs go beyond the capability of one producer. A producer group needs to be formed. Not only may large quantities be needed but also the product will have to be uniformly of high quality. This takes time and group management expertise.

To find out more about RM contact: Dr. Peter Goldsmith at pgoldsmi@uiuc.edu or look at the following references. Curry, J. (2000). *The Customer Marketing Method*. The Free Press. New York. Peppers, D. and M. Rogers. (1993). *The One to One Future: Building Relationships One Customer at a Time*. Doubleday. New York. Rackham, N., L. Friedman, and R. Ruff. (1996). *Getting Partnering Right*. McGraw-Hill. New York.

